Tekfen Holding
Annual Report 2014

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TEKFEN HOLDING

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

Contents

Tekfen Holding; a publicly traded company, with its affiliates, heads a specialized group of companies operating optimally to the highest ethical standards. Tekfen has created a difference through nearly 60 years of accumulated expertise.

Profile and Basic Indicators

Profile

Tekfen Group is a publicly traded group of companies consisting of 39 companies and 9 subsidiaries, and 13,878 employees. Founded in 1956 by Feyyaz Berker, Nihat Gökyiğit and Necati Akçağlılar, today the Group operates through four core business areas: Contracting, Agri-industry, Real Estate Development, and Other Activities. The Group is a leader in the Turkish business world, not only for its brands and market strength, but also for the values it represents. In 2014, it had TRY4,475 million in revenues and assets of TRY4,955 million.

Tekfen strives for perfection in all its business areas and it has always placed a high value on ethics in all of its work. It continues to operate on the basis of focused growth and sustainable profitability. This approach reflects the philosophy prevailing in all group companies working synergistically under the management and coordination of Tekfen Holding.

Tekfen Contracting Group

The Tekfen Contracting Group, with nearly 12,000 employees and almost 350 projects completed to date, is an internationally renowned leader of the Turkish contracting sector. Providing customers with EPC (engineering, procurement, construction) turn-key solutions in many sectors, the Group is an international contractor operating in a wide geographical area. Tekfen Construction, which is the Contracting Group's flagship, primarily constructs, first and foremost, oil, gas and petrochemical plants, as well as pipelines, land and sea terminals, offshore platforms, tank farms, oil refineries, pumping stations, power plants, industrial facilities, highways, subways, infrastructure, buildings, stadiums and superstructures.

Tekfen Engineering, which is also a part of the Contracting Group, specializes in engineering design, procurement, and project management. Tekfen meets its needs for steel fabrication and process equipment at Tekfen Manufacturing's Derince Plant (near Istanbul) as well as at Tekfen Construction's Ceyhan Steel Structure Fabrication Plant and the Bayıl Steel Structure Fabrication Plant (Baku, Azerbaijan).

The Group's commitment to maintaining international standards of quality has enabled it to grow steadily and to achieve international recognition for the Tekfen name. Tekfen Construction is the solution partner of choice for many international companies in the construction of the most complex facilities. As of the end of 2014, the Company had an active backlog of US$2.4 billion.

1956
the year Tekfen was founded

39 companies

9 subsidiaries

13,878 employees

Tekfen Agri-industry Group

The Tekfen Agri-industry Group is the sector's largest private corporation in terms of business volume, product/service portfolio and market share. Operating under the Toros Tarım brand, it is Turkey's 57th largest industrial company according to the 2013 Report of the Istanbul Chamber of Industry. While principally a producer and marketer of chemical fertilizer, it also engages in agricultural activities, comprising seed production, techno-agriculture and seedling production. Toros Tarım sees the development of Turkish agriculture as a multifaceted process and it is committed to playing an effective role in this process. The company leads the industry with 38% of Turkey's total installed fertilizer production capacity. It strives to raise agricultural productivity and to enable agriculture to assume its rightful place in the national economy. To do this, Toros Tarım not only provides farmers with fertilizer, but also varieties of quality seedlings and seeds.

Terminal management is an important non-agricultural area of business for Toros Tarım. Today, the company manages two terminals, Ceyhan and Samsun. The Toros Ceyhan Terminal is one of the most important international ports in the Eastern Mediterranean. Toros Tarım's other business areas are free zone and gas station management. The Adana Yumurtalık Free Zone (TAYSEB) covers an area of 4.5 million m^2, making it one of Turkey's largest free zones. It is the first industrial free-zone established in Turkey.

Tekfen Real Estate Development Group

Tekfen Real Estate Development Group was founded in 2000 to meet the need for high quality and innovative projects in the Turkish real estate sector. It carries out real estate projects to international standards. Quality, sustainability, environmental concern, functionality and reliability are the key values of the brand, with its own distinctive style. Tekfen Real Estate Development provides integrative services in the areas of investment, project development, design, construction management and facility management while aiming at customer satisfaction in every detail.

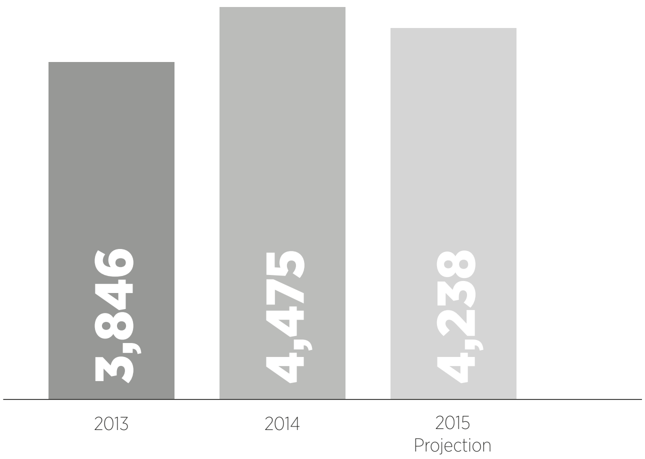
To date, Tekfen Real Estate Development has undertaken many pioneering projects that harmonize with the urban fabric, add value to the city, stand out conceptually, and raise the quality of life for the users. It places a priority on sustainability and energy efficiency in all of its developments and it is also the first in Turkey to carry out green building projects.

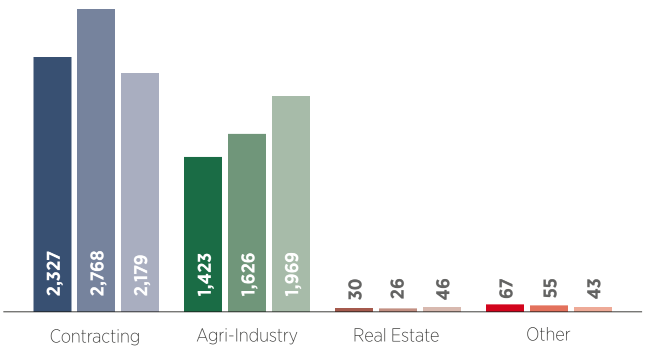
Other Activities

Apart from its three core areas of business – Contracting, Agri-industry and Real Estate Development – the Tekfen Group also operates in lighting and insecticides with Tekfen Industry, insurance brokerage with Tekfen Insurance Brokerage, and cotton yarn production with the Papfen Yarn Plant in Uzbekistan.

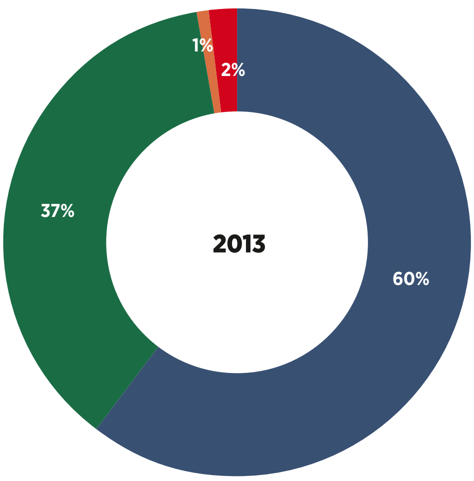
Basic Indicators

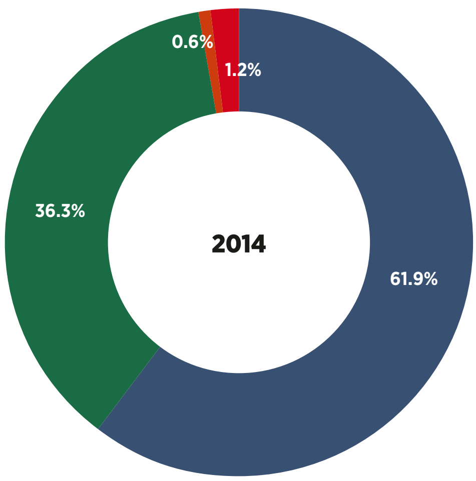
Revenues (Consolidated million TRY)

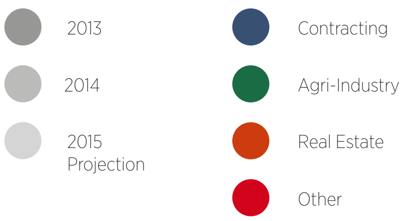




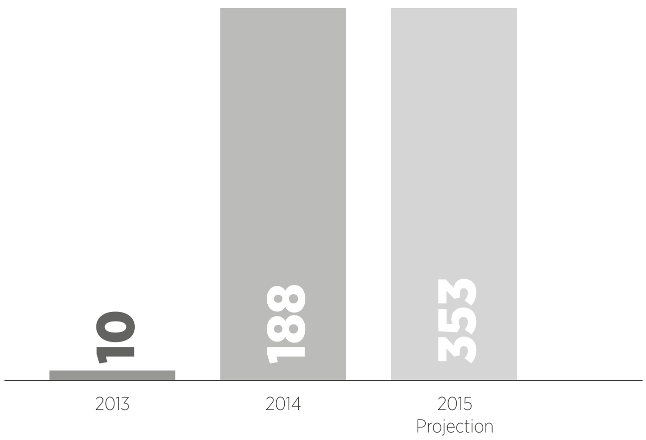
Breakdown of Revenues (%)

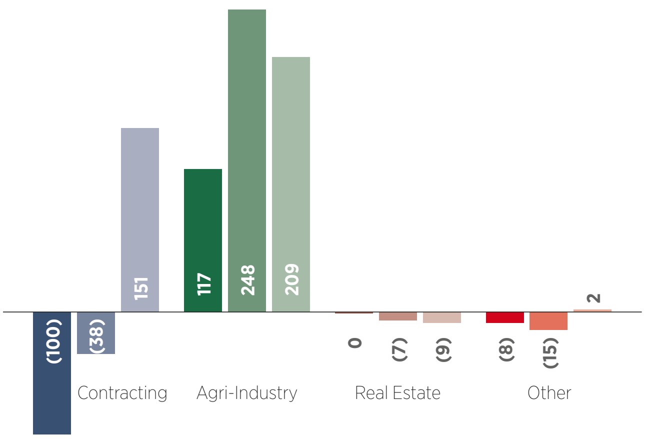




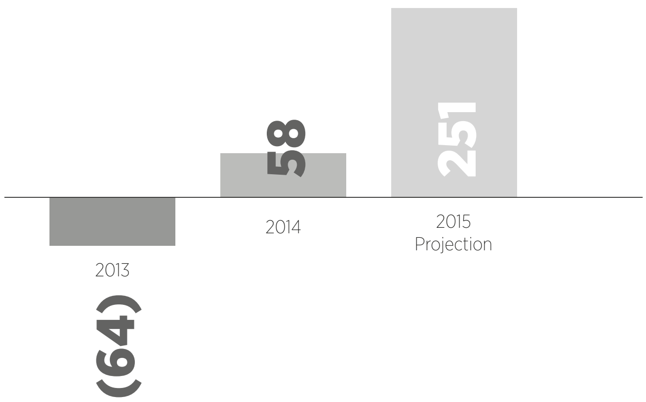


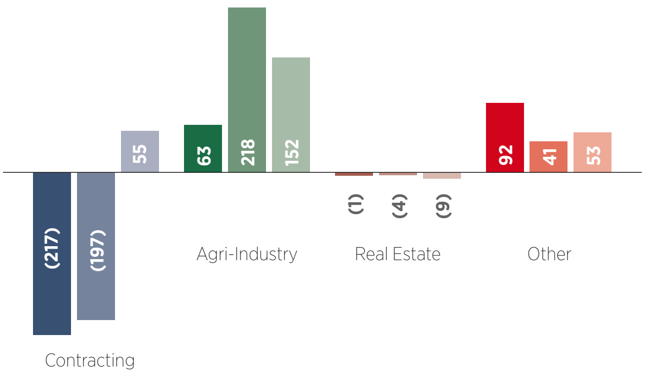
EBIDTA (Consolidated million TRY)



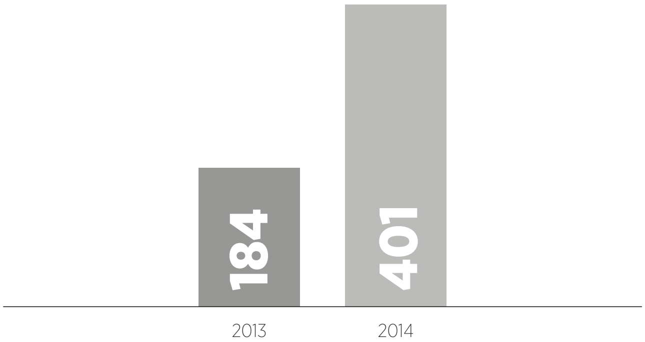


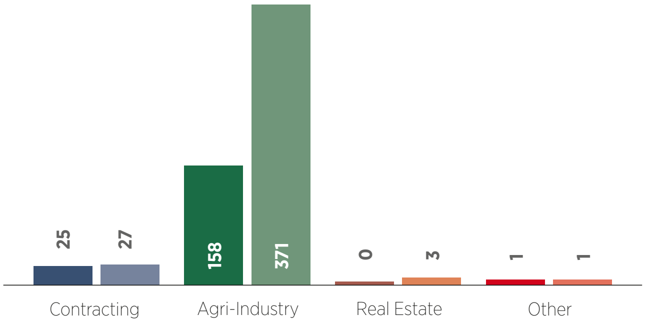
Net Profit / Loss for the Year (Consolidated million TRY)



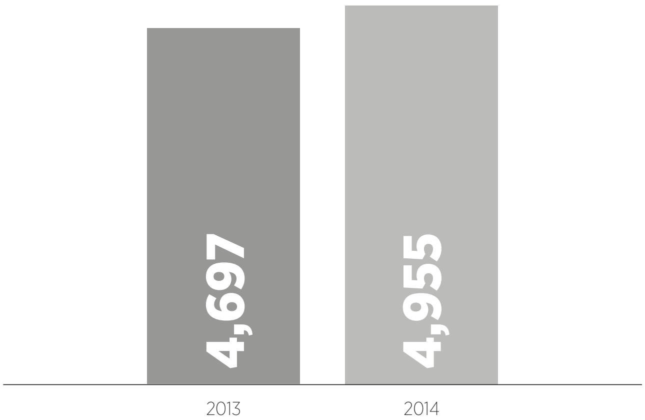


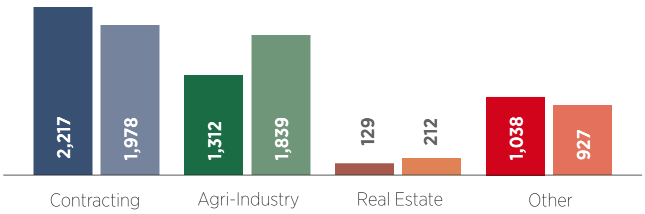
Investment (Consolidated million TRY)





Assets (Consolidated million TRY)





Employees

2013

15,514

2014

13,878

SUMMARY BALANCE SHEET (thousand TRY)	31 December 2014	31 December 2013
Current Assets	3,255,170	3,291,454
Non Current Assets	1,700,312	1,405,966
Total Assets	**4,955,482**	**4,697,420**
Current Liabilities	2,277,766	2,326,434
Non Current Liabilities	681,652	448,789
Equity Attributable to Owners of the Parent	1,959,165	1,890,154
Minority Interest	36,899	32,043
Total Shareholders' Equity and Liabilities	**4,955,482**	**4,697,420**

SUMMARY INCOME STATEMENT (thousand TRY)	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	4,474,755	3,846,036
Gross Profit	452,424	127,232
Operating Profit / (Loss)	24,515	(123,547)
Profit / (Loss) Before Taxation	95,695	(5,149)
Net Profit / (Loss) for the Year	57,857	(63,682)

IMPORTANT RATIOS	31 December 2014	31 December 2013
Liquidity		
Current Ratio	1.43	1.41
Liability and Indebtness		
Total Liabilities / Equity Attributable to Owners of the Parent	1.51	1.47
Current Liabilities / Total Liabilities	0.77	0.84

	1 January - 31 December 2014	1 January - 31 December 2013
Profitability		
Gross Profit Margin	10.11%	3.31%
EBITDA Margin	4.20%	0.25%
Net Profit / (Loss) for the Year	1%	-2%

Tekfen Holding
Board of Directors

Standing from left to right:
Erhan Öner
Board Member
and Chief Advisor
Zekeriya Yıldırım
Independent Board Member
Dr. M. Ercan Kumcu
Board Member
Çiğdem Tüzün
Independent
Board Member
Murat Gigin
Board Member
Dr. Ahmet İpekçi
Board Member
Prof. Dr. Çelik Kurtoğlu
Independent Board Member

Seated from left to right:
Prof. Dr. Emre Gönensay
Independent Board Member
Sinan K. Uzan
Board Member
Cansevil Akçağlılar
Vice Chairman of the Board
and Executive Director
Ali Nihat Gökyiğit
Chairman of the Board
and Executive Director

Chairman's Message

Esteemed Shareholders,

Many economists have argued that the business world needs to be prepared for a long period of uncertainty and upheaval in the era following the 2008 global economic crisis. Global and domestic developments have proven this view correct. Economic fluctuations, on the one hand, and geopolitical events in neighboring countries, on the other, demonstrate just how difficult it is to anticipate future events.

Corporate success in such an unpredictable environment depends on businesses' vigilance of risks and their ability to rapidly adapt their business models to changing conditions. Achieving sustainable success requires greater effort and skill than ever before. Vitally important as economic and political uncertainties are, of equal concern is the intense competition created by globalization, which makes business conditions increasingly more complicated.

In this environment, Tekfen Group strives to do business in a dynamic and focused manner. The Group bases its response to today's demanding conditions by its ethical values, avoiding major risks, and making a difference through applying its accumulated knowledge.

Fittingly, Tekfen Group undertook many distinctive projects in 2014. For example, our natural gas projects under Azerbaijan's Shah Deniz Stage 2 investment initiative, our success in constructing offshore platforms, which required great expertise, and our construction of the Baku Olympic Stadium in a record 24 months, demonstrate that our Contracting Group's expertise can equal the greatest of challenges. Our Ceyhan Steel Fabrication Plant in Turkey is producing oil platform modules for Brazil, signifying our success in seizing the opportunities globalization presents. Meanwhile, contracting a major

> **“** Tekfen Group strives to do business in a dynamic and focused manner. The Group bases its response to today’s demanding conditions by its ethical values, avoiding major risks, and making a difference through applying its accumulated knowledge. **”**

share in 2014 of the Trans Anatolian Natural Gas Pipeline Project (TANAP), one of Turkey’s largest energy projects in recent years, gives us pride and reinforces our confidence.

Our Agri-industry Group boosted its impressive record of achievements over the years. In 2014, it proved its ability to shield itself from global and local fluctuations in the fertilizer industry and it reinforced its market leadership. Toros Tarım’s US$300 million investment in its amsun Fertilizer Plant is an expression of confidence in itself and the future.

Tekfen’s Real Estate Development Group took a major step in 2014. It started its largest ever real estate project – the 1,424-unit HEP Istanbul housing project in Istanbul. The group aims at sustainability in all its areas of business and will accordingly carry out this project under the Environmentally Friendly Building concept.

These developments highlight Tekfen Group’s distinctiveness and reliability and they enable us to look to the future with confidence. To achieve sustainably in its activities, Tekfen Group acts according to existing conditions, evaluates all risks from multiple perspectives and takes the necessary steps to diminish them, invests in youth and human resources to enhance its competitiveness, and renews its business models to meet the needs of the day.

Emerging from a year fraught with difficulties, I extend my thanks to all our executives and employees for their efforts and their sacrifices, and to our shareholders for the trust and support they have given us.

Ali Nihat Gökyiğit
Chairman of the Board

CEO's Message

Caution prevailed in the global economy in 2014, as it has for the past few years. The most critical unknown for the economic management of developing countries like Turkey was uncertainty as to when the US would end monetary expansion, which begun after the 2008 global crisis broke, and when interest rates would start to rise. Even a hint that such a course was impending triggered enormous fluctuations in all financial markets parameters such as foreign exchange rates, interest rates and stock prices.

While the US economy is in recovery, the EU has yet to reach desirable levels of economic performance. Therefore, the European Central Bank inaugurated a monetary expansion program of its own to stimulate the economy. Still in the Euro Zone, the economic policy of the newly-elected Greek government at the beginning of 2015 is another element of uncertainty for the future of the EU. All these events, together with expectations that global economic growth would slow, led to a significant decline in commodity prices, particularly oil, beginning in the final months of 2014. This situation posed a risk to countries dependent on oil revenues. In fact, the initial reaction to this state of affairs was major fluctuations in foreign exchange and interest rates in Russia.

Political developments in neighboring countries in 2014 brought unanticipated risks for the Turkish economy. Along Turkey's southern border, the turmoil in Syria over the past several years has been detrimental to Turkey. Moreover, occasional political tensions between the Turkish government and the Iraqi central government had a negative effect on the general perception of Turkish companies operating in the country. In the north, conflict between Russia and Ukraine has increased regional risks. Regional instability is detrimental to Turkey's exports to nearby countries and border trade and, consequently, it is dampening production and economic growth.

Turkey's domestic political scene in 2014 was dominated in large part by two successive nationwide elections: local elections in March and, in August, Turkey's first presidential election by universal suffrage.

Consequently, the Turkish economy grew slowly in 2014, with the rate of growth between January-September being 2.8%. This growth rate is far below the long-term average growth rate of the country. The agricultural sector, a vital area of business for Tekfen in Turkey, contracted by 3% while growth of the construction sector, a locomotive of the national economy in recent years, slowed to 2.9%.

> "While the global and regional economic and political environment was the main shaper of economic developments in Turkey in 2014, the domestic political scene in 2014 was dominated in large part by two successive nationwide elections."

Decelerating economic growth had a negative impact on unemployment by curbing new employment opportunities. The rate of unemployment, which was 9.3% in November 2013, rose to 10.7% in November 2014.

Inflation targets were not reached in 2014. Despite no significant increase in demand, the rise of foreign exchange rates, particularly at the beginning of the year, pushed up inflation. The annual inflation rate which was 7.40% at the end of 2013 according to the Consumer Price Index (CPI), rose to 9.66% in May 2014. The fall in oil prices at the end of the year relieved the pressure and inflation dropped to 8.17% at the end of the year. Despite this decline, the inflation rate is far in excess of Central Bank's target of 5%.

On the positive side, the current account deficit declined significantly in 2014. This was a benefit to the otherwise negative consequences of slowing economic growth and rising foreign exchange rates. While the current account deficit in 2013 was US$64.7 billion, in 2014, it fell back to US$45.8 billion.

Although 2014 was a difficult year economically for the world, the region and Turkey, Tekfen Group mustered maximum effort in all of its commercial operations, at home and abroad, to create value for all of its stakeholders.

Tekfen Group's revenues in 2014 were TRY4,475 million; earnings before interest, taxes, depreciation and amortization (EBITDA) were TRY187.9 million; the Group registered a net profit of TRY57.9 million. At the end of 2014, Tekfen Group had assets of TRY4,955 million and equity of TRY1,996 million.

Tekfen Contracting, one of Tekfen Group's two core business areas, posted revenues of TRY2,768 million and closed the year with a net loss of TRY197.1 million. As a consequence of the popular uprising in Libya and the resulting dire security issues, Tekfen Construction was forced to suspend the Al Kufra-Tazerbo Water Transportation Pipeline Project and leave the country in 2011. Subsequently, despite a wealth of well-intentioned efforts and ongoing negotiations, it became clear that the project could not continue due to unfavorable developments in Libya. Accordingly, to safeguard our rights, it was decided to apply to international arbitration. Our assets in this country were set aside as a loss of TRY189.7 million in our financial tables for 2014.

On the other hand, the Contracting Group undertook new work valued at approximately US$700 million in 2014. Consequently, the Group's backlog was US$2.4 billion at the end of the year.

“2014 was a difficult year economically for the world, the region and Turkey, Tekfen Group mustered maximum effort in all of its commercial operations, at home and abroad, to create value for all of its stakeholders.”

The Agri-industry Group, Tekfen’s other core business area, achieved significant profit in 2014. From revenues of TRY1,626 million, it generated a net profit of TRY218.5 million. This performance is especially noteworthy considering it was achieved in a year when the Turkish agricultural sector contracted. The Agri-industry Group also made progress on its circa US$300 million major investment at Toros Tarım’s Samsun Plant. Once completed, this investment will safeguard raw material supply and bring great savings in production costs.

The Real Estate Development Group had revenues of TRY26.3 million in 2014. The Group concentrated on two projects. HEP Istanbul, a large-scale housing project, was launched in Esenyurt, Istanbul in 2014. The Group’s mixed-use project in Izmir is a joint-venture with Rönesans Group. As both projects are in their initial stages, the Real Estate Development Group has no profit to report for 2014.

With a strong belief in the role and responsibility of all individuals and corporations in supporting social development and improvement, Tekfen has long implemented wide ranging social responsibility activities. Supporting social, cultural, educational and environmental projects is an integral part of Tekfen’s corporate philosophy.

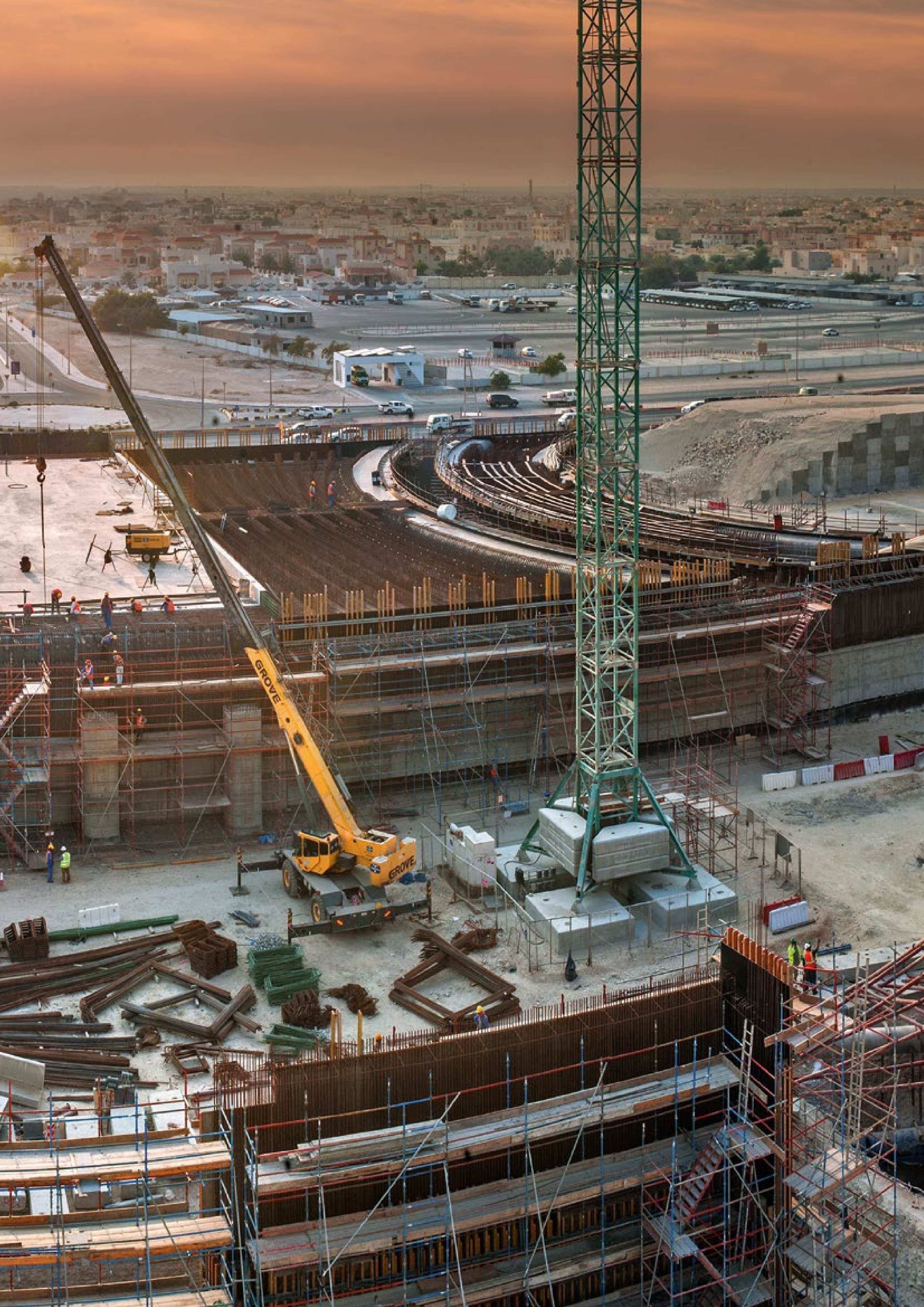
Tekfen Group is fully aware of today’s various political and economic risks, global, regional and domestic. However, Tekfen has a history of nearly 60 years of transforming adversity into success. Therefore, the Group aims to perform well in 2015. As always, our leading supporters in reaching these goals will be our employees, business partners, investors, customers and our founding partners. I would like to extend my sincere appreciation and regards to all of them.

Osman Birgili

CEO, Tekfen Group of Companies


TEKFEN

Welders, Ceyhan Steel
Structure Fabrication Plant


GROVE
GROVE

North Road - Side Roads
and Additional Junctions
Project, Qatar

Contracting Group
Executive Management

Standing from left to right:
Levent Kafkaslı
General Manager
and Board Member
(Tekfen Construction)
Alpaslan Sümer
Senior Vice President
(Tekfen Construction)
Ümit Özdemir
Chairman
(Tekfen Construction,
Tekfen Engineering,
Tekfen Manufacturing)
Erhan Hersek
Vice President, HR, Training
& Administrative Affairs
(Tekfen Construction)
İsmail Erdoğan
Vice President Tendering,
Engineering
(Tekfen Construction)
Fatih Bahçeci
Vice President, Planning
(Tekfen Construction)
Sıtkı Özkan Akyüz
Vice President, Financial
(Tekfen Construction)

Seated form left to right:
Cahit Oklap
Vice President, Business
Development, Operations
(Tekfen Construction)
Ali Şanlı
Vice President, Operations
(Tekfen Construction)
Celal Erbil
Vice President, Operations
(Tekfen Construction)
Ayhan Sarıoğlu
Senior Vice President
Mehmet Ali Beler
Vice President, Logistics
(Tekfen Construction)
Alparslan Güre
General Manager
and Board Member
(Tekfen Engineering)
Tunç Şarman
General Manager
and Board Member
(Tekfen Manufacturing)

Contracting Group

Profile

Tekfen Contracting Group is one of Tekfen Holding's two core areas of business. With 12,000 employees and nearly 350 completed projects to date, it is a powerful international representative for the Turkish contracting sector.

The roots of Tekfen Contracting Group stretch back to 1956 and the founding of an engineering/consultancy company that took on pipeline and petroleum facility projects. Over time, this company became one of the most competent petroleum, gas and petrochemical industry-focused contracting companies in the region. Today, Tekfen is a preferred solution partner for leading companies around the world for the construction of highly complex facilities, such as refineries and off-shore platforms.

The Tekfen Contracting Group provides its clients from an array of sectors with turnkey solutions encompassing EPC (engineering, procurement, construction). The Group is composed of:

- Tekfen Construction and Installation – an international contractor with a broad geographical presence

- Tekfen Engineering – a provider of engineering design, procurement and project management services

- Tekfen Manufacturing's Derince Plant and Tekfen Construction's Ceyhan and Bayıl (Baku) Steel Structure Manufacturing Plants – manufacturers of steel structures, process equipment and storage tanks.

The Tekfen Contracting Group draws on nearly 60 years of experience to provide service in a range of areas, including pipelines, land- and sea-terminals, offshore platforms, tank farms, petroleum refineries, pumping stations, power plants, industrial facilities, highways, metros, infrastructure, buildings, stadiums and superstructures.

The Group is a pioneer in its field and it has completed numerous major projects in an extensive geographical area. An uncompromising commitment to international quality standards has ensured Tekfen has stable growth and strong international recognition. Tekfen Contracting Group's commitment to occupational health and safety is a crucial factor that gives the company a competitive edge. The Group has a relevant accident-free track record accumulated over a number of demanding projects – the highest reaching to 33.7 million man-hours – and this is a significant reason for clients preferring Tekfen, especially in the petroleum and gas sector. Indicative of the importance the Group places on HSE is the fact that it employs over 250 HSE personnel.

Tekfen Construction, the Contracting Group's locomotive company, continued its operations in 2014 in Turkey, the Caspian region, the Middle East and North Africa. It ranked 101st for its international portfolio on the ENR (Engineering News Record) 2014 listing of the world's largest international contracting companies. At the end of 2014, the Company had an active backlog of US$2.4 billion.

250
HSE personnel

At the end of 2014, Tekfen Construction had an active backlog of US$2.4 billion.

SOCAR Tower the new flagship of Baku

2014: A general overview

The global economic recovery generally fell short of expectations in 2014, with political and economic uncertainties causing fluctuations that put pressure on the economy.

In particular, the events in Iraq and Syria, and the Ukraine crisis generated apprehension in international markets. The US Federal Reserve's interest rate rise that followed the October 2014 termination of its bond purchase program heightened the perception of risk in developing economies, including Turkey's, leading to a reduction in portfolio flows, a deceleration of growth, and a down-turn in economic indicators.

Falling petroleum prices from the fourth quarter of 2014 produced concern in the contracting sector. Global economic stagnation and excess supply caused petroleum prices to drop by 46% in 2014 to their lowest level in five years, reducing the revenues of petroleum-producing countries and raising the risk of investments being halted.

Despite the strong detrimental effects of the global economic crisis on the construction sector, optimism of a rally was sustained. The "Global Construction Perspectives" and "Oxford Economics" reports maintain that growth in the construction sector will exceed that of Gross World Product over the next few years to reach a volume of US$12 trillion by 2020 while total expenditures in the construction sector in the next 10 years is projected to grow to US$97.7 trillion.

A locomotive of Turkey's economy, the country's international contracting services sector is expected to seize a larger share of the global market in the next 10 years, raising its contribution to foreign currency inflows, exports, employment, technology transfer and international expansion. The targets set for the Turkish Republic's centenary in 2023 are for Turkish contracting companies to generate an international business volume of US$100 billion and for at least 20 Turkish companies to rank among the 100 largest international contracting companies.

Turkish contracting companies' commitments to projects abroad totaled US$20.4 billion in the first 11 months of 2014, according to the Ministry of Economy. With record increases, the average project value reached US$97.5 million in 2014. The expansion of Turkish contractors' participation in large-scale and high added-value projects – such as airports, metros, industrial facilities, petroleum refineries, highways and power plants – explains the over two-fold rise in project values in the past five years to nearly US$100 million.

20.4 bn US$

Turkish contracting companies' commitments to projects abroad totaled US$20.4 billion in the first 11 months of 2014, according to the Ministry of Economy. With record increases, the average project value reached US$97.5 million in 2014.

With the addition of four companies, the number of Turkish contractors on the ENR 2014 ranking of the world's 250 largest contracting companies rose to 42, right behind China.

At the top of the 2014 list of countries where Turkish contractors carried out the most projects are Turkmenistan, Algeria, Qatar, the Russian Federation and Kazakhstan. According to 11-month figures, the value of projects in these five countries accounted for 72.5% of total international contracting income. Regionally, the projects were distributed across the Russian Federation (47.1%), the Middle East (25.8%), Africa (18%), Europe-US (6.2%), and the Asian Pacific (2.9%). By project type, transportation projects led the way, followed by housing, commercial centers and power plants, which is indicative of the general worldwide trend.

Developments in the Middle East and Africa were the most detrimental to international contracting operations in 2014. Problems in Libya, a vital market for the Turkish contracting sector, are as yet unresolved, and terror and civil war in Iraq exacerbated matters. Many companies have withdrawn from Iraq in the face of heightened security risks while banks have increased risk premiums and demanded additional collateral, significantly raising the burdens for Turkish contractors doing business in Iraq.

The decline in recent years of business volume in North Africa and the Middle East, which account for a major portion of international contracting services, has led Turkish companies to seek new markets. Sub-Saharan African countries, rich in natural resources and with significant economic potential, are increasingly attractive to Turkish contractors.

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Sub-Saharan African countries, rich in natural resources and with significant economic potential, are increasingly attractive to Turkish contractors.

Tüpraş İzmit Refinery

Operations in 2014

Construction Works

Tekfen Construction's operations in 2014 encompassed Iraq, Turkmenistan, Azerbaijan, Morocco, Qatar and Saudi Arabia, as well as Turkey. Taking great pains to complete its projects fully and on time, the Company tackled major projects in its traditional countries of operation while focusing its new business development on less competitive environments and on projects requiring extensive specialization. In 2014, Tekfen Construction's efforts bore fruit enabling the Company to undertake prestigious large-scale projects.

Prominent for its scope and significance, the Trans Anatolia Natural Gas Pipeline (TANAP) was contracted in 2014. Turkey's largest natural gas transmission pipeline ever, TANAP holds special significance for Tekfen Construction, a pioneer in many sectors over the years, as it will be the first of its kind in which Tekfen has been engaged in Turkey after a long hiatus.

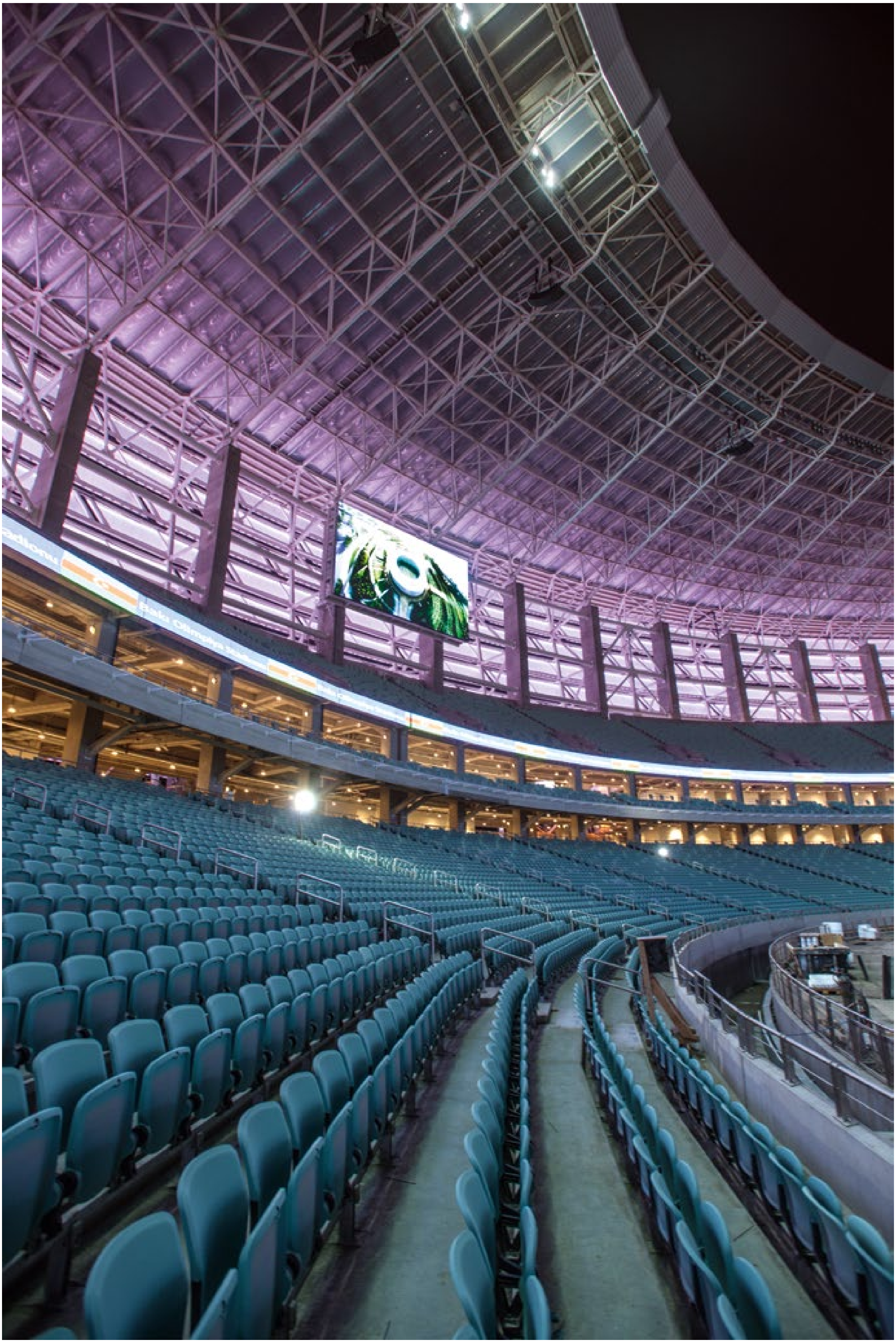
Azerbaijan, the source of the gas to be transported through TANAP, holds a significant place among Tekfen's international operations as the Company's proven expertise in oil and gas projects makes it an eminently suitable contractor for that country's large-scale investments. The Contracting Group has been operating in Azerbaijan continuously for 19 years through Tekfen Construction and Azfen, a partnership established with the Azerbaijan State Oil Company (SOCAR) in 1996. Also in the Caspian Region, Tekfen Construction is closely following developments in Turkmenistan and Kazakhstan, where infrastructure projects are being planned.

Tekfen Construction has traditionally had a strong presence in the Middle East. New projects expected with the development of the Rumaila oilfield in the Gulf of Basra are being closely monitored despite the uncertainties in Iraq which led to interruptions in projects in 2014.

In response to difficulties and excessive competition experienced in the Turkish contracting sector's traditional markets, Tekfen Construction has moved its focus in recent years to new regions where competition is relatively modest and the risks of interruption of investments are lower. The countries of southern and western Africa are promising in this regard because of their rich natural resources and abiding need for large infrastructural and industrial investments to process these resources. Tekfen Construction has the requisite experience in getting large-scale projects off the ground in distant and difficult locations, as well as the necessary equipment and human resources. So, it is closely following business opportunities and possibilities in Sub-Saharan Africa.

Tekfen Construction was engaged in 18 projects in 2014.

Baku Olympic Stadium



BTC Repair & Enhancement Project, Turkey

1,071 km

Since 2009, Tekfen Construction has undertaken the repair and enhancement of the 1,071 km stretch of the Baku-Tbilisi-Ceyhan (BTC) Crude Oil Pipeline that falls within Turkey's borders.

While the lion's share of its operations has been abroad in recent years, large-scale projects have begun to emerge in Turkey, and the Company has submitted proposals when the conditions were right. Consequently, the oil, gas and energy investments that have come to the fore at home recently are within Tekfen Construction's scope of interest.

Tekfen Construction was engaged in 18 projects in 2014, covering pipelines, oil, gas and petrochemical facilities, offshore platforms, industrial facilities, highways and building projects.

Pipeline Projects

In 2014, Tekfen Construction completed two major pipeline projects, one of its chief areas of expertise, and added the highly significant TANAP project to its portfolio.

Galkynysh Gas Field Pipeline

The Galkynysh Natural Gas Field Development Project in Turkmenistan was completed at the beginning of 2014. Undertaken by the general contractor Petrofac in 2011, the project is to extract natural gas from wells around South Yoloten and, after refining to useable grade, to transport it to foreign markets. Tekfen constructed a 100 km long 56 inch diameter pipeline.

Phosphate Ore Pipeline

Tekfen Construction completed construction of the pipeline to carry slurried phosphate ore extracted from mines in Morocco's Khouribga region to Jorf Lasfar port and the line became operational in July 2014. Undertaken as an EPC project, Tekfen Construction provided the equipment and materials for the facilities, undertook the construction and assembly work, and carried out the detailed engineering, procurement and additional construction needed to complete the project. Performance tests of the 231 km pipeline and feeder lines will be done in the summer of 2015, once management has procured the appropriate phosphate ore.

BTC Repair & Enhancement Project

Since 2009, Tekfen Construction has undertaken the repair and enhancement of the 1,071 km stretch of the Baku-Tbilisi-Ceyhan (BTC) Crude Oil Pipeline that falls within Turkey's borders.

One of the world's most important oil investments, the BTC Crude Oil Pipeline was constructed between 2003 and 2005 to transport Azeri oil to Ceyhan, on Turkey's Mediterranean coast. It carries one million barrels of oil a day. The BTC Maintenance Project encompasses making route changes and by-pass lines at particular points along the pipeline, repairing damage, strengthening valve stations, building security systems, and performing geological improvements/reinforcements at river crossings and points prone to landslides. Tekfen Engineering conducted the project's engineering work.

A new three-year Maintenance Agreement went into effect in 2014. Signed on 11 September 2013, it continued the construction, mechanical, electrical, instrumentation, security systems and assorted support services work that had previously seen the completion of 105 jobs between July 2009 and March 2014.

Trans Anatolia Natural Gas Pipeline (TANAP)

On 23 December 2014, Tekfen Construction signed an agreement for the Trans Anatolia Natural Gas Pipeline (TANAP), one of the largest energy infrastructure projects in Turkey in recent times.
The US$563,959,000 contract encompasses the construction of the 509 km section of the 56 inch-diameter pipeline running from Sivas/Yıldızeli to Eskişehir/Seyitgazi, which will carry natural gas extracted from the Shah Deniz 2 Field in Azerbaijan. Work on the pipeline route is to begin in the second quarter of 2015 and it will take 36 months to complete.

The approximately 1,900 km-long TANAP is the largest natural gas transmission pipeline to be built in Turkey to date. Within the scope of the project, the first gas flow is to begin in early 2018 with an initial annual volume of 16 billion m^3. This capacity is to increase incrementally until 2026 from 23 billion m^3 to 31 billion m^3. Of the 16 billion m^3 natural gas to be carried in the first stage, six billion m^3 is to be used in Turkey by connecting the pipeline to the national grid at two points, in Eskişehir and Thrace.

TANAP is significant for Tekfen Construction because it marks the Company's return to pipeline construction in Turkey after a lengthy hiatus. Having previously constructed the Iraq-Turkey and Yumurtalık-Kırıkkale oil pipelines in Turkey, Tekfen now set out to complete a large-scale, prestigious pipeline project at home.

The aim of TANAP is to contribute to the energy security of the region and the diversification of natural gas resources coming to Turkey.

The Project of the Century entrusted to Tekfen Construction
The Baku-Tbilisi-Ceyhan Crude Oil Pipeline, dubbed the "Project of the Century" when it was built between 2003 and 2005, is among the world's most important oil investments. Tekfen took a major role in this gigantic pipeline's construction by building the Sangachal and Ceyhan Terminals at either end. Once operational in 2009, Tekfen was entrusted with the pipeline's repair and enhancement.

1,900 km

TANAP will be Turkey's largest natural gas transmission pipeline ever.


CRUDE
F.F.WATER

Oil, Gas and Petrochemical Projects

Since its founding, Tekfen Construction has completed a great number of major oil, gas and petrochemical projects in a wide range of countries, including Germany, Saudi Arabia, Morocco and Uzbekistan. A core sector for its operations, Tekfen continued its activities in this field in 2014 in Azerbaijan, Turkmenistan, Iraq and Turkey.

Galkynysh Gas Field Process Unit and Infrastructure Works

In 2014, Tekfen successfully completed the Gas Field Process Unit and Infrastructure Works at the Galkynysh Natural Gas Field in the city of Mary, Turkmenistan. Tekfen began the project in 2011 and undertook the construction, mechanical, electrical and instrumentation work for the process units of the facilities, which will handle 10 billion m^3 of natural gas annually.

Shah Deniz Stage 2 – Sangachal Land Terminal

One of the world's largest gas projects, the Shah Deniz Stage 2 project in Azerbaijan aims at producing an annual 16 billion m^3 of gas, in addition to what is produced by the existing Shah Deniz Stage 1. Having begun in 2014, the project will enable Azeri gas to reach Europe for the first time through the Trans Anatolia Natural Gas Line (TANAP). Under an agreement signed in 2013, Tekfen has undertaken the construction and assembly work on the Sangachal Land Terminal as part of the Shah Deniz Stage 2 project.

Tekfen Construction is to build the circa US$1 billion Sangachal Land Terminal for BP Exploration, the contractor of the Tekfen-Azfen Consortium. Located 45 km from Baku, the construction of the project began in the middle of 2014 and it is scheduled for completion in 50 months. Tekfen's share in the project is about US$621 million, including its partnership share in Azfen.

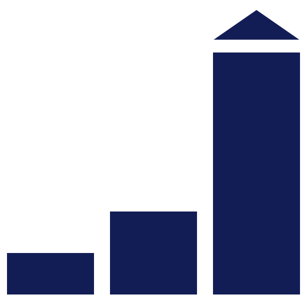
Rumaila Field Development Project

Political crisis and uncertainties in Iraq forced a halt to Tekfen's provision of general project management and engineering services at the Rumaila Oilfield in the Gulf of Basra. Tekfen Construction had provided these services with Tekfen Engineering from 2010 to a consortium of BP, CNPC and SOC. Tekfen is closely monitoring projects throughout Iraq and consequently submitting proposals, particularly for oil and gas processing terminals/facilities and field expansions.

Tüpraş Fuel Oil Residuum Upgrade Project

Tüpraş İzmit Refinery's Fuel Oil Residuum Upgrade Project's main objective is to transform low-grade fuel oil, heating fuel and similar heavy-grade products into high-value, white products (diesel, gasoline, jet fuel and LPG), which have rising rates of consumption. The facilities became operational on 15 December 2014, putting the İzmit Refinery among global leaders for the highest rates of upgrading.

Working alongside the main contractor, the Spanish company Tecnicas Reunidas, Tekfen Construction provided the construction work, ventilation systems, structural steel engineering, procurement and assembly, mechanical assembly, and electrical and instrumentation work, along with commissioning. Apart from three units, the facilities encompassed by the US$501 million contract were completed and began operations in 2014. The completion of the remaining units at the end of February 2015 will draw the project to a close.



Tüpraş İzmit Refinery is among global leaders for the highest rates of upgrading.

Tüpraş İzmit Refinery

West Chirag Platform
In 2004, Tekfen Construction took its first step in building offshore platforms—a highly complex undertaking, requiring considerable engineering and construction expertise. Tekfen will eventually complete five platforms, counting the two currently under construction. A pioneer in many fields, Tekfen's success in offshore platforms is an inspiration to the Turkish contracting sector.

Offshore Platforms

Azeri-Chirag-Güneşli Offshore Platform
Tekfen has successfully completed three oil platforms for Azerbaijan's Azeri-Chirag-Güneşli (ACG) Oilfield. The last of these, the 18,500-ton West Chirag Platform, was lowered into the sea in September 2013 and preparations to bring the platform to operational status were completed at the beginning of 2014.

Shah Deniz Stage 2 Offshore Platforms
Tekfen Construction concluded a contract in December 2013 with BP Exploration (Shah Deniz) for the construction of two offshore platforms with a combined weight of 26,442 tons and the construction and assembly of a connecting bridge. The deal is part of the Shah Deniz Stage 2 investment initiative to increase Azeri gas capacity. Through its partnership with Azfen, Tekfen Construction's share of the US$975m project budget will be about US$496 million.

The Shah Deniz Platform complex consists of a production platform that will collect and process effluents from the wells and transport them by pipelines to the land terminal. It will also have a bridge connecting the platform to the service platform with living units. After the platforms have been built at Tekfen's Bayıl Steel Construction Manufacturing Plant, they will be shipped by barge, which is to be procured by the contractor, and then assembled in situ. The project, the construction of which began in May 2014, will take 48 months to complete.

Industrial Facilities

Sadara Propylene Oxide Processing Unit
Tekfen Construction's work continued on the Sadara Propylene Oxide Processing Unit. The project, for the Sadara Chemical Company in Saudi Arabia, began in 2012. The facilities will be part of the Sadara Petrochemical Complex under establishment in the Jubail Industrial City on the country's east coast. The unit is scheduled for completion by the end of July 2015.

Toros Tarım Samsun Production Plant
Tekfen Construction is constructing a 2,200 tons/day-capacity sulfuric acid unit for Toros, a Tekfen Holding sister company. The contract also includes increasing the production capacity of an existing phosphoric acid unit to 200,000 tons/year, renovation of the NPK facilities, and the building and assembly of a turbine generator group to convert heat energy from chemical reactions at the sulfuric acid plant into electricity.

The aim of this US$300-million investment is to reduce dependency on raw material imports. On completion, the plant will produce the phosphoric and sulfuric acids required for the plant's fertilizer production and the present compound fertilizer (NPK) facilities will have been renovated. The construction of this EPC turnkey project started in 2012 and it is slated for completion in April 2015, with the plant operational by June 2015.

496
m$

Through its partnership with Azfen, Tekfen Construction's share of the US$975m Shah Deniz Stage 2 Offshore Platforms' budget will be about US$496 million.

Highway Projects

Qatar North Road Project
Qatar is one of the countries in which Tekfen Construction has had a growing presence in recent years. The maintenance period of the North Road and Ceremonial Road projects the Company undertook ended in 2014 after having received provisional acceptance in 2012. Final acceptance of these two projects is planned for 2015.

The 95 km-long North Road Side Roads and Additional Junctions Project, which began in June 2012, continued in 2014. Changes in the city planning projections and additional requests led to its expansion. Alongside construction works, Tekfen is providing the design engineering services for this project. With the latest additions, the project has grown by 40% and it is expected to be completed at the end of 2016. One-third of the construction work had been completed by the end of 2014.

Çiftehan-Pozantı Highway
The Çiftehan-Pozantı Highway is the one of three highway projects Tekfen Construction has undertaken in Turkey's rough mountainous terrain since finishing the 258 km-long Tarsus-Adana-Gaziantep (TAG) Highway in 2002. Tekfen Construction completed the Çiftehan-Pozantı Highway, apart from two bridges added to the project later, at the end of 2014. The project encompassed a 2x3 lane 18.5 km highway, a 2.5 km connecting road, 14 viaducts, four overpasses and three underpasses totaling 4,430 meters, and two two-way tunnels totaling 842 meters in length.

Ceremonial Road, Qatar

North Road - Side Roads and Additional Junctions Project, Qatar

Superstructure Projects

SOCAR Headquarters Building
Tekfen's construction of SOCAR Tower, the Azerbaijan State Oil Company's new headquarters, reached completion stage in the last quarter of 2014. The project, with a contract value of US$235,400,000 consists of a 200 meter-high, 40-story office tower and a podium complex containing conference halls, cafeterias, restaurants and sports facilities. The tallest building in Azerbaijan, SOCAR Tower covers a total construction area of 100,000 m². The building is expected to open for business in early 2015, on fulfillment of additional requests from the client.

Baku Olympic Stadium
Tekfen Construction's work on the 68,000-capacity Baku Olympic Stadium progressed in record time. A design-and-build project, the Company completed 96% of the stadium by the end of 2014, having agreed the US$640 million contract on 27 February 2013. The stadium is the venue for the opening and closing ceremonies and track and field events of the first European Games, to be held in 2015. The stadium complex covers 496,000 m², which includes a 204,000 m² enclosed construction site. The project, for which Tekfen Construction is undertaking the construction and general planning services, is expected to be completed by the end of February 2015.

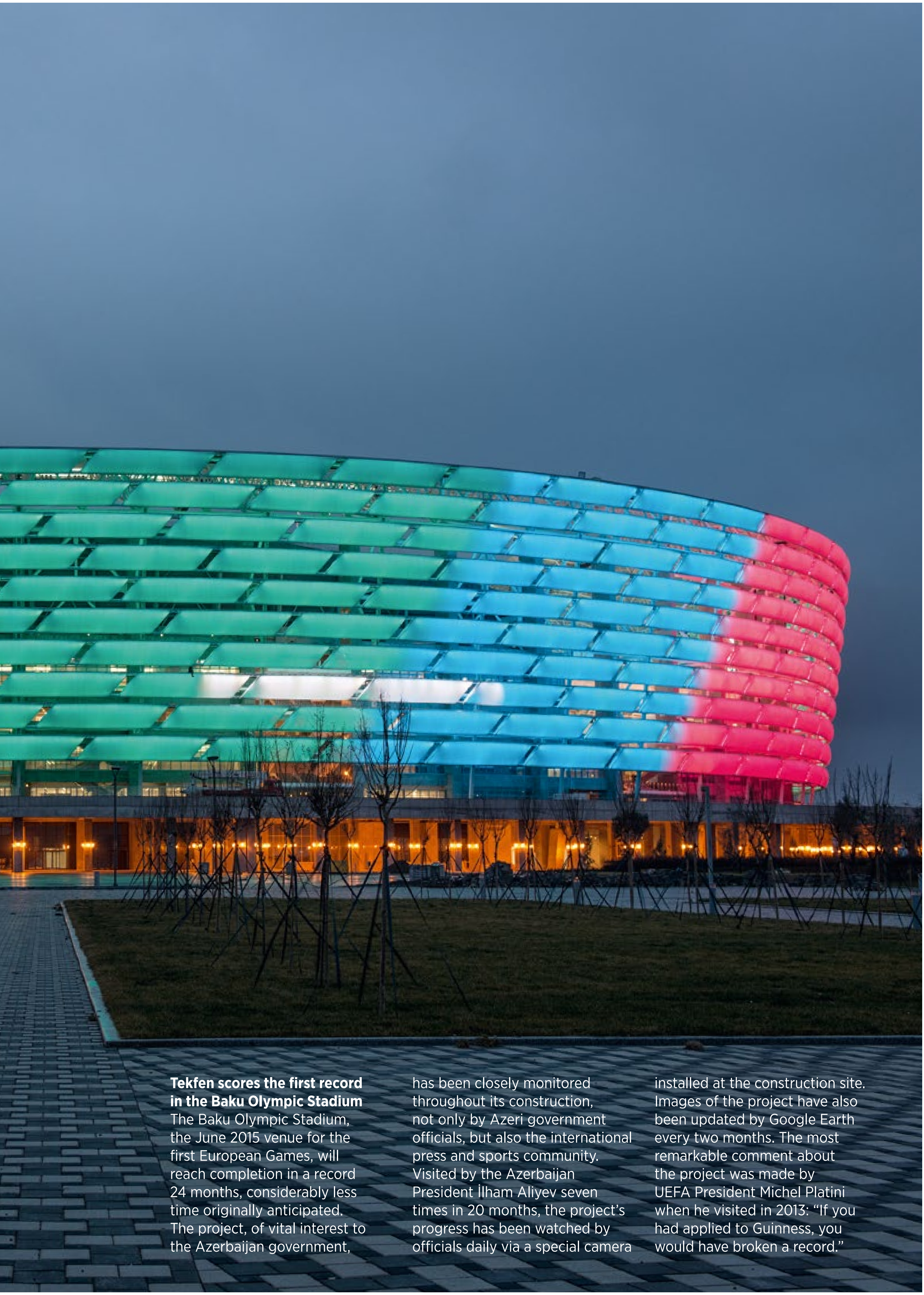
This spectacular project has already become a symbol of Baku, with the 24,000 m² ETFE-covered stadium façade capable of becoming a giant screen. The construction work undertaken is no less spectacular. Preparation of the stadium's swampland site required driving in 80 km of piles, while the project used 55,000 tons of concrete reinforcing bars. It also entailed the laying of 2,000 km of cables. The logistic operation entailed 3,300 tractor-trailers covering nine million kilometers.

200m

With 40 storeys and a height of 200 meters, SOCAR Tower is the tallest building in Azerbaijan.

The Building of Wind and Fire
Inspired by the concepts of "wind" and "fire," SOCAR Tower is one of Baku's most spectacular edifices. The building uses many technological innovations to enable it to withstand 189 km winds and earthquakes registering nine on the Richter scale. It also utilizes a special engineering solution to keep it from swaying in the wind. The building's self-cleaning façade can be transformed into a 34,000 m² LED screen to display images.

68,000 seats
496,000 m² area
80 km of piles
2,000 km of cable
55,000 tons of iron
24,000 m² ETFE façade



Tekfen scores the first record in the Baku Olympic Stadium

The Baku Olympic Stadium, the June 2015 venue for the first European Games, will reach completion in a record 24 months, considerably less time originally anticipated. The project, of vital interest to the Azerbaijan government, has been closely monitored throughout its construction, not only by Azeri government officials, but also the international press and sports community. Visited by the Azerbaijan President İlham Aliyev seven times in 20 months, the project’s progress has been watched by officials daily via a special camera installed at the construction site. Images of the project have also been updated by Google Earth every two months. The most remarkable comment about the project was made by UEFA President Michel Platini when he visited in 2013: “If you had applied to Guinness, you would have broken a record.”

3D design modelling technology has brought significant competitive and productivity advantages.

Engineering Services

A major goal of the Tekfen Contracting Group is to fulfill the engineering component in the engineering-procurement-construction triangle on turnkey projects. The Group provides effective engineering solutions for technologically complex projects that require specialized know-how, such as refineries, pipelines, tank farms, petrochemical facilities, terminals, and power plants.

Tekfen Engineering was founded in 1984 to enable the Tekfen Contracting Group to carry out EPC projects. Its engineering experience, acquired in industrial facilities and infrastructure projects among others, has created demand for its services outside as well as inside the Group.

Tekfen Engineering services wide-ranging fields, including oil and gas facilities, highways, power plants, metro projects, pipeline, and port and sea structures. In recent years, it has begun to play an effective role as a solution partner in large-scale projects abroad. The Company is renowned for its knowledge and experience in areas of special expertise such as process, instrumentation, control systems and model design. In support of Tekfen Construction's goal of being a full-EPC contractor, Tekfen Engineering continually upgrades its organizational structure and expands the expertise of its personnel by creating special areas of competence. For this purpose, Tekfen Engineering introduced 3-D design modelling technology in 2009, particularly for technologically complex operations. This development has given Tekfen Engineering significant competitive and productivity advantages.

In 2014, Tekfen Engineering's 234 personnel provided approximately 600,000 man-hours of engineering service for Tekfen Contracting Group projects and for clients in its own portfolio. This includes engineering services for Tekfen Construction's large-scale industrial EPC project at Toros Tarım's Samsun Plant. Its work on the Tüpraş Kırıkkale Refinery's new power plant enabled the Company to extend its service portfolio into the energy field.

Tekfen Engineering reinforced its presence in Azerbaijan through undertaking the engineering work on the Shah Deniz Stage 2–Sangachal Land Terminal, as well as the offshore platforms that Tekfen Construction is building with Azfen in Azerbaijan. In line with Tekfen's corporate culture of valuing training, Tekfen Engineering trained 80 Azeri personnel as part of its work in Azerbaijan, thereby contributing to the professional development of engineering at Azfen while enabling Azfen to increase its involvement in the project's engineering processes. Strengthening this collaboration in engineering with Azfen, is a critical goal for Tekfen Engineering in Azerbaijan.

Tekfen Engineering's design services for Istanbul's Havaray (Monorail) Project were a pioneering step in mass transit for the Company. The first of its kind in Turkey, the project will enable the Istanbul Municipality to strengthen the city's mass transit infrastructure.

Outside the Tekfen Group, the Company added the entire engineering work for a 350 km highway in Turkmenistan to its portfolio, thereby demonstrating its international competitive power.

A regional leader in its fields, Tekfen Engineering will continue to work to help the Tekfen Contracting Group carry out EPC projects.

Fabrication Plants

To meet its steel production requirements at home and abroad, the Tekfen Contracting Group has established three fabrication plants. These plants play a vital role in providing effective and efficient steel structure and steel equipment solutions in the shortest possible time. They also enable Tekfen as an EPC contractor to carry out turnkey projects. Each of these plants—in Turkey at Derince and Ceyhan and in Baku, Azerbaijan—has the technology, know-how and capacity to meet the exacting requirements.

Tekfen Manufacturing and Engineering – Derince Plant

Founded in 1970, Tekfen Manufacturing and Engineering manufactures cylindrical and spherical storage tanks, pressurized vessels, caps, process columns, reactors, heat exchangers, waste-heat recovery boilers, pressurized piping, and heavy steel construction. Based in Derince, Kocaeli near Istanbul, the plant provides engineering, production and assembly services to international standards at industrial facilities in various sectors.

In addition to international contracting companies, Tekfen Manufacturing's clientele includes domestic and foreign companies in the oil, petrochemical, fertilizer, and LPG storage and distribution sectors.

The Company's manufacturing standards achieve sector-backed international standards, including the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environment Management, OHSAS 18001:2007 Occupational Health and Safety Management System.

With benefit of investments in recent years, the Derince Plant can manufacture single units of eight meters in diameter and 60 meters in length, and perform cold forging of up to 100 mm. The plant has the capacity to manufacture and ship equipment weighing up to 1,000 tons.

Production possibilities include all kinds of corrosion resistant steels and alloyed steels, special duplex, Monel, Inconel and Hastelloy alloys, as well as brass, copper and nickel alloy-coated sheet steel.

Tekfen Manufacturing's Derince Plant operated at 84% capacity in 2014. Domestic and international orders accounted for 73% of production, while 27% went to Tekfen Contracting Group companies. Including Turkey and exports to Azerbaijan, 80% of the Company's production went to the refinery and petrochemical sectors, with 7% going to storage terminals and 13% to the industrial sector.

Ceyhan Steel Structure Fabrication Plant

The Ceyhan Steel Structure Fabrication Plant has produced steel structures for refineries, petrochemical complexes, power plants, sea terminals, oil and gas platforms, bridges and viaducts, among other projects since it began operating in 1993. The Company's 130,000 m^2 facility includes 30,000 m^2 covered area with five production workshops, open and closed supply storage sites, and an insulated, heated and fully enclosed sanding and painting workshop, as well as administrative offices and recreational facilities. The plant has an annual production capacity of 30,000 tons and, with its modern equipment, has made corrosive resistant, duplex, super duplex and carbon steel pipe spools since 2004. To date, the plant has produced 265,000 tons of steel, 19,000 tons in 2014 alone.

The Ceyhan Steel Structure Fabrication Plant operates to international standards and possesses the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environment Management, OHSAS 18001:2007 Occupational Health and Safety Management, and the EN ISO 3834-2 Fusion Welding Quality Assurance Management certificates. The facilities include a welding school to train technicians for Tekfen Construction.

84%

Tekfen Manufacturing's Derince Plant operated at 84% capacity in 2014.

Derince Plant
Tekfen Manufacturing's products meet international standards such as ASME Code Sec. VIII Div. 1-2, TEMA, API 650-620, CODAP and AD-2000 Merkblaetter.

Ceyhan Steel makes a significant contribution to Tekfen Construction's work program and, by maintaining high-quality production standards, to the Company's ability to undertake complex projects with tight schedules, while eliminating risk. The completion of the Baku Olympic Stadium in just 24 months demonstrates the advantage of having such a high-capacity production facility within the Contracting Group. Ceyhan Steel's problem-free preparation of the stadium's steel structures and on-time delivery were crucial to the completion of the stadium within the contracted deadline.

In addition to its production for Tekfen, the Ceyhan Steel Structure Fabrication Plant has been making oil platform modules for Brazilian contractors since 2009. To date, it has concluded contracts for eight such projects and it continued production for three projects in 2014. Having increasingly expanded its market over great distances for over 5 years is testament to the Ceyhan Steel Structure Fabrication Plant's high quality standards and on-time delivery. The plant has also produced for many international companies having high expectations, including Aramco, BP, Petrobras, Petrofac, Qatar Petroleum and SOCAR.

The Ceyhan Steel facilities include a welding school to train Tekfen Construction technicians to international standards.

265,000 tons

To date, Ceyhan Steel has produced 265,000 tons of steel, 19,000 tons in 2014 alone.

Bayıl Steel Structure Fabrication Plant (Baku-Azerbaijan)

The Group acquired the Cenup Tikinti Servis steel fabrication plant near Baku through privatization and invested significant amounts in its modernization. Cenup Tikinti Servis's role is to support Tekfen Construction's operations in the Caspian region and to meet the steel structure requirements of offshore projects. The plant's oil platform projects have opened a whole new area of operations for the Company.

The 18,500-ton West Chirag Platform completed at the Bayıl Steel Fabrication Plant was lowered into the sea in September 2013. This was followed by a contract with BP Exploration (under the Shah Deniz project) for two offshore platforms totaling 26,442 tons and the construction and assembly of a bridge linking them. Before starting fabrication of the platforms in May 2014, the Company reinforced the site. The two platforms will be built simultaneously and they will take 48 months to complete.

Health-Safety-Environment

The Tekfen Contracting Group minimizes the risk of harm to its personnel, third parties, the environment and property while maintaining its high-quality performance to international standards. It prioritizes social benefits and it emphasizes quality, health, safety and the environment (HSE).

The Tekfen Contracting Group implements an effective HSE Policy in line with its goals of ensuring customer and shareholder satisfaction and its influence in the international contracting market.

Tekfen Construction maintains the standards set by OHSAS 18001:2007, a component of the Occupational Health and Safety Management System that the Company has implemented since 2002. Similarly, it meets the requirements of ISO 14001:2004 as part of an Environment Management System in place since 2004. Tekfen Construction has fully integrated the Occupational Health and Safety and Environmental Management Systems into its operations and refers to them as the Health-Safety-Environment (HSE) Management System.

In 2014, Tekfen Construction's 250-person HSE team worked for the implementation, continuity and refinement of the Company's Health-Safety-Environment System. The HSE team goes into the field from day one of a new project and remains until completion. The team performs risk assessments and it acts to prevent harm to people, property and the environment. Its aim is to eliminate or minimize sources of risk.

Tekfen Construction requires that all of its employees have sufficient physical capability and technical competence to do their jobs. To this end, the Company determines job-specific duties, responsibilities and competence criteria and takes pains to ensure the suitability of those undertaking them. Job fitness is only one side of the coin. To engender an HSE culture in all employees and to ensure their inclusion in the system at all times, the Company holds HSE training seminars extensively before and after starting a job. In 2014, HSE seminars attained a rate of 1.06/100 hours worked.

Strict supervisory mechanisms are in place to ensure that the operational control procedures and directives for jobs in the field are followed. Daily and weekly field controls, and internal and third-party inspections ensure compliance with the HSE Management System requirements. Internal inspections are conducted at least twice a year to determine whether or not the HSE Management System is being implemented properly. Tekfen Construction senior management reviews the HSE Management System at least once a year to guarantee its appropriateness, comprehensiveness and effectiveness.

In 2014, HSE seminars attained a rate of 1.06/100 hours worked.

The HSE teams identify possible emergency situations that could arise during operations and impact people or the environment, and what can be done to deal with them. They prepare project and workplace -specific emergency situation plans and review emergency intervention procedures at regular intervals. With a mind to prevention, they also investigate the kinds of accidents, injuries, property damage, environmental accidents, occupational illnesses or potentially dangerous situations that occur during projects and determine their causes. They respond to improprieties identified in the field with corrective and preventive action and monitor the implementation of their prescriptions. Before using any machine or piece of equipment that enters a site, the operating units inspect it. Use of unauthorized equipment is prohibited.


RTC COACH
Wenaas

Tarsus Plain, Mersin

Agri-industry Group Executive Management

From left to right:
Alper Tevs
General Manager (Hishtil-Toros Fidecilik)
Mehmet Hüseyin Pekesen
Vice President, Commerce
Mehmet İçöz
Senior Vice President
Ali Kesgin
Vice President, Research, Planning & Coordination
Esin Mete
Chairwoman of the Board
Cüneyt Çalık
General Manager (TAYSEB)
Aydın Erdemir
Vice President, Terminal Services Marketing
Nuri Mehmet Sadıkoğlu
Vice President, Marketing and Sales
Mesut Büyüközer
Vice President, Operations (Samsun)
Ertem Arslantay
Vice President, Operations (Ceyhan)
Nejat Ersoy
Chief Financial Officer

Agri-Industry Group

Profile

The Tekfen Agri-industry Group leads the sector in business volume and product/service portfolio. It is also Tekfen Holding's second largest operation in terms of revenues.

Operating under the brand name Toros Tarım, the Agri-industry Group makes up 36.3% of Tekfen Holding's total annual revenues.

Founded in 1974, the Agri-industry Group focuses on agricultural activities and complementary services. Through mutually supportive investments, the Group transforms opportunities into operations that are the largest in the area. Toros Tarım, the Group's flagship company, was 57th in the Istanbul Chamber of Industry's 2013 report, "The 500 Largest Industrial Organizations in Turkey." Toros Tarım and its affiliates operate in three main areas:

- Agri segment – principally, chemical fertilizer production and marketing, as well as techno-agriculture, and seed and seedling production
- Terminal services at the Group's two ports, in Ceyhan and Samsun
- Free Zone and Gas Station management.

Toros Tarım's chemical fertilizer production at plants in Ceyhan, Mersin and Samsun forms the core of the company's agricultural operations. It is Turkey's fertilizer sector leader with 38% of national installed production capacity. Toros Tarım produces Ammonium Nitrate (AN), Diammonium Phosphate (DAP) and compound (NPK) fertilizers and rounds out its portfolio through imports. Alongside conventional fertilizers, Toros Tarım's portfolio includes water-soluble specialty fertilizers and trace elements, which means that the company has the capacity to meet a farmer's entire plant nutrient needs singlehandedly.

Toros Tarım sees agricultural development in Turkey as a multidimensional process and, as a matter of policy, the company takes an active role in it. Toros Tarım is committed to increasing farmers' prosperity and to raising productivity and quality to enable agriculture to assume its rightful place in the economy. To this end, Toros Tarım not only produces fertilizer, but also offers farmers a range of quality seedlings and seeds.

Hishtil-Toros Fidecilik (HTF), a specialist nursery, produces seedlings in fully-equipped nurseries in Antalya and Adana. In addition to seedlings, Toros Tarım also provides the Turkish farmer with premium quality, high yielding wheat seeds that are ideally suited to Turkish agricultural conditions. The company places great importance on yield-raising technologies and Toros Tarım's investments in this area have established it in recent years as the brand that sets sector standards in seed and seedling production.

Terminal services is Toros Tarım's largest non-agricultural business. Toros Ceyhan Terminal, one of the most important international ports in the Eastern Mediterranean, was built as part of the Ceyhan Plant in 1981 and later expanded to service to third parties. Meanwhile, the terminal at Samsun Fertilizer plant, which

Toros Tarım, the Group's flagship company, was 57th in the Istanbul Chamber of Industry's 2013 report, "The 500 Largest Industrial Organizations in Turkey."

Hishtil-Toros Nursery
Toros Tarım sets sector standards in seedling production.

was acquired through privatization in 2005, significantly augments the activities of the group in this area because of the additional capacity it affords and its geographical location. Toros Tarım's port management and terminal services also encompasses such services as pilotage, tugboats and shipping agency services.

Adana Yumurtalık Free Zone (TAYSEB) began operating under Toros Tarım in 1998. It occupies 5 km of coast line on the İskenderun Gulf in Ceyhan, which is set to become an energy hub. Eminently suitable for industrial companies, TAYSEB is one of the largest free zones in Turkey and ranks among the largest in the world.

Toros Tarım also operates gas stations through BP dealership on a retail and wholesale basis.

2014: A general overview

Agriculture in the World and Turkey

Food scarcity is one of the most important issues for humanity at a time when, on the one hand, the availability of arable land is shrinking due to factors such as urbanization, industrialization and environmental degradation, while on the other, the world's population is rapidly expanding.

Worldwide, hunger affects one billion people while poor nutrition affects a further two billion, with children, who account for the majority of these groups, particularly at risk. Therefore, policies and solutions designed to increase agricultural yields are vital for the future of the world's population.

Among the most important solutions for improving food security are ensuring sufficient consumption of plant nutrients and eliminating great regional disparities.

Food and Agriculture Organization (FAO) research conducted over 25 years in 40 countries show that, with proper, balanced fertilizer use, a 60% increase in wheat production is possible. The components of good farming practices require using of the right nutrient source at the right rate, at the right time and in the right place (4Rs) combined with premium seeds that match local soil conditions while keeping pests and diseases in check. Globally, the fertilizer sector plays a key role in ensuring sustainable agriculture and food security, and this role will grow in importance as population pressures increase. The fertilizer industry worldwide is producing at 95% of its capacity. New investments, started and planned, to expand this capacity total US$80 billion.

According to FAO estimates, global grain production in 2013-2014 rose 11% from 1,790 million tons to roughly 1,990 million tons. This increase is attributed to a recovery in production, which had previously fallen, in important grain exporting territories like the US, the Commonwealth of Independent States (CIS), the EU and Canada.

Grain production exceeded consumption so the decline in prices that began in 2013 continued in 2014. However, despite a drop in agricultural commodity prices, farmers, examining cost-benefit ratios, maintained their level of fertilizer consumption. Worldwide, fertilizer demand in 2014 was down in South Asia due to foreign exchange and economic uncertainties there, while there was a general increase in East Asia and North America.

Food Safety: A Vital Subject

Making global food production more sustainable is crucial if we are to meet the growing demand for food that accompanies an expanding population. Toros Tarım's Chairwoman, Esin Mete, who has been President of the International Fertilizer Association since 22 May 2013, consistently stressed at many international events in 2014 that global food security depends on using the right nutrient source, at the right rate, at the right time, in the right place (the 4Rs of nutrient management).

The fertilizer industry worldwide is producing at 95% of its capacity.

Global nutrient-based fertilizer consumption reached 182.8 million tons in 2013 and it is expected to have risen in 2014 to close at 186.7 million tons.

In Turkey, the agricultural sector contracted in 2014 because of considerable drought. Reports for the 2013-2014 agricultural year show a 12.8% drop in cumulative precipitation compared to that of the previous year. Correspondingly, 2014 is expected to have closed with a 12.7% fall in grain production to 32.7 million tons, a 0.7% increase in vegetable production to 28.7 million tons, and a decline of 6.2% in fruits to 17.1 million tons. In 2014, the price of hard red winter wheat during harvest rose by 18%.

Fertilizer consumption in Turkey fluctuates annually with agricultural product prices and climatic conditions, but it holds to an annual range of 5.0 million-5.5 million tons. In 2014, Turkish farmers consumed 5.47 million tons of fertilizer.

Port Management in the World and Turkey

The global economic crisis yielded to recovery that, from 2011, gradually returned freight handling volume at ports around the world to pre-crisis levels. This upward trend continued in 2014, which saw a 4% rise in global freight handling levels to 9.95 billion tons.

Turkey is strategically significant in the port management sector of the region. According to the EU's official statistics website, Eurostat, Turkey's ports are responsible for one of Europe's largest national maritime freight handling levels. Total freight volume at Turkey's ports in 2014 is expected to have remained close to 2013 levels, at about 380 million tons.

In 2014 Turkish farmers consumed 5.47 million tons of fertilizer.

Today Toros Ceyhan Terminal is the second largest terminal in the Gulf of Iskenderun after the Port of İSDEMİR.


TOROS
LIEBHERR

Toros Tarım Mersin Plant


TOROS


TOROS

Toros Tarım Ceyhan Plant

Operations in 2014

Agri Segment

Toros had a very successful year in 2014, meeting almost all its budget targets in its agricultural operations. It closely monitored global and domestic market movements to continuously assess risks and opportunities.

Experience and well-seasoned personnel allow the company to excel in this dynamic sector. Continuously attuned to fluctuating global market conditions, the company reviews its sales plans throughout the year and, as necessary, revises them to adapt to changed circumstances. This practice makes it possible to immediately identify and respond to changing needs in the agricultural sector.

Fertilizers

Toros Tarım is Turkey's largest fertilizer manufacturer, holding 38% of national installed production capacity. The company operated at 86% capacity in total at its Ceyhan, Mersin and Samsun plants. Its three production facilities produced 1.49 million tons in 2014, an increase of 6% over that of the preceding year.

In 2014, Toros Tarım's domestic sales increased by 5% to 1.69 million tons and the company's market share, which was 28% in 2013, rose to 31%. Toros Tarım imports a range of products that it either does not produce or may not cater for in sufficient quantities. In this way, it expands its portfolio and meets a wider range of farmers' needs. The company imported 360,000 tons of fertilizers in 2014, a 90% increase over the previous year. Employing a multi-hub approach to its logistics, the company directed import shipments for unloading in regions where direct consumption is high, such as Tekirdağ, İzmir-Aliağa or Antalya, thereby deriving major transportation cost savings and allowing the company to offer farmers competitive prices.

Over the years, Toros Tarım has maintained its leading market position through it robust logistics infrastructure and extensive dealer network no less than through its production strength and dedication to quality. The company's 550,000-ton storage capacity is widely dispersed around the country, facilitating uninterrupted and timely delivery of its fertilizers wherever they are needed.

The company's dealer network, which permeates to the remotest corners of the country, is also Toros Tarım's most effective sales channel. 2014 was no exception, with the company's 1,168 dealers and authorized sales points accounting for the majority of sales.

38%

Toros Tarım is Turkey's largest fertilizer manufacturer, holding 38% of national installed production capacity.

550,000 tons

warehouse capacity

Compound fertilizer (NPK) production line at Toros Tarım Ceyhan Plant

Toros Tarım engaged in a US$300-million investment at its Samsun Production Plant.

31%
market share in 2014

There was a 1% increase in dealer and authorized sellers' sales and a 57% jump in wholesale sales.

Black Sea Fertilizer Trade Co. is gradually expanding its regional operations. The company was established in 2011 in partnership with OCP, Morocco's largest state company, to take advantage of the Samsun Production Plant's strategic location on the Black Sea and, in particular, to sell fertilizers to Black Sea countries.

Toros Tarım began a US$300-million investment at its Samsun Production Plant in 2012 to reduce its dependency on intermediate material imports. The scope of the investment includes a new sulphuric acid production facility, renovation of an existing phosphoric acid plant, modernization of the compound fertilizer (NPK) facilities, and turbines for electricity generation to recover heat energy from sulphuric acid production. The electricity generation facilities are projected to result in major energy savings. The plant is slated to become operational in 2015.

Toros Tarım's bag plant in Adana meets the company's need for bags for the fertilizers it produces and imports. The plant, which also produces the thread for bag making, has an annual production capacity of 32 million polypropylene and polyurethane bags.

Fertilizer sales in 2014

Dealers 1,542,135 tons
Wholesalers 143,034 tons
Exports/Other 23,611 tons
Total 1,708,780 tons

Capacity Utilization Rates at Toros Tarım Plants

Plant	Product	Capacity (1,000 ton/year)	2013 Capacity Utilization Rate (%)	2014 Capacity Utilization Rate (%)
Ceyhan	NPK	660	79	79
Mersin	AN26	660	103	96
Samsun	NPK / DAP	527	63	83
Total		**1,847**	**83**	**86**


SANKO

Underground warehouse, Nevşehir
This traditional underground warehouse, equipped with state of the art air conditioning system keeps potato seeds produced at Agripark safe during winter months.

Specialty Fertilizers

Specialty fertilizers are fully-soluble chemical fertilizers used in advanced irrigation systems such as drip or sprinkler. Toros Tarım pioneered the development of this product group and it holds the lion's share of this market. Recurring drought is expected to boost drip irrigation use in Turkey over the coming years and bring a parallel, significant rise in demand for specialty fertilizers. Therefore, specialty fertilizers hold enormous potential for Toros Tarım's long-term growth and the company is assessing this potential and moving to expand its specialty fertilizer operations. Sales of specialty fertilizers increased 12% in 2014, making it a successful year.

Seeds

In addition to being a fertilizer producer, Toros Tarım serves the agricultural sector by providing Turkish farmers with high-yield, disease-resistant seeds of high market value. The company believes that expanding certified seed production is essential for improving agricultural productivity and ensuring its sustainable development. The company continues to promote existing seed varieties with Toros brand while expanding its product range with newly developed seed types.

Toros Tarım offers the Turkish farmer three varieties of wheat seed developed by the Eastern Mediterranean Agricultural Research Institute. The company has also progressed in breeding wheat seeds with enhanced compatibility with the climates in Turkey's traditional wheat-growing regions. In 2013, Toros Tarım, working with the contributions of scientists and agronomists, inaugurated a project entitled Breeding of Biotic and Abiotic Stress-Resistant, High Quality and High-Yield Wheat Varieties for the Various Ecological Regions in Turkey. TÜBİTAK has supported the project since its inception. The project aims at developing a drought-resistant variety of wheat uniquely suited to Turkey by taking the genes of indigenous wheat which, though now wild, was historically planted in Anatolia. This exciting, long-term project is underway at the Agripark premises and in test fields.

Techno-agriculture

Good quality seed is a pre-condition for a high-yield, high-quality crop. A good harvest requires disease-free seeds appropriate for the soil and the climate in the region.

Toros Tarım's Agripark specializes in producing disease-resistant seeds and seedlings through tissue culture. Founded in 2004 to provide Turkish farmers with high-quality, high-yield, disease-resistant seeds, Agripark has concentrated on producing disease-resistant potato seeds to counter major yield losses.

Potatoes are an important part of the Turkish diet yet they are subject to 26

Toros develops drought-resistant wheat suited to Turkey by taking the genes of wheat indigenous in Anatolia.

Breeding of the Anamur banana under sound conditions is not only beneficial to farmers, it is also significant in reviving a local taste that was in danger of being forgotten.

With annual production at over 3.5 billion units, the ready-to-plant sector in Turkey has reached major proportions.

89.8m

seedlings sold

pests and diseases, more than any other cultivated plant. Viral diseases are especially destructive, reducing potato yields by up to 40%. Agripark's production of disease-resistant potato seeds has met Turkish farmers' need for reliable, high-yield potato seeds for years.

Potato seed production continued to be the focus for techno-agriculture in 2014. The underground potato seeds warehouse the company opened in Nevşehir, a province in Central Anatolia in 2012 operated at full capacity in 2014 and it is slated for expansion in the near future to accommodate increased production.

Banana seedling production is another area of success for tissue culture techniques. The company's work in 2014 continued on the Anamur banana, a variety endemic to Turkey. Breeding of the Anamur banana under sound conditions is not only beneficial to farmers, it is also significant in reviving a local taste that was in danger of being forgotten.

Virus analyses and quality control of plants continued in the Nucleus Greenhouse, a virus and bacteria-free inputs production facility built in Agripark in 2012.

Seedling Production

Ready-to-plant seedling usage is spreading as farmers recognize the advantages they offer. Already standard in greenhouses, their use in open fields is increasingly popular. With annual production at over 3.5 billion units, the ready-to-plant sector in Turkey has reached major proportions.

Toros Tarım carries out its seedling operations through Hishtil-Toros Fidecilik (HTF), a major brand in this sector. HTF produces grafted and regular seedlings in 50 decares of high-tech greenhouses in Antalya. In 2014, HTF invested in a 15-decare greenhouse in Adana to move closer to producers, especially watermelon growers. Total seedling sales rose 9% to 89.8 million units in 2014. HTF makes no compromises in its policy of producing high-quality, disease-free seedlings to reduce farmers' input risks and bolster their incomes, despite heightened competition and many difficulties in the sector. The company implements the recently developed, globally practiced Good Seeds and Plants Protocol (GSPP) in the majority of its greenhouses. Employing cutting edge technologies and protective protocols, HTF is a pioneer in fighting pests and diseases that annually cause enormous losses to Turkish agricultural production.

Good Seeds and Plants Protocol (GSPP)

GSPP is an international business chain system for hygienic seed and plant production. GSPP-accredited companies follow GSPP rules and standards to keep their seeds and seedlings disease-free. Periodical inspections ensure only those producers in compliance with GSPP standards remain in the system. Using GSPP-certified seeds or seedlings is a highly effective way for farmers to keep their produce disease-free.


SWAN

Terminal Services

Terminal services is a major operation for Toros Tarım due to the sheer volume of business at its two marine terminals, at Ceyhan and Samsun.

In the İskenderun Gulf, the Ceyhan Terminal was built in 1981 to meet Toros Tarım's logistic needs. However, its favorable location and general foreign trade conditions were conducive to serving third parties, and so a new area of operations emerged within the Group. Today, the Ceyhan Terminal is İskenderun Gulf's second largest port after Demir Çelik Port.

Toros Ceyhan Terminal offers third parties loading, unloading and storage services for a wide variety of products, including general and project cargo, petroleum products, liquid chemicals, bulk grain and feedstuff, coal, petrocoke, pumice stone, and various industrial ores, minerals and mining products. The terminal has two jetties with eight births and a Ro-Ro jetty. The terminal can handle liquid bulk tankers and dry bulk and general cargo vessels from 40,000 DWT up to 110,000 DWT. In addition to providing 24-hour continuous handling services, the facilities also offer warping, dolphin, pilotage, tugboat, shipping, garbage collection, solid-liquid waste collection and water supply services.

Toros Samsun Terminal, the company's second terminal facility, has the same structural capacity as Ceyhan for discharging dry bulk and liquid products. Its dry bulk handling capacity is 14,000 tons/day via two berths. Ships up to 55,000 DWT can dock at the terminal, which also has pipelines for loading and discharging liquid chemicals. The terminal currently runs at low capacity as the Black Sea region constitutes a relatively small share of Turkey's terminal operations. However, with increasing trade volume between Turkey and other Black Sea countries and its extensive storage capacity, the Samsun Terminal has great potential.

The most important activities of both terminals in 2014 were dry/liquid bulk and general cargo. Unexpectedly high temperatures in 2014 resulted in a decline in coal imports. Altogether, approximately 4.4 million tons (not including petroleum products) were handled in 2014, paralleling that of the previous year.

Meanwhile, global uncertainties in the petroleum product market and price fluctuations were detrimental to market players (backwardation) and limited demand for tank leasing in 2014. Nevertheless, the occupancy rate in petroleum products was 55% in 2014.

Ceyhan Terminal has two jetties with eight births and a Ro-Ro jetty.

5.4
m tons

total handling in 2014

Free Zone Management

The Adana Yumurtalık Free Zone (TAYSEB) is one of Turkey's largest free zones and Turkey's first free zone for industrial companies. Established in 1998 on the İskenderun Gulf, it has 4.5 million m² of completed infrastructure. Its location and transportation facilities provide ready access to markets in Europe, the Middle East and Africa. It also offers port services through Toros Terminal.

TAYSEB affords major logistic and strategic advantages to industrial companies wanting to benefit from free zone incentives, which has drawn increasing interest in the area in recent years. As of the end of 2014, the area leased out at TAYSEB had increased by 74% to 1.45 million m².

1.45 million
m² leased area

Adana Yumurtalık Free Zone (TAYSEB)

Social Responsibility

Toros Tarım from its founding has aimed to increase agricultural productivity through its products and through its continuing education activities. The company promotes the interests of the Turkish farmer and seeks to raise his standard of living through its social responsibility projects.

Toros Tarım has collaborated with the Ministry of Health since 2013 to support the United Nations Population Fund and Harran University's Program to Improve the Health of Seasonal Workers and their Families. This program works to improve the social rights and health conditions of Turkey's seasonal migrant farm workers, to eliminate women farmers' health problems and, thus, those of their children, and to develop activities to reach this group, which otherwise has insufficient access to health services. Toros Tarım, the main financial sponsor of the project, is also active in the program's public relations efforts.

The 2014 public relations activities for the program raised general awareness in society about this important issue while encouraging practical action to comprehensively address the subject.
In addition to the educational and public relations efforts made throughout the year, in November, the General Assembly of the Turkish Parliament decided to establish a Parliamentary Research Commission to study migrant farm workers' problems.
A 17-person commission was formed and began to work.

Another significant Toros Tarım social responsibility project is the Balanced Fertilization with Right Fertilizers Project that it initiated with the Ministry of Agriculture in 2012. This project instructs farmers in the balanced use of the right fertilizers to obtain optimum yields and it achieves this through field demonstrations of the correlation between yield variations and variations in fertilizer usage. More specifically, a farmer is asked to fertilize a plot of land as he chooses while an adjoining plot is treated with the optimum fertilizer compound and quantity. The farmer can then observe the difference in yield. The project began with corn, cotton and sunflowers in 2012 and continued with wheat trials in 2013. In 2014, a conclusive report was published on the soil, plant and quality analyses from trials completed in 43 regions, while wheat trials in 16 regions continued. A "Wheat Documentary" shot in 2013 to share the story behind the project was aired in a number of local TV stations in 2014, reaching a wide viewing.

Toros Tarım also met the maintenance, repair and general needs of the Toros Tarım Anatolian High School in Ceyhan and the Toros Tarım Primary School in Sarımazı in 2014.

The project entitled 'Balanced Fertilization with Right Fertilizers' instructs farmers through field demonstrations of the correlation between yield variations and variations in fertilizer usage.

Toros Tarım supports the "Program to Improve the Health of Seasonal Workers and their Families".

Bomonti Apartments,
İstanbul

Real Estate Development Group

Profile

Founded in 2000, Tekfen Real Estate Development Group is a domestic leader in its sector. Combining quality, sustainability, environmental sensitivity, functionality and reliability with a distinctive style, it develops projects to international standards.

Tekfen Real Estate was started with the aim of developing high -quality, innovative real estate projects throughout Turkey. Its projects to date are all distinctive not only for their design and construction quality, but also for their originality.

Tekfen Real Estate Development provides integrated services encompassing investment, project development, design, construction and facility management with the goal of customer satisfaction with every detail. Within the Group:

- Project management services are provided by Tekfen Real Estate Development Investment.

- Real estate management services are provided by Tekfen Tourism and Facility Management (Tekfen Services).

Tekfen Real Estate Development has earned respect and trust in the sector. It has completed many pioneering projects that blend into the urban fabric, add value to the city, are conceptually unique and raise the users' quality of life. Projects exemplifying the approach of the Group are Akmerkez, Taksim Residences, Tekfen Tower, Tekfen Yalıkavak Homes, Bodrum Müşkülüm Ranch, Levent Ofis, Kâğıthane OfisPark and Tekfen Bomonti Apartments.

Tekfen Real Estate Development differentiates itself by creating projects that are distinctive for their concept, quality and design, and that are in carefully chosen locations. Because of the importance it places on design, it always works with the best architects. This approach has made Tekfen Real Estate Development a trend-setting pioneer in the sector and garnered it many distinguished awards.

The most efficient use of natural resources is a key goal for the group. Sustainability and energy efficiency have always been and remain a priority in all its developments. As a founding member of ÇEDBİK, the Turkish Green Building Council, it implemented Turkey's first green building projects. The group uses the LEED (Leadership in Energy and Environmental Design) criteria, developed by the US Green Building Council (USGBC), as the basis for all of its projects. The Group's Levent Ofis, Kâğıthane OfisPark and Bomonti Apartments projects have all been awarded the LEED Gold Certificate.

Tekfen Real Estate Development mainly invests in residence, office and shopping center projects.

Tekfen Tourism and Facility Management undertakes the management of completed projects. Operating as Tekfen Services, it manages parking lots, conference halls, restaurants and fitness centers, and provides for maintenance, cleaning and security services for Tekfen Tower, Taksim Residences, Tekfen Yalıkavak Homes, Gümüşlük Müşkülüm Ranch, Levent Ofis, Kâğıthane OfisPark and Bomonti Apartments. The company also manages S Café & Brasserie at Istanbul's Akmerkez shopping mall.

LEADERSHIP IN ENERGY & ENVIRONMENTAL DESIGN
LEED

Tekfen Real Estate Development uses the US Green Building Council's Leadership in Energy and Environmental Design (LEED) criteria as the basis for all of its projects.

Real Estate
Development Group
Executive Management

From left to right:
Ömer Egesel
General Manager
(Tekfen Real Estate
Development)
Şebnem Kefeli
General Manager
(Tekfen Services)
Ülkü Tatlıdil
Chairman
(Tekfen Real Estate
Development)

Pioneer of urban
transformation: Kağıthane
OfisPark, İstanbul

2014: A general overview

1,165,381

In 2014, a total of 1,165,381 homes were sold in Turkey.

While the real estate sector did well in 2013, it waned in the first half of 2014 due to the slowing of general economic growth before rallying towards the end of the year as interest rates declined and demand was rekindled.

Turkey's housing sales rose 0.7% to 1,165,381 in 2014. Overall, the existing housing stock suffers a shortage of low-/middle-income housing and a surplus of high-end housing.

Real estate continues to be a major investment vehicle in Turkey. Demand for housing is set to rise over the next few years under the combined pressures of population growth, urbanization, a reduction in the size of urban households, and migration. Meanwhile, urban renewal projects are revitalizing the sector.

The use of mortgages, which started in 2006 with the passage of the Mortgage Home Financing Law, is rapidly increasing in Turkey, with 33.5% of home sales financed with mortgages in 2014. The start of previously postponed public- and private-sector projects in 2015 is expected to lend impetus to the sector.

Operations in 2014

74%

74% of HEP Istanbul is landscaped, with year-round green gardens.

Launched with the slogan, "The Home of My Life," the TRY500 million HEP Istanbul project is Tekfen Real Estate Development's largest ever.

Tekfen Real Estate Development

HEP Istanbul

The HEP Istanbul housing project in Esenyurt, Istanbul was highly significant for the company in 2014. Occupying a construction site of about 57,000 m^2, the 253,000 m^2 HEP Istanbul project was launched in October 2014 with the slogan "The Home of My Life." HEP Istanbul is going up in the most valuable location in Esenyurt, one of Istanbul's most rapidly developing districts, at the intersection of the E-5 highway and the TEM highway connecting road. Valued at TRY500 million, the project, designed by CM Mimarlık, is Tekfen Real Estate Development's largest ever. As of the end of 2014, sales contracts had been concluded for 317 apartments (32,585 m^2), totaling TRY79.8 million in sales.

HEP Istanbul will consist of 11 high-rise blocks and 14 rows of low-rise buildings. In addition to 1,424 apartments, there will be 2,600 m^2 of commercial units. The apartments come in a variety of layouts (1+1, 2+1, 3+1 and 4+1) and range in size from 70 to 240 m^2, thus appealing to a broad cross-section of demand. One of the strongest features of the project is its extensive shared living space and landscaping. The project's two social facilities, with a combined enclosed area of 2,600 m2, have been designed for various age groups. There are 1,500 m^2 of outdoor playgrounds, 2 km of walking trails, 1 km of bike paths, indoor and outdoor swimming pools, mini-football pitches, basketball and tennis courts, and indoor and outdoor activity areas for various sports. In addition, 74% of HEP Istanbul is landscaped, with year-round green gardens.

HEP Istanbul has affordable prices that make it accessible to the middle income customer. It seeks to offer a living space that is well planned down to the smallest detail and environmentally friendly. Like in Tekfen Real Estate's previous projects, this one will possess the LEED Green Building Certificate. The construction of the project began in January 2015, with delivery to homeowners slated for April 2017.

İzmir Mixed-Use Project

The İzmir Mixed-Use Project is another large investment project Tekfen Real Estate Development scheduled to start in 2015. A joint venture with Rönesans Real Estate Investment Group, the project is situated at the intersection of Karşıyaka, Konak and Bornova in İzmir, one of Turkey's most rapidly developing urban areas. It will consist of a mixed -use residential, office and shopping center development on a site covering about 40,000 m^2. The 250,000 m^2 project will have 130,000 m^2 of sellable/leasable space and promises to be among Izmir's largest real estate development project.

HEP İstanbul, Esenyurt

Designed by Emre Arolat Architects, the project will become a major landmark on the city skyline and an important meeting point for Izmir. Completion is planned for the end of 2017.

Tekfen Services

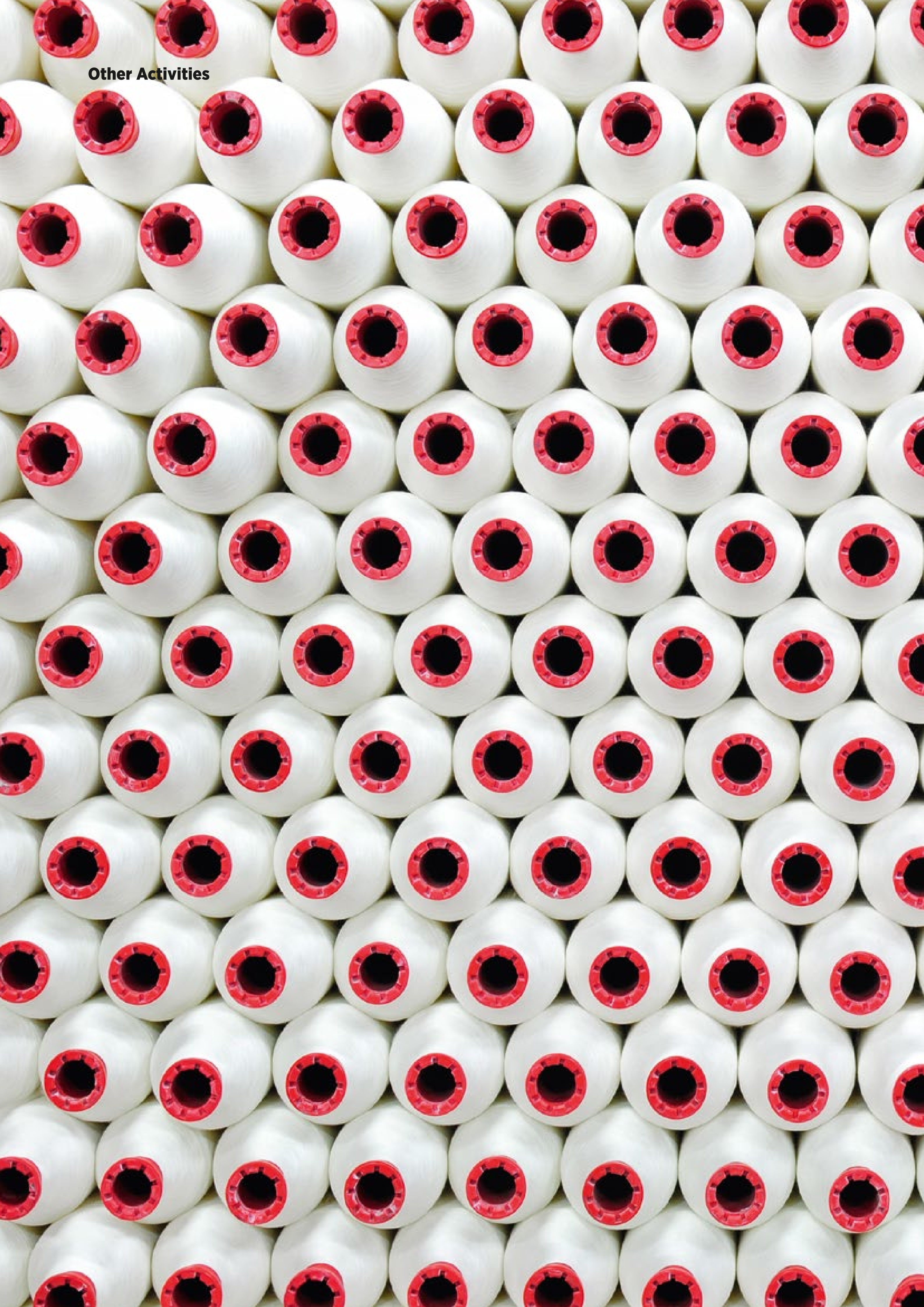
Tekfen Tourism and Management, operating as Tekfen Services, provides facility management services for Tekfen Tower, Kâğıthane OfisPark, Levent Ofis and the Tekfen Holding Ulus Campus and, in the high-end homes/residences segment, for Taksim Residences, Bomonti Apartments, Yalıkavak Tekfen Homes, and Gümüşlük Müşkülüm Ranch.

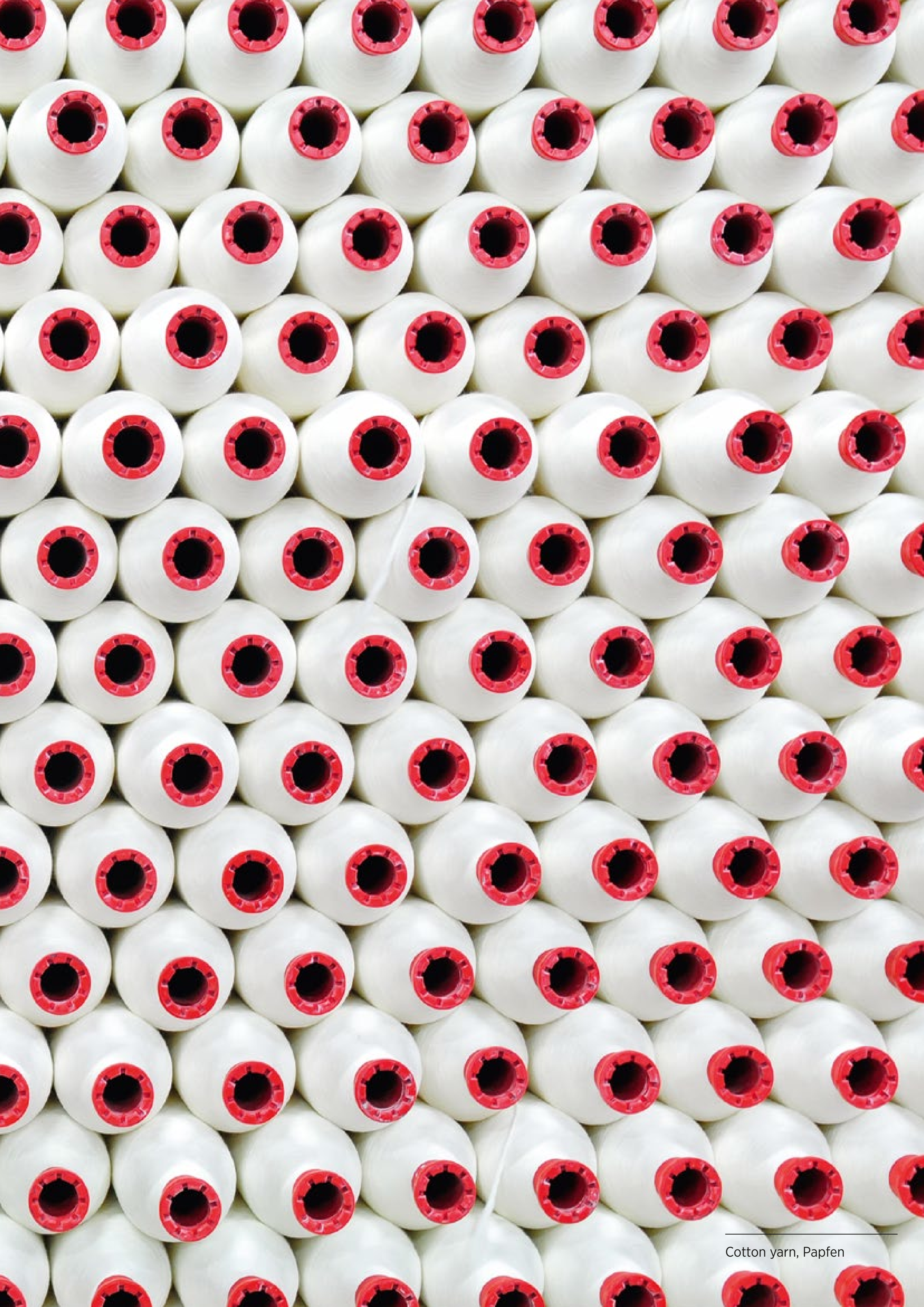
Tekfen Services aims at creating value in the after-sales market, where the importance and value of quality has yet to be fully recognized, through its commitment to the principle of absolute customer satisfaction.The company offers its customers maintenance, repair, cleaning and security services in addition to providing facility management services for parking lots, conference halls, and fitness centers. The company gave a face-lift to S Café in Akmerkez, a high-end shopping mall in Istanbul. Located at one of Akmerkez's principal entrances, the renamed S Café & Brasserie opened at the end of 2014 with a revamped menu and decoration designed around the concept of fine dining. S Café & Brasserie is determined to bring something new to Istanbul's food and drink sector, which has expanded enormously in recent years.

İzmir Mixed-Use Project, Bayraklı

Tekfen Services aims at creating value in the after-sales market, where the importance and value of quality has yet to be fully recognized, through its commitment to the principle of absolute customer satisfaction.

S Café & Brasserie
Akmerkez, İstanbul





Cotton yarn, Papfen

Other Activities

Profile

In addition to contracting, agri-industry and real estate development, which are its three main areas of operation, Tekfen Group is engaged in the manufacture and marketing of light bulbs, one of its oldest areas of business, through Tekfen Industry; insurance brokerage through Tekfen Insurance and Brokerage Services; and cotton yarn manufacturing through Papfen, a cotton yarn plant in Uzbekistan.

Operations in 2014

Tekfen Industry

Tekfen Industry and Trade Co. Inc. was founded in 1963 with Turkish capital to manufacture lightbulbs. Turkey's first and only domestic lightbulb manufacturer, Tekfen's name has become synonymous with lightbulbs. Today, it has two major areas of activity: lighting and insecticides.

Tekfen Industry operates in the lighting sector in cooperation with Wiselite, China's largest manufacturer of lightbulbs. It markets and sells Chinese-made lighting products in Turkey. Its Wiselite and Tekfen-branded product portfolios include energy-saving light bulbs, fluorescent, metal halide, sodium vapor, mercury vapor and LED products.

Energy-saving light bulbs play an important role in protecting the environment, so Tekfen Industry places special importance on making their use more widespread in Turkey. Consequently, it offers the consumer many energy-efficient, economical products. LED light bulbs is a product group that Tekfen Industry is monitoring for its enormous technological advances in recent years. LED light bulbs have low energy consumption and longevity, while being robust and compact.

Tekfen Industry added all-purpose New Generation LED light bulbs to its product portfolio in 2013 and continued to work on them in 2014. The LED A56 model appeals to the consumer's aesthetic sense while the LED A60 has the widest angle and greatest output in terms of luminosity/watts on the market. The Company launched the Tekfen Wiselite New Generation LED, which comes in 16 varieties, at Turkey's most prestigious lighting fair – the biannual Istanbul Interlight Fair.

Another important development in 2014 was the introduction of the Tekfen-brand Halogen GLS light bulbs, in addition to the Wiselite-brand Halogen GLS light bulbs. These products come in economic, promotional packs and are sold in prominent domestic retail chain stores.

Tekfen Industry's operations in chemicals consist of the insecticides it markets under the Fentox brand. The Company has a strong product portfolio that includes Super Fentox, Fentox Stop, water-based New Fentox, Fentox Liquid, Fentox Mat, Fenkov Aerosol and Fenkov Lotion.

At the end of 2014, Tekfen Industry decided to give the brand use rights for "Tekfen," in the lighting sector, and "Fentox," in the insecticide sector, to a single distributor to ensure the continuation of these trademarks. This move was prompted by growing competition in the sector, declining

Other Activities
Executive Management

From left to right:
Güngör Köprülü
General Manager
(Tekfen Insurance Brokerage)
Mehmet Killi
General Manager & Chairman
(Tekfen Industry)
Raif Ceylan
General Manager
(Papfen)

profitability ratios, and lengthening collection periods. Tekfen Industry plans to convert itself into a company generating revenues from extending brand use rights.

Tekfen Insurance Brokerage

Tekfen started its insurance brokerage operations in 1982 representing La Suisse Public Insurance and, in 1989, the company changed its name to Tekfen Insurance and Brokerage. Today, the company brokers 22 leading international and domestic insurance companies.

Tekfen Insurance is able to provide price and coverage-customized insurance solutions to its customers through its collaboration with many insurance companies and international brokers. It continued to sell insurance products and offer risk management and insurance consultancy services to the Group companies and their employees in 2014.

Group companies have a wide range of insurance needs that arise due to their activities at home and abroad. Through keeping abreast of changes in regulations and market conditions in the sector, Tekfen Insurance was able to meet these needs in 2014 with the most comprehensive coverage possible and the most appropriate premiums and terms of payment.

Papfen

In 2010, Tekfen became sole owner of Papfen, a cotton yarn plant, which produces high-quality cotton yarn with various characteristics. Tekfen originally established Papfen with the Uzbekistan Ministry of Light Industry in 1997.

Having an annual capacity of 4,000 tons, the plant is exemplary in Uzbekistan for its modern facilities, technology and operating standards. It also has the ISO 9001 Quality Management System Certificate. The high quality yarn produced at the plant is both sold in Uzbekistan and exported.

Papfen operated at 67% capacity in 2014, producing 2,411 tons and selling 2,298 tons of yarn. 52% of production was exported to Turkey, Belorussia and Russia, with the rest sold in Uzbekistan. The company's sales revenues were US$6.7 million in 2014.

In line with Tekfen Group's strategy of focusing on its main business areas, negotiations for the sale of the plant are continuing. Because the obligations of the parties had not been completed as of the date of the publication of this report, a final sales contract has yet to be signed.

Papfen operated at 67% capacity in 2014, producing 2,411 tons and selling 2,298 tons of yarn. 52% of production was exported to Turkey, Belorussia and Russia, with the rest sold in Uzbekistan. The company's sales revenues were US$6.7 million in 2014.

The concert is about to begin...

Corporate Social Responsibility

As a company with a sense of social responsibility, Tekfen uses some of the value it creates on projects that benefit the public good, and supports efforts to improve the social and environmental context of which itself is a part.

The social, cultural and environmental protection activities Tekfen has undertaken since its founding are an integral part of its corporate culture.

Tekfen established the Tekfen Foundation for Education, Health, Culture, Art and Protection of Natural Resources (Tekfen Foundation) to enhance its social and cultural activities and to assist in creating a sustainable future in concert with the natural environment. Established in 1999, the foundation undertakes CSR projects primarily in the fields of education and culture and the arts.

Tekfen's social responsibility projects are undertaken by individual group companies and also through Tekfen Foundation. Tekfen Group companies donated a total of TRY658,442 in 2014.

Education

Each year, Tekfen Foundation provides grants to financially needy high school and university students studying in Turkey. To date, close to 2,000 students have graduated with the support of Tekfen Foundation and, in the 2013-2014 academic year, 500 students received scholarships. In collaboration with Tekfen Foundation, Tekfen Group companies provide scholarship students with internship and mentoring opportunities, helping them to be better prepared and equipped for starting their careers. Sixty-four Tekfen Foundation scholarship students were provided with internships at Tekfen Group companies in 2014.

Contributing to meeting the educational needs of autistic children was the focus of another of Tekfen Foundation's social responsibility projects in 2014. The Foundation refurbished an unused building in Ceyhan, Adana, for use in special education in consultation with the Tohum Autism Foundation, an NGO specializing in this area. The Tekfen Foundation Special Education Center opened its doors on 15 September 2014.

Culture and the Arts

Tekfen Philharmonic Orchestra was founded as a peace initiative in 1992 and continues to this day. Bringing together musicians from 23 Black Sea, Caspian and Eastern Mediterranean countries, it is an important cultural venture in the arts that rounds out its original aim of peace through unique projects. The orchestra accompanied the world-acclaimed Italian tenor Andrea Bocelli at a concert organized by the TEMA Foundation as part of its 20th anniversary celebrations in February 2014.

Apart from education and the arts, the Tekfen Foundation also demonstrated its interest in our cultural heritage through supporting the Ziyaret Tepe Tumulus excavations, which began in 2000. Southeast of Bismil near Diyarbakır, the Ziyaret Tepe Tumulus holds the ruins of Tuşhan, a center of the Assyrian Empire on the Tigris.

500

Each year, Tekfen Foundation grants scholarship to 500 students.

Tekfen Foundation
Board of Directors

From left to right:
Dr. M. Ercan Kumcu
Chairman
Dr. Ahmet İpekçi
Vice Chairman
Dorottya Kiss Kalafat
Board Member
Vahide Gigin
Board Member
Nahit Akarkarasu
Vice Chairman

Sustainable Development

Following a mining disaster that claimed 301 lives in May 2014, the Foundation decided to offer assistance to the people of Soma, western Turkey. In the light of research, the Foundation decided to provide the women of Soma with microcredit to foster alternative income-generating activities. The Tekfen Foundation Soma Microcredit Branch, established under the Turkey Grameen Microfinance Program, opened on 17 November 2014. With the aid of this microcredit support, women entrepreneurs are enabled to start their own businesses as an alternative to mining and thereby to contribute to their families' livelihood.

Tekfen Foundation has been supporting Ziyaret Tepe Excavations since 2012.

Tekfen Holding
Corporate Affairs
Management Team

From left to right:
Hakan Dündar
Audit Manager
Nahit Akarkarasu
Legal Counsel
Assoc. Prof. Osman Reha Yolalan
Vice President, Corporate Affairs
Ali Tursan
Director, Finance and Administrative Affairs
Çağlar Gülveren
Coordinator, Investor Relations & Corporate Government
Dr. Ahmet Burak Emel
Coordinator, Strategic Planning & Reporting

Corporate Governance

Board of Directors Members' CVs

Ali Nihat Gökyiğit
Chairman of the Board
and Managing Director

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 (Consultant Engineering), which was the seed of Tekfen Holding. Since then, he has served either as a member or chairman of the Board of Directors of more than 50 of Tekfen's group companies.

For 35 years, he has served as Chairman of the Advisory Board of AIESEC-Turkey, the world's largest student organization. A member of the Turkish Industry and Business Association (TÜSİAD) and of the Foreign Economic Relations Board (DEİK), Gökyiğit was a member of the Boards of Directors 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 the Turkish 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 is an active member of many international organizations concerned with water, energy, the environment and natural resources. He is the founder and co-chairman of the East Meets West International Energy Conference, which has been held annually for a period of 10 years in Istanbul.

Gökyiğit was given the Environmental Service Award by Akdeniz University and has received an honorary doctorate from Çukurova, Bosphorus and Gazi Osman Paşa Universities.

Nihat Gökyiğit was awarded the Order of Merit by the Turkish President in 1997, the Order of Merit by the Turkish Parliament in 2010, and he was named the Schwab Foundation Social Entrepreneur of the Year by Ernst&Young in 2009.

Cansevil Akçağlılar
Vice-Chairwoman
and Managing Director

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

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

Sinan K. Uzan
Board Member

Born in New York in **1986**, Sinan K. Uzan graduated from Pepperdine University (US) in International Business Administration in 2008. In 2012, he enrolled in the Family Businesses Management program at Northwestern University's Kellogg School of Management (Illinois). He started his career as Assistant Chairman of StarClub, a Los Angeles-based company engaged in music production and Internet strategies, before joining Tekfen Construction as Azerbaijan Project Coordinator.

Uzan is currently working 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.

Erhan Öner
Board Member, Chief Advisor

Born in Izmir in **1946**, Erhan Öner graduated from Middle East Technical University in 1968 with an undergraduate degree in Mechanical Engineering, and he got his master's degree in the same field at the University of Miami. In 1969, he participated in a certificate program in Pipeline Engineering at the University of Texas.

He began his career as a Project Engineer at Tekfen Construction in 1969. Having become Project Director in 1976 and Assistant General Manager in 1979, Öner was appointed General Manager of Toros Gübre in 1980. He became Executive Director of the Tekfen Group of Companies in 1991 and he held this position for seven years. He became General Manager of Tekfen Construction in 1998. Öner served as President and CEO of Tekfen Group of Companies between 2000 and 2013. He is currently on the Board of Directors of a number of Group Companies.

He worked as Chairman of the International Fertilizer Industry Association (IFA) from 1993 to 1995. Öner is a former chairman of the Turkish-Spanish and Turkish-Portuguese Business Councils operating under the auspices of the Foreign Economic Relations Board. Öner was honored with the Spanish Royal Order of Merit in 2004 for his work in developing economic relations between Turkey and Spain. In 2011, Öner was bestowed the Order of Wissam Alaoui by the King of Morocco.

Murat Gigin
Board Member

Murat Gigin was born in Istanbul in 1952 and graduated from the University of Bradford in Civil Engineering in 1974. He got his master's degree in Mechanical Engineering at the University of London in 1975. He then received his Ph.D. in Oceanic Engineering from the Department of Mechanical Engineering at University College London.

He began his career at Tekfen Construction in 1977 as civil engineer at the Company's project in Kuwait. Upon his return to the Company's headquarters in Istanbul in 1983, he worked as coordinator on several international projects and in the New Business Department until he was appointed Deputy General Manager in 1986. Gigin was General Manager of Tekfen Construction between 1988 and 1998 and Board Member of several Tekfen Contracting Group companies until 2000. Gigin is currently Member of the Board of Directors of Tekfen Holding.

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

An activist in a number of NGO's in the past, Gigin was Chairman of IPLOCA (International Pipeline and Offshore Contractors' Association) between 1995 and 1996 and is currently Member of the Board of Trustees of TEMA Foundation

Dr. M. Ercan Kumcu
Board Member

Ercan Kumcu was born in Istanbul in 1955. He received his undergraduate degree from Bosphorus University in 1977 and then obtained his Ph.D. 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 served as Vice-Chairman between 1988 and 1993.

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

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 (Female Mathematicians) and Krizler, Para ve İktisatçılar (Crises, Money and Economists).

Assoc. Prof. Ahmet İpekçi
Board Member

Born in Istanbul in 1944, Ahmet İpekçi graduated from the Academy of Economic and Commercial Sciences in 1968, and he got his PhD degree 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 his career afterwards at Istanbul Technical University as Assistant Professor. From1977 to 1982 he has served as Associate Professor at the same University.

Dr. İpekçi joined Tekfen in 1982, as Tekfen Construction's Deputy General Manager in charge of financial and administration affairs and served in this post until 1992. Dr. İpekçi became Board Member of Hallesche Mitteldeutsche Bau AG (HMB) in 1992 and Finance Coordinator of Tekfen Holding in 1994.

Between 2000 and 2013, Dr. İpekçi has served as Tekfen Holding's Vice President in charge of investment and service companies. Since 2013, Dr. İpekçi acts as Advisor in Tekfen Holding and is also a Board Member of several Group companies, including Tekfen Construction and Toros Tarim. Dr. İpekçi has joined the Board of Directors of Tekfen Holding as of April 2014.

Prof. Dr. Emre Gönensay
Independent Board Member

Emre Gönensay was born in 1937 in Istanbul and graduated from Columbia University with a BA in Humanities in 1957 and a master's degree in Economics in 1960. He received his Ph.D. in Economics in 1965 at the London School of Economics (LSE).

Gönensay was a faculty member in the Departments of Economics at LSE between 1964 and 1967 and Bosphorus University between 1967 and 1992. He was Dean of the Faculty of Economics and Administrative Sciences at Bosphorus University between 1971 and 1976, and Economic Advisor, along with Alan Walters, to the British Prime Minister between 1980 and 1983. Gönensay served as Ambassador-at-Large and Chief Advisor to the Prime Minister of Turkey in 1992, as Ambassador-at-Large and Chief Advisor to the President of Turkey in 1993, and as Ambassador-at-Large and Chief Advisor to the Prime Minister of Turkey in matters involving the Economy and Oil Pipeline Policies Coordination between 1994 and 1995.

He was elected to Parliament in the 1995 general elections and served as Minister of Foreign Affairs in 1996.

Gönensay left politics with the 1999 general elections and began consultancy work. Throughout his career, he has served as executive director, consultant and member of the boards of directors of major companies and banks in Turkey, such as Koç Holding, Enka Holding and Chemical Mitsui Bank and Caspian Energy.

An erstwhile columnist for various newspapers in Turkey, Gönensay has many academic publications, both in Turkey and abroad, on macroeconomics, international economic policies, economic policy, monetary theory and banking.

Gönensay was appointed Honorary Ambassador to the European Union in 2003 by the Ministry of Foreign Affairs.

Gönensay has been Professor of Economics since 2004 at the Faculty of Economics and Administrative Sciences at Işık University.

Prof. Dr. Ahmet Çelik Kurtoğlu
Independent Board Member

Born in 1942 in Ankara, A. Çelik Kurtoğlu graduated in 1965 from the Department of Economics and Finance at the Faculty of Political Sciences at Ankara University where he began his academic career. He received his master's degree in 1968 from Cambridge University, did post-doctoral research at Yale University and got his Ph.D. in 1973 from the Faculty of Political Sciences at Ankara University. He retired from the Faculty of Economics at Istanbul University in 1995, but was a faculty member between 1997 and 2006 at Galatasaray University.

Kurtoğlu acted as consultant to the Ministry of Foreign Affairs between 1978 and 1982; and worked as research director at the OECD Development Center in Paris between 1983 and 1986.

Starting as advisor to Jak Kamhi, the first Turkish member of the European Roundtable of Industrialists (ERT), Kurtoğlu is currently acting as Bülent Eczacıbaşı's advisor at the same organization.

In 1987, Kurtoğlu took an active role in the founding of the Foreign Economic Relations Board (DEIK) and became its director, a position he held until 1995. He subsequently served on the Board of Directors until 2008.

Meanwhile, he also served as General Secretary of the Black Sea Economic Cooperation (BSEC) since 1992.

Kurtoğlu served at Global Menkul Değerler A.Ş. in 1995, then he set up Kurdoğlu Consultancy in 1999 and "iyi şirket" Danışmanlık A.Ş. in 2003, to give financial and legal consultancy services. Between 2000 and 2007, Kurtoğlu also worked as a consultant for Mitsui Trading Company in strategy and business development in Turkey.

Kurtoğlu was elected to the Nine Bank Board of Directors created by the newly founded Banking Regulation and Supervision Agency for 2001. He was a member of the Tekfenbank Board of Directors between 2002 and 2007 and served as Chairman of the TEMA Foundation between 2007 and 2008. Kurtoğlu is currently continuing his work at Kurdoğlu Consultancy.

Zekeriya Yıldırım
Independent Board Member

Zekeriya Yıldırım was born in 1944 and graduated from Darüşşafaka High School in 1962. He received a B.A. in Economics from Istanbul University and an M.A. from Vanderbilt University, USA.

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

Since 1998, Yıldırım has been Chairman of the Board of Directors of Yıldırım Danışmanlık Hizmetleri A.Ş., which provides consulting in corporate financing, management, and strategy to leading Turkish and international companies.

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

Prior to setting up Yıldırım Danışmanlık A.Ş., Yıldırım was Vice-Chairman of the Board of Directors and Chairman of the Executive Committee at Doğuş Group. He also served as chairman and member of the boards of directors of companies affiliated with Doğuş Group as well as other private sector institutions. He has worked as a consultant to Turkish and foreign organizations. Zekeriya Yıldırım has been Chairman of the Turkish-Dutch Business Council for 13 years. Between 2007 and 2013, he served as Chairman of the Board of Directors of the Darüşşafaka Society and he is currently Chairman of the Darüşşafaka Society Higher Advisory Board. Yıldırım is a member of the Turkish Industry and Business Association (TÜSİAD) High Advisory Council Presidential Board, is on the board of trustees of the Ayhan Şahenk Foundation and the Educational Volunteers Foundation of Turkey, and is Editorial Board Chairman of Finans Dünyası.

Çiğdem Tüzün
Independent Board Member

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

Tüzün worked as revenue expert at the General Directorate of Revenues at the Ministry of Finance between 1975 and 1978, as expert and then director in bilateral economic relations and the EEC at the State Planning Department. In 1987, she was part of the team that conducted the full accession application of Turkey to the EC.

In 1988, Tüzün started working as assistant director at the Foreign Economic Relations Board (DEIK), 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 she has written or contributed as consultant.

Executive Management CV's

Osman Cengiz Birgili
President and CEO of Tekfen Group Companies

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

He joined Tekfen Construction within the same year as a Civil Engineer, and after working in various positions until 1992, he held a managerial position in HMB (Germany) between 1993-1998, following which he became Vice President of Tekfen Construction in 1998.

As Senior Vice President of Tekfen Construction between 2005 and 2013, Birgili has been actively involved in Tekfen Holding's IPO in 2007. Birgili has been appointed President and CEO of Tekfen Holding as of May 11, 2013. He also holds the titles of Vice Chairman of the Board in Tekfen Construction, Tekfen Manufacturing, Tekfen Engineering and Toros Tarım (Agri) as well as Board Member in HMB AG.

Birgili, who has been a member of IPLOCA (International Pipeline and Offshore Contractors' Association) representing Tekfen Construction since 1998, was elected its President for the year 2011-2012.

Birgili speaks English and German, and is married with two sons

Esin Mete
Vice President-Agri-Industry Group

Esin Mete was born in Istanbul in 1949 and graduated from Boğaziçi University with a degree in Chemical Engineering. Esin Mete started her career as a Chemical Engineer at Tekfen Construction in 1973 and she worked in this position until 1980, when she transferred to Toros Fertilizer. Between 1980 and 1984, she served as Assistant General Manager and between 1985 and 1991 as Senior Assistant General Manager. In 1991, she was appointed General Manager of Toros Fertilizer, now known as Toros Tarım. In 2000, she was appointed Tekfen Holding Vice President in charge of the Agri-Industry Group.

Ms. Mete, assigned as the Chairwoman of the Board of Directors of Toros Tarım and as CEO of Agri-Industry Group in April 2010, is at the same time the Vice Chairwoman of Hishtil-Toros, and also serves as the Chairwoman in Agri-Industry Group Companies.

Apart from all these positions, Ms. Mete served as the International Fertilizer Industry Association's (IFA) Vice President in charge of the Middle East between 2001 and 2004. From 2007 to 2013, she has served as Vice President of the IFA's Executive Management Group. On May 22nd, 2013, Ms. Mete has been elected President of IFA.

Among the prizes she was rewarded are the "Officier du Wissam Alaoui" given in 2011 by the King of Morocco for her perennial close cooperation and contributions to the development of the country; the "Award of Service to Country and Humanity" given in 2008 for her contributions to the Zinc project; and the "first prize" given in years 2000 and 2003 for representing the industry during the "Successful Business Women" organization. Ms. Mete was among the "Most Successful 30 Women of Turkey" in Capital Magazine's 2005 and 2012 listings.

Ms. Esin Mete, who has excellent command of the English language, is a mother with one daughter.

Assoc. Prof. Osman Reha Yolalan
Vice President – Corporate Affairs

Born in Istanbul in 1961, Dr. Osman Reha Yolalan graduated from Istanbul Technical University in 1984 with an undergraduate degree in Industrial Engineering. He got his master's degree in the same field at the Bosphorus University in 1987 and his Ph.D. in Management Science at Université Laval, Canada, in 1990. In 2000 Dr. Yolalan was awarded the title of Associate Professor in Operations Research.

Dr. Yolalan started his professional career as a Specialist in the Strategic Planning Group of Yapı ve Kredi Bankası A.Ş. in 1991. Between 2000 and 2004, he served as the Executive Vice President in charge of Financial Analysis and Credit Risk Management and then as Yapı ve Kredi Bankası A.Ş. Chief Executive Officer between 2004 and 2005. He has also served as Board Member of the bank's financial affiliates in Turkey and abroad.

Since 2006, he has served as Tekfen Holding Vice President in charge of Corporate Affairs.

Dr. Yolalan speaks French and English, and is married with two sons.

Tekfen Group Companies

Tekfen Holding

(370,000,000 TRY)

T. SERVICES
(50,000 TRY)
100%

TEKFEN EMLAK GEL.
(1,000,000 TRY)
100%

AKM. LOKANTA
(100,000 TRY)
30.50%

TEKFEN RÖNESANS ADİ ORTAKLIĞI
(50,000 TRY)
50%

ÜÇGEN
(50.000 TRY)
27.45%

AKM. GMYO
(37,264,000 TRY)
10.79%

TEKFEN ENDÜSTRİ
(18,750,000 TRY)
100%

TEKFEN GMY
(13,500,000 TRY)
99.98%

BELPA
(100.000 TRY)
94.25%

FLORYA GMY A.Ş.
(53,471,724 TRY)
50%

Tümteks
TSKB A.Ş.
Akçansa
Turcas
Sınai ve Mali Yat
Mersin Serbest Bölge İşl.

TEKFEN SİGORTA
(1,610,000 TRY)
99.98%

TEKFEN INT. FIN & INV S.A.
(131,300,000 $)
100%

TST INT. TRAD. LTD.
(10,000 $)
100%

TEKFEN CONSTR.
(10,003 $)
100%

PFT
(10,000 $)
100%

CTS
(1,323,694 AZN)
51%

TST INT.
(10,000 GBP)
100%

TEKFEN INT'L
(7,500 GBP)
100%

ISTCO
(10,000 $)
100%

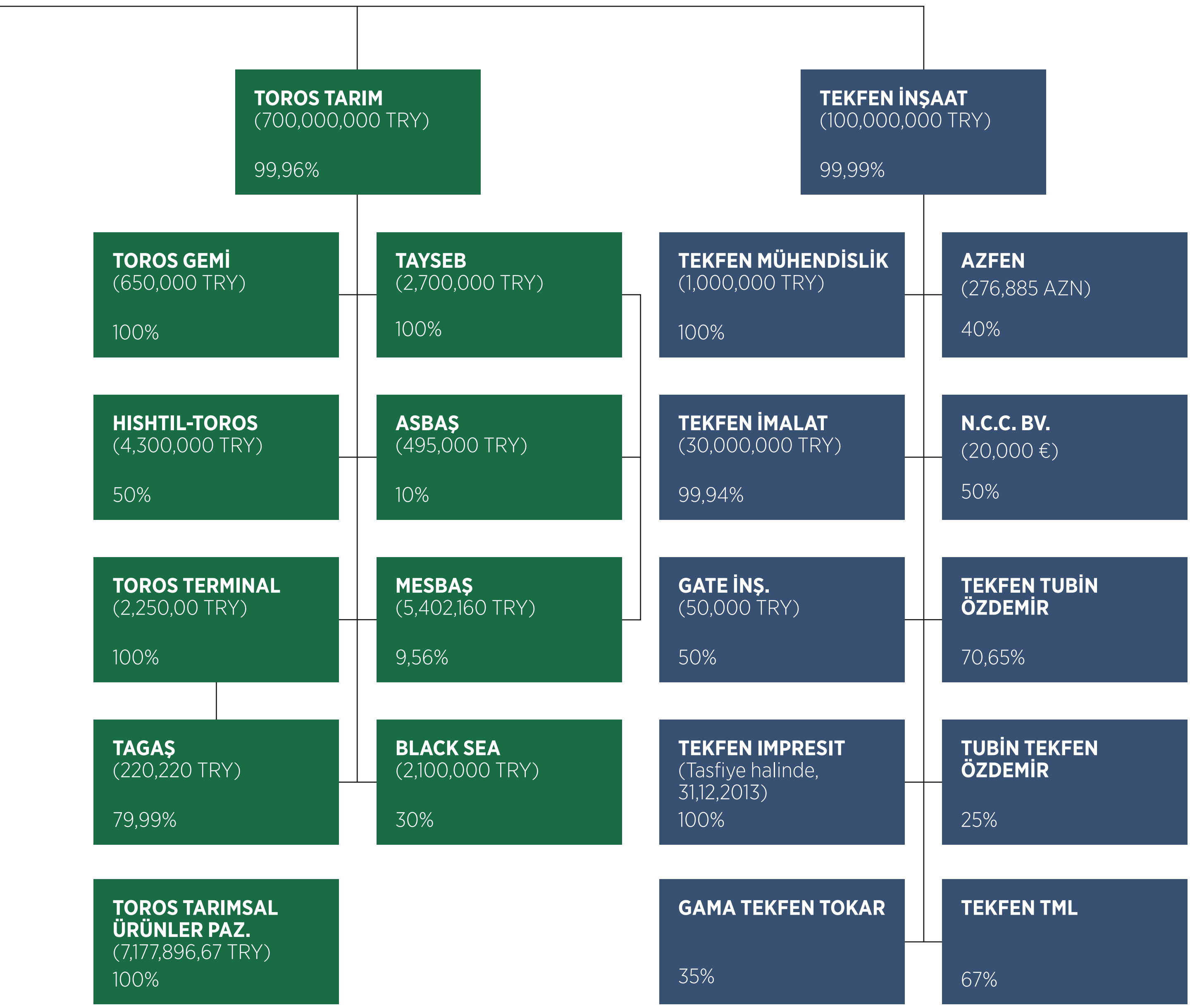
HMB
(35,000,000 €)
100%

PFS
(10,000 $)
100%

ANT. STÜDYOLARI
(5,250,00 TRY)
99.99%

PAPFEN L.L.C
(46,150,00 $)
100%

- Contracting
- Agri-Industry
- Real Estate
- Services and Trade
- Other



2014 Corporate Governance Compliance Report

Section I
Corporate Governance Compliance Statement

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

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

Section II
Shareholders

2.1 Investor Relations Department

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

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

The Investor Relations Department can be contacted as follows:
Investor Relations and Corporate Governance Coordinator:
Çağlar Gülveren, CFA
Tel: +90 (212) 359 34 20
Fax: +90 (212) 257 00 81
Email: cgulveren@tekfen.com.tr
or investor@tekfen.com.tr

Investor Relations and Corporate Governance Coordinator Çağlar Gülveren holds the CMB's Corporate Governance Rating License (license No. 700022) and Capital Market Operations Advanced Degree License (license No. 200075); he is responsible for the Company's compliance with all obligations arising from capital market regulations and coordinating corporate governance applications.

The 2014 department operations report was submitted to the board of directors on 5 March 2015.

2.1.1. Investor Relations Department Responsibilities

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

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

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

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

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

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

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

Responding to requests from investors and analysts regarding the Holding and the Group companies, conducting one-on-one talks when necessary, and attending conferences and meetings on this subject;

Supervising and monitoring all matters related to public disclosures, including preparing and sending announcements of material events as required to the Public Disclosure Platform.

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

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

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

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

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

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

2.1.2. Activities of the Investor Relations Department in 2014

A large percentage of the publicly traded portion of the Company's capital is held by foreign institutional investors. Consequently, many existing and prospective foreign institutional investors and brokerage companies' analysts who render services to such investors request visits to the Company. The department strives to meet these requests by facilitating the active participation of the Company's senior management. In this context, in 2014 in addition to conferences attended, the Department conducted one-on-one meetings with 50 investors, and held eight teleconferences. In addition, the Department participated in eight conferences in Turkey and abroad and three roadshows organized abroad and conducted individual talks with 108 representatives of institutional investors during these meetings, which lasted a total of 24 days.

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

2.2. The Use of Shareholders' Rights to Obtain Information

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

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

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

2.3. General Assembly Meetings

The financial reports for 2013 were announced to the public on 6 March 2014 and the Ordinary General Assembly was held on 15 April 2014 at 14:00 in the Conference Hall of Tekfen Tower located at Büyükdere Cad. No. 209, 4. Levent-Istanbul.

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

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

Our General Assembly Meeting was held on 15 April 2014, participation in which was also possible via e-voting. Out of a total number of shares of 370,000,000 and representing TRY370,000,000 in shareholders' equity, 270,850,062.588 shares (73.20% participation ratio, including virtual participation) were in attendance.

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

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

A report on the donations (totaling TRY17,619,054.46) made in 2013 and their recipients was submitted to shareholders by an additional article on the General Assembly's Agenda.

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

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

2.4. Voting Rights and Minority Rights

2.4.1. Voting Rights

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

The Company's capital contains no cross ownership.

2.4.2. Minority Rights

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

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

2.5. Dividend Right

Company dividend policy is determined according to the Turkish Commercial Code, Capital Markets Law; Capital Markets Board Regulations and Directives, Tax Laws, other relevant legislation, and the Company's Articles of

Association. Our Company's "Dividend Policy" which was approved by the Board of Directors on April 4, 2008 was presented to our shareholders at the General Assembly Meeting on May 8, 2008. Our Company's Dividend Policy is given in our Annual Report and on our company website.

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

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

At the General Assembly Meeting held on 15 April 2014, due to loss experienced in the 2013 operating period, it was resolved not to payout dividends for 2013 to our shareholders.

2.6. Transfer of Shares

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

Section III
Public Disclosure and Transparency

3.1. Corporate Website and its Content

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

3.2. Annual Report

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

Section IV
Stakeholders

4.1. Informing Stakeholders

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

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

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

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

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

4.2. Participation of Stakeholders in the Management

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

4.3. Human Resources Policy

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

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

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

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

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

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

This management concept is based on a belief in people's unlimited potential to succeed and an understanding that a brighter future can only be attained through technology and science. Therefore, investing in human intelligence and skills is essential. The fact that no complaint of discrimination came from the employees in 2014 indicates the objective attitude of Tekfen Group towards its employees. Its employees are the Company's most valuable assets and their quality is the most important guarantee of the quality of our services and products. The Company shows the same diligence for employee development programs as it does for employee selection. Employee development programs develop the employees' ability to act in a coordinated fashion, to develop recommendations, and to make rational decisions. The Human Resources and Personnel Units take active roles in managing relations with employees.

4.4. Ethical Rules and Social Responsibility

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

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

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

Tekfen Foundation

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

Education

Every year, the Foundation provides educational grants to financially needy high school and university students studying in Turkey. Having thus far helped nearly 2,000 students graduate, the Foundation gave grants to 500 students in the 2013-2014 academic year. The Tekfen Foundation's "mentor" program, as well as its internship program at Tekfen Group Companies ensures scholarship recipients receive professional advice and counseling, thereby better equipping them to make conscious career decisions. As part of this program, 64 Tekfen Foundation scholarship recipients had the opportunity of internships at Tekfen Group Companies in 2014.

In 2014, Tekfen Foundation collaborated with the Tohum Autism Foundation, an NGO, to meet the educational needs of autistic children. Under the volunteer consultancy and guidance of Tohum, a vacant building in Ceyhan, Adana was refurbished and made suitable for educational purposes of autistic children. So, on 15 September 2014, the Tekfen Foundation Special Education Center was opened.

Culture and the Arts

The Tekfen Philharmonic Orchestra has been a steady force in the field of culture and the arts since its founding in 1992. It is a significant cultural initiative consisting of musicians from 23 countries from the Black Sea, the Caspian and the Mediterranean regions, who come together as "ambassadors of peace." The orchestra performed at a benefit concert in February in honor of the TEMA Foundation's 20th anniversary, accompanying the world renowned Italian tenor Andrea Bocelli.

Outside the areas of education and the arts, the Foundation also supports cultural heritage projects. One such project the Foundation sponsored in 2014 was the Ziyaret Tepe archeological excavations, which commenced in 2000. Near Bismil in Turkey's southeastern Diyarbakır province, Ziyaret Tepe Tumulus contains the ruins of Tuşhan, an ancient Assyrian city in the Tigris region.

Sustainable Development

In the aftermath of the mining disaster that claimed 301 lives at Soma, in western Turkey, in May, Tekfen Foundation decided after due assessment to provide the funding of microcredits that are designed to encourage income-generating activities as an alternative to mining. The Tekfen Foundation Soma Microcredit Branch of the Turkish Grameen Microfinance Program was opened on 17 November 2014. On account of this women-oriented microcredit support, entrepreneurs will be able to find ways of contributing to their families' livelihood by establishing their own businesses.

Toros Tarım

Giving effective support to raising the level of prosperity of Turkey's agricultural sector is one of Toros's priorities. Accordingly, the Company develops corporate social responsibility projects with this goal.

Program to Help Improve the Health of Seasonal Agricultural Workers and their Families

Since 2013, Toros Tarım has sponsored the Program to Help Improve the Health of Seasonal Agricultural Workers and their Families, which was initiated in collaboration with the Ministry of Health and operated by the United Nations Population Fund and Harran University. The aim of the project is to improve the employment and living conditions of Turkey's seasonal agricultural workers and to find solutions to the health problems affecting female agricultural workers and, therefore, their children. In addition to being the main financial sponsor of the program, Toros Tarım is also involved in press-relations and gives promotional assistance to the project.

'Balanced Fertilization with Right Fertilizers' Project

Toros Tarım's Project entitled 'Balanced Fertilization with Right Fertilizers' tests fertilizers on producers' fields to demonstrate to what extent yields can be increased. In 2014, a final report was published including the soil, plant and quality analyses of 43 field tests completed thus far, whereas experiments that begun in 2013 in 16 other regions were continued in 2014. The project is supported by the Ministry of Food, Agriculture and Animal Husbandry.

Section V
Board of Directors

5.1. Structure of the Board

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

A Board of Directors consisting of 11 members, each of which is to serve for one year, was decided upon at the Annual Ordinary General Assembly held on 15 April 2014.

Four independent members serve on our Board of Directors. Zekeriya Yıldırım, Emre Gönensay, A. Çelik Kurtoğlu and Uğur Bayar met the requirements for independence set forth in the Corporate Governance Committee report dated 6 March 2014 and their candidacy was announced. However, one of these candidates, Uğur Bayar, resigned from membership of the board of directors on 31 March 2014. Subsequently, Çiğdem Tüzün was declared a candidate at the General Assembly.

They were elected as independent board members at the General Assembly Meeting held on 15 April 2014. Each of the independent members has provided written documentary confirmation that they meet the criteria of independence. Thus, at the Ordinary General Assembly meeting held on 15 April 2014, Ali Nihat Gökyiğit, Feyyaz Berker, Cansevil Akçağlılar, Ahmet İpekçi, Murat Gigin, M. Ercan Kumcu, Erhan Öner, A. Çelik Kurtoğlu, Emre Gönensay, Zekeriya Yıldırım and Çiğdem Tüzün were duly elected as Board of Directors members.

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

The Board can delegate some or all of its authority and 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, Feyyaz Berker was appointed Chairman and Managing Director of the Board of Directors and Ali Nihat Gökyiğit and Cansevil Akçağlılar were appointed as Vice Chairmen and Managing Directors for 2014.

However, Feyyaz Berker resigned due to health reasons as Board of Directors Chairman on 14 August 2014; Sinan K. Uzan was chosen to serve as his replacement until the first General Assembly meeting. Ali Nihat Gökyiğit subsequently assumed the position of Board of Directors Chairman. As a result of all of these changes, the Holding's Board of Directors is as follows:

Tekfen Holding Board of Directors

Name	Position
Ali Nihat Gökyiğit	Chairman and Managing Director
Cansevil Akçağlılar	Vice-Chairwoman and Managing Director
Sinan K. Uzan	Member
Ahmet İpekçi	Member
Dr. Mehmet Ercan Kumcu	Member
Murat Gigin	Member
Erhan Öner	Member
Prof. Dr. Ahmet Çelik Kurtoğlu	Independent Member
Prof. Dr. Emre Gönensay	Independent Member
Çiğdem Tüzün	Independent Member
Zekeriya Yıldırım	Independent Member

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

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

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

Name	Group Companies	Non Group Companies
Ali Nihat Gökyiğit	**Tekfen Insurance Brokerage Services Co., Inc** Vice Chairman of the Board	**Ali Nihat Gökyiğit Yatırım Holding A.Ş.** Chairman of the Board of Directors
Murat Gigin		**Agromak Makine İmalat San. ve Tic. A.Ş.** Chairman of the Board of Directors and Executive Director **ANG Yatırım Holding A.Ş.** Vice Chairman of the Board **Burdur Enerji A.Ş.** Chairman of the Board of Directors **Ekozey Ekolojik ve Organik Tarım Gıda Hayvancılık ve Turizm Taşımacılık İth. İhr. İnş. San. Tic. A.Ş.** Chairman of the Board of Directors and Executive Director **ENAT Endüstriyel Ağaç Tarımı San. ve Tic. A.Ş.** Chairman of the Board of Directors and Executive Director **Galipoli Gıda Ürünleri Sanayi ve Ticaret Ltd. Şti.** Company Manager **İmbroz Tarım Hayvancılık Gıda San. Tur. ve Tic. Ltd. Şti.** Company Manager **Macahel Arıcılık Turizm Nakliyat ve Ticaret A.Ş.** Chairman of the Board **Maxlines Maksimum Lojistik Hizmetleri A.Ş.** Chairman of the Board of Directors and Executive Director **Salda Enerji A.Ş.** Chairman of the Board of Directors **Tekzen Ticaret ve Yatırım A.Ş.** Chairman of the Board of Directors and Executive Director **Temarı Gıda Sanayi ve Ticaret A.Ş.** Chairman of the Board of Directors and Executive Director **Viem İletişim Yayıncılık Reklam Tur. Hizmetleri Yat. Tic. A.Ş.** Chairman of the Board of Directors and Executive Director **Zen Enerji A.Ş.** Chairman of the Board of Directors
Assoc. Prof. Ahmet İpekçi	**Antalya Studios Co., Inc** Chairman of the Board of Directors **HMB A.G.** Chairman of the Board of Directors **Papfen LLC** Chairman of the Board of Directors **Tekfen Real Estate Development Investment and Trade Co., Inc.** Vice Chairman of the Board **Tekfen Construction and Installation Co., Inc.** Board Member **Toros Agricultural Industry and Trade Co., Inc.** Board Member	
Dr. Mehmet Ercan Kumcu	**Tekfen Insurance Brokerage Services Co., Inc.** Vice Chairman of the Board **Toros Agricultural Industry and Trade Co., Inc.** Board Member	
Erhan Öner	**Tekfen Manufacturing Co., Inc.** Board Member **Tekfen Construction and Installation Co., Inc.** Board Member **Tekfen Engineering Co., Inc.** Board Member **Tekfen Insurance Brokerage Services Co. Inc.** Board Member **Toros Agricultural Industry and Trade Co. Inc.** Board Member	**Öner Yatırım İç ve Dış Ticaret A.Ş.** Chairman of the Board of Directors
Zekeriya Yıldırım		**Ada Plant A.Ş.** Chairman of the Board of Directors **FU Gayrimenkul Yatırım Danışmanlık A.Ş.** Chairman of the Board of Directors **Hacı Ömer Sabancı Holding A.Ş.** Independent Board Member **Yıldırım Danışmanlık Hizmetleri A.Ş.** Chairman of the Board of Directors
Prof. Dr. Ahmet Çelik Kurtoğlu		**Kurdoğlu Danışmanlık A.Ş.** Chairman of the Board of Directors **Simon-Kucher and Partners Strateji ve Pazarlama Danışmanlar Ltd. Şti.** President of Directors' Council

5.2. Principles of Activity of the Board of Directors

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

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

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

The 36 meetings held in 2014 made 49 decisions; average attendance at the meetings and in the decisions during the year was 98%.

All Board decisions were passed unanimously, so no dissenting view is recorded in the Resolution Book. Should it arise, all details of dissenting views would be recorded in the Resolution Book.

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

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

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

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

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

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

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

5.3.1. Audit Committee

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

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

5.3.2. Corporate Governance Committee

Independent Board Member Mr. Emre Gönensay is heading the Corporate Governance Committee, while Board Member Mr. Murat Gigin and Investor Relations & Corporate Governance Coordinator Mr. Çağlar Gülveren are acting as Committee members.

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

5.4. Risk Management and Internal Control Mechanism

In accordance with the applicable laws and given its structure, Tekfen Holding A.Ş.'s financial tables are prepared on a consolidated basis. The main operating groups – Contracting, Agri-Industry and Real Estate Development – prepare IFRS-based financial tables on a quarterly basis using their internal control mechanisms. At the Holding level, transactions between groups are eliminated and consolidated financial tables are prepared. The financial results and performance of all companies included in the consolidation are analyzed by the operating group to which they belong and they are included in the consolidated financial reporting. The Audit Committee conducts the internal control activities of Tekfen Holding A.Ş. in coordination with the Financial Affairs Directorate as per the relevant legal regulations. The relevant Group Vice-Presidents monitor the financial reporting of the three main operating groups. When the quarterly financial tables are disclosed to the public, consolidated financial tables are presented to the Company Board of Directors after being checked and approved by the Audit Committee. Major financial indicators obtained for the Tekfen Group consolidated tables, such as revenues, earnings before taxes, net profit, net operating capital and net liabilities to banks, are reported periodically and analyzed by senior management. The Board of Directors, meeting periodically and with the participation of the relevant Group Vice-Presidents, evaluates the degree to which objectives are achieved against the companies' finalized and reported operational results. The above-mentioned financial tables are subject to partial and comprehensive auditing periodically within the same year.

Tekfen Holding and all Tekfen Group Companies have monitored and managed risks in their areas of operation as part of their long-standing and cautious management approach. So while the new Turkish Commercial Code that went into effect on 1 July 2012 makes risk management compulsory for publicly traded companies, it is simply a written affirmation of the Company's approach. It is for this purpose that Tekfen Group Companies, under Tekfen Holding's coordination, have developed a common approach and reporting standard for managing risks they face. Tekfen Holding and Group Companies have prepared written documents detailing and explaining how they will manage their own risks and establishing the rules with which they will comply in doing so. These bimonthly documents, which enable risks to be monitored, are presented to the Tekfen Holding Board of Directors. An organizational task sharing that carries out the risk management and reporting in each Group Company has also been determined.

Since 2013, the risk reports prepared under this framework have been submitted to the Early Risk Detection Committee, which was set up as a separate committee. The Committee examines the risk documents arriving from the companies every other month and prepares a Committee Report containing its own views and assessments, which it puts on the Holding Board of Directors' agenda every two months. Risks are evaluated by the Holding's Board of Directors and, when necessary, the Board sends directives to the relevant Group Companies so that the risks can be managed.

In addition, a copy of the Committee report is sent regularly to the Independent Audit Company.

The Chairman of the Early Risk Detection Committee is Independent Board Member Zekeriya Yıldırım. Ercan Kumcu, a non-executive Board Member, is a member of the committee.

5.5 Strategic Objectives

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

5.6. Remuneration

In line with the Company's Articles of Association, board members receive an annual or monthly stipend or a certain fee per meeting, as determined by the General Meeting. At the Annual Ordinary General Assembly held on 15 April 2014 it was resolved to pay a gross fee of TRY20,000 per month to Executive Directors and TRY7,500 per month to the other members.

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

In 2014, the remuneration provided to Senior Managers, which consists of President and Vice-Presidents of Group Companies, and to members of the Board of Directors is as follows:

Remuneration Total (TRY)

Board Members	1,440,000
Senior Managers	3,932,635

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

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

Legal Issues, Government Incentives and Subsidies

Legal Issues

As of 31 December 2014, lawsuits against the Group totaled TRY119,453,000 (31 December 2013: TRY114,085,000). On the advice of attorneys, TRY23,152,000 (31 December 2013: TRY8,112,000) was set aside to cover suits likely to go against us and to result in out payments. In the legal opinion of the attorneys, there was no risk of out payments having to be made in suits for which such resources were not reserved.

Government Incentives and Subsidies

In 2014, Toros Agri-Industry and Hishtil-Toros Fidecilik, two companies that are part of Tekfen Holding's Agri-Industry Group, received the following government incentives and subsidies.

Domestic-Certified Seed Production Support

Toros Tarım benefits from certified seed production support for its certified wheat and potato seeds to the sum indicated in the Domestic-Certified Seed Production Assistance Communique published in the Official Gazette. As of 31 December 2014, the income from wheat support was TRY899,000, and from potatoes TRY180,000, for a total of TRY1,079,000.

Agribusiness Credit

As a seedling producer, Hishtil-Toros Fidecilik had TRY8 million in interest-free agribusiness credit at Ziraat Bank as of 31 December 2014.

Agricultural Incentives and Subsidies

a) On 3 April 2013, Toros Tarım received a "large-scale investment" incentive certification from the Ministry of Economy for its Samsun Plant Investment. The incentive consists of employer-contribution social insurance premium support, customs duty and VAT exemptions, and a 60% tax reduction based on the investment support ratio of 35%.

b) On 7 July 2014, Toros Tarım received a 5th District Investment Incentive Certificate from the Ministry of Economy for investments in electrical power generation, which is a priority investment sector. This incentive consists of employer-contribution social insurance premium support, customs duty and VAT exemptions, and an 80% tax reduction based on the investment support ratio of 40%.

TÜBİTAK Incentive

The TÜBİTAK-Technology and Innovation Grant Program Directive (TEYDEB) conducts programs that support private insitutions' project-based R&D activities.

Having applied under one of these programs, the Priority Areas for Research Technology Development and Innovation Funding Program No. 1511, Toros Tarım gained approval for its Wheat Breeding Project, which aims to breed high quality and highly productive bread wheat varieties resistant to biotic and abiotic stress conditions for different ecological regions of Turkey. The 36-month incentive period runs 1 September 2013-31 August 2016. In addition to the estimated personnel cost, fixed assets and material costs stated to TÜBİTAK, the incentive contract covers the project's service and labor costs.

Tekfen Holding Co., Inc. Dividend Policy

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

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

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

General Legal Reserves:

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

First Dividend:

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

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

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

Second Dividend:

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

General Legal Reserves:

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

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

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

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

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

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

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

Esteemed Shareholders,

Tekfen Holding's current operations are centered in four major areas – Contracting, Agri-Industry, Real Estate Development, and Other Activities. When directing Tekfen's activities, the aim of our Board of Directors is to ensure that our investors receive satisfactory profits, and to effectively manage risk factors that threaten to undermine our company's sustainability or existence and that inevitably are encountered due to doing business in many different geographical areas and in various operating areas.

We successfully maintained our domestic and international operations in 2014. In addition to being one of Turkey's leading companies by size, the Holding is also among those groups in Turkey that has proven its ability to compete globally. Our Contracting Group, for instance, traditionally does a major part of its business abroad.

Our Contracting Group continued work on projects in Turkey, the Caspian Region, the Arabian Peninsula, and North Africa. These projects mostly consisted of the construction of industrial plants, highways, pipelines and buildings. The Contracting Group had a backlog of USD2.4 billion at the end of 2014. Turkey accounts for 38%, whereas overseas accounts for 62% of this stock.

Our Agri-Industry Group had yet a very successful and profitable year again in 2014. The production of chemical fertilizers, which is the largest operational activity of the Agri-Industry Group, continued at the three plants in Ceyhan, Mersin and Samsun. The $300-million investment in the Samsun Plant to secure the supply of raw materials and reduce production costs continued. This investment will essential for the future success of the Agri-Industry Group.

Tekfen Holding had consolidated revenues of TRY4,475 million and yielded TRY58 million in net profit in 2014.

Following the principle "Do the job you know in the best way possible," Tekfen Holding has maintained its perhaps gradual, but steady and determined growth for nearly 60 years. Refusing to focus on short-term profits and committed to evaluating risks, this approach concentrates on long-term profitability and growth. It is the underlying principle by which our Board of Directors acts.

With these sentiments and thoughts, we thank the managers and employees of all Tekfen Holding companies for their contributions to making 2014 a successful year.

SUMMARY BALANCE SHEET (thousand TRY)	31 December 2014	31 December 2013
Current Assets	3,255,170	3,291,454
Non Current Assets	1,700,312	1,405,966
Total Assets	**4,955,482**	**4,697,420**
Current Liabilities	2,277,766	2,326,434
Non Current Liabilities	681,652	448,789
Equity Attributable to Owners of the Parent	1,959,165	1,890,154
Minority Interest	36,899	32,043
Total Shareholders' Equity and Liabilities	**4,955,482**	**4,697,420**

SUMMARY INCOME STATEMENT (thousand TRY)	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	4,474,755	3,846,036
Gross Profit	452,424	127,232
Operating Profit / (Loss)	24,515	(123,547)
Profit / (Loss) Before Taxation	95,695	(5,149)
Net Profit / (Loss) for the Year	57,857	(63,682)

IMPORTANT RATIOS	31 December 2014	31 December 2013
Liquidity		
Current Ratio	1.43	1.41
Liability and Indebtness		
Total Liabilities / Equity Attributable to Owners of the Parent	1.51	1.47
Current Liabilities / Total Liabilities	0.77	0.84

	1 January - 31 December 2014	1 January - 31 December 2013
Profitability		
Gross Profit Margin	10.11%	3.31%
EBITDA Margin	4.20%	0.25%
Net Profit / (Loss) for the Year	1%	-2%

Proposal for Profit Distribution

The net profit for 2014, according to CMB regulations and standards, deducting non-controlling interest shares, was TRY55,909,000 (according to legal records, TRY114,603,160.25).

In accordance with our company's Articles of Association Article 27, we submit the following for the approval of our shareholders' General Assembly:

To set aside TRY5,730,158.01 as First Legal Reserves, representing 5% of net profit, calculated on the basis of legal records,

To allocate, per CMB Communiqué No. II-19.1, TRY15,251,185.10, representing the minimum 30% profit distribution as stipulated in the Articles of Association Article 27, calculated on the basis of a TRY50,837,283.67 First Dividend Amount,

To allocate TRY1,047,829.71, that is 3% of the remaining amount, to Tekfen Foundation for Education, Health, Culture, Art and Protection of Natural Habitat, a dividend shareholder,

To not distribute the distributable profit share of up to 2% to the Executive Board,

To allocate TRY24,749,514.90 of the remaining TRY33,879,827.18 to shareholders as Second Dividend,

To allocate the TRY9,130,312.28 of the remaining amount as extraordinary reserves,

After the profit for 2014 is distributed as outlined above, to allocate the TRY67,824,472.53 formed according to the provisions of the Turkish Commercial Code and Tax Laws and remaining after the above distribution, as extraordinary reserves,

To distribute the dividend amounts specified above in cash on 25 June 2015.

We submit the above for the information of our shareholders and wish our company and our country a prosperous year.

Ali Nihat Gökyiğit
Yönetim Kurulu Başkanı

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BDO Denet Bağımsız Denetim
Yeminli Mali Müşavirlik Anonim Şirketi
Tic. Sicil Numarası : 254683
Mersis Numarası : 0291001084600012
Şirket Merkezi : Eski Büyükdere Cad. No:14
Park Plaza Kat:4
34398 Maslak/İstanbul
Turkey

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

To the Board of Directors of
Tekfen Holding A.Ş.

We have audited the annual report of Tekfen Holding A.Ş. (the "Company") prepared for the accounting period ended 31 December 2014.

Responsibility of the Board of Directors for the Annual Report

In accordance with Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Markets Board ("CMB") of Turkey, the Company management is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered necessary for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Company's annual report in accordance with Article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements on which the auditor's report dated 5 March 2015 has been issued.

Our independent audit has been performed in accordance with the Independent Auditing Standards which are a part of the Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements.

This independent audit involves the application of auditing procedures in order to obtain audit evidence on historical financial information. The selection of these procedures is based on the professional judgment of the independent auditor.

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

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements in all material respects.

Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code No. 6102, within the framework of the ISA 570 "Going Concern", nothing has come to our attention which causes us to believe that Tekfen Holding A.Ş. will not be able to continue as a going concern in the foreseeable future.

Istanbul,
5 March 2015

BDO Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.
Member, BDO International Network

Bülent Üstünel
Partner in charge

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON EARLY IDENTIFICATION OF RISK SYSTEM AND ITS COMMITTEE

To the Board of Directors of
Tekfen Holding A.Ş.

We have audited the early identification of risk system and its committee formed by Tekfen Holding A.Ş. (the "Company")

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, 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 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 about the Early Risk Identification System and Its Committee

The Company constituted the subject committee consisting of two members in 2012. The committee has met once 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 A.Ş.'s early risk identification system and its committee are sufficient, in all material respects, in accordance with Article 378 of TCC.

Istanbul,
5 March 2015

BDO Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.
Member, BDO International Network

Bülent Üstünel
Partner in charge

**TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2014

(Translated into English from the report
originally issued Turkish)

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
Tekfen Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Tekfen Holding Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise consolidated the balance sheet as at 31 December 2014, 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 other explanatory notes.

Management's responsibility for the financial statements

Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

Independent auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. These standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for qualified opinion

As discussed in detail in Note 35, the Company had to cease its Libya operations in February 2011 for an indefinite period of time, due to local issues and unfavorable developments that took place in the country. Subsequently, certain attempts were made to reach an agreement with the Authority regarding continuation of operations; however, as a result of failure in implementing the prerequisites of the agreement coupled with the adverse political issues that came up in Libya in the last period, the Group management resolved to proceed with an International Arbitration claim for recovery of all project-related rights, receivables and assets as of 30 January 2015. Further to the subject resolution, the total of net assets of TRY 189.740 thousand (USD 81.823 thousand) comprising total assets of TRY 244.505 thousand (USD 105.440 thousand) and total liabilities of TRY 54.765 thousand (USD 23.617 thousand) recognized in the prior period consolidated financial statements in relation to Libya operations is accounted for as "Other operating expenses" in the consolidated financial statements as of 31 December 2014. Had the subject total of net assets, which was the basis of qualified opinion in the prior periods, not been recognized as expense in the current period consolidated financial statements, the Group's consolidated statement of profit and loss for the year ended 31 December 2014 would have resulted in a profit surplus in the same amount.

Opinion

In our opinion, except for the effects of matters described in the "Basis for qualified opinion" paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Tekfen Holding Anonim Şirketi and its subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with the TAS.

Emphasis of matter

As discussed in Note 18, the uncertainty about the legal process which was started with Samsun Metropolitan Municipality's notifying Toros Tarım Sanayi ve Ticaret A.Ş. ("Toros Tarım")'s management of the closure of the Samsun Gübre facility of Toros Tarım, the subsidiary of the Group, continues with the stay of execution granted by Samsun Administrative Court of 1st instance. The emphasis of this matter does not affect our opinion on these consolidated financial statements.

Reports on independent auditor's responsibilities arising from other regulatory requirements

1) Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Company's Board of Directors on 5 March 2015.

2) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Istanbul,
5 March 2015

BDO Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.
Member, BDO International Network

Bülent Üstünel
Partner in charge

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

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

ASSETS	Notes	Audited 31 December 2014	Audited 31 December 2013
Current Assets		**3.255.170**	**3.291.454**
Cash and cash equivalents	5	1.047.449	1.055.153
Financial investments	6	41.411	49.119
Trade receivables	8	704.388	789.689
- Related party receivables		*17.819*	*9.081*
- Trade receivables		*686.569*	*780.608*
Other receivables	9	3.053	2.999
- Related party receivables		-	-
- Other receivables		*3.053*	*2.999*
Inventories	10	722.479	521.174
Receivables from ongoing construction contracts	11	409.086	558.960
Prepaid expenses	16	77.514	151.152
Assets related with current tax	30	52.872	44.299
Other current assets	21	177.433	105.597
		3.235.685	3.278.142
Assets classified as held for sale	29	19.485	13.312
Non Current Assets		**1.700.312**	**1.405.966**
Financial investments	6	68.745	63.593
Trade receivables	8	88.205	84.225
- Related party receivables		-	-
- Trade receivables		*88.205*	*84.225*
Other receivables	9	2.966	6.733
- Related party receivables		-	-
- Other receivables		*2.966*	*6.733*
Investments valued by equity method	12	149.307	120.547
Investment property	13	78.334	78.775
Property, plant and equipment	14	1.185.759	904.712
Intangible assets	15	4.714	3.311
Prepaid expenses	16	21.947	69.094
Deferred tax assets	30	47.076	38.359
Other non current assets	21	53.259	36.617
TOTAL ASSETS		**4.955.482**	**4.697.420**

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

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

LIABILITIES	Notes	Audited 31 December 2014	Audited 31 December 2013
Current Liabilities		**2.277.766**	**2.326.434**
Short term financial debts	7	676.552	555.236
Short term portion of long term financial debts	7	21.679	58.029
Trade payables	8	1.106.045	1.145.610
- Related party payables		*519*	*444*
- Trade payables		*1.105.526*	*1.145.166*
Employee benefit payables	20	34.126	38.389
Other payables	9	15.273	16.478
- Related party payables		*21*	-
- Other payables		*15.252*	*16.478*
Advances received	16	232.224	255.196
Deferred revenue	16	5.618	5.278
Current tax liability	30	45.733	48.327
Ongoing construction progress payments	11	55.003	135.906
Short term provisions		74.127	66.988
- Short term provisions attributable to employee benefits	20	*46.665*	*36.296*
- Other short term provisions	18	*27.462*	*30.692*
Other short term liabilities	21	11.386	997
Non Current Liabilities		**681.652**	**448.789**
Long term financial debts	7	389.702	297.662
Trade payables	8	79.190	23.651
Other payables	9	24.213	20.662
Advances received	16	87.128	-
Long term provisions		36.714	45.160
- Long term provisions attributable to employee benefits	20	*36.649*	*45.090*
- Other long term provisions	18	*65*	*70*
Deferred tax liabilities	30	63.938	61.654
Government incentives and grants	17	767	-
SHAREHOLDERS' EQUITY	22	**1.996.064**	**1.922.197**
Equity Attributable To Owners Of The Parent		**1.959.165**	**1.890.154**
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 or loss that will not be reclassified in profit or loss		(658)	2.470
- Gain/(loss) on revaluation and remeasurement		*(658)*	*2.470*
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		213.534	194.274
- Currency translation reserve		*163.474*	*149.095*
- Gain/(loss) on revaluation and reclassification		*50.060*	*45.179*
Restricted profit reserves		140.185	120.830
Retained earnings		875.736	962.382
Net profit / (loss) for the period		55.909	(64.261)
Non-controlling Interests		**36.899**	**32.043**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4.955.482**	**4.697.420**

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	Audited 1 January- 31 December 2014	Audited 1 January- 31 December 2013
Revenue	23	4.474.755	3.846.036
Cost of revenue (-)	23	(4.022.331)	(3.718.804)
GROSS PROFIT		**452.424**	**127.232**
General administrative expenses (-)	24	(124.021)	(113.132)
Marketing expenses (-)	24	(131.825)	(120.365)
Research and development expenses (-)	24	-	(253)
Other operating income	26	161.280	114.053
Other operating expenses (-)	26	(374.470)	(164.787)
Share on profit / loss of investments valued using equity method	12	41.127	33.705
OPERATING (LOSS) / PROFIT		**24.515**	**(123.547)**
Investment income	27	12.149	59.739
Investment expense (-)	27	(260)	(13.928)
PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)		**36.404**	**(77.736)**
Financial income	28	182.502	144.109
Financial expense (-)	28	(123.211)	(71.522)
PROFIT / (LOSS) BEFORE TAXATION		**95.695**	**(5.149)**
Tax expense	30	**(37.838)**	**(58.533)**
Tax expense for the period		(48.799)	(57.995)
Deferred tax income / (expense)		10.319	(1.416)
Currency translation reserve		642	878
PROFIT / (LOSS) FOR THE PERIOD		**57.857**	**(63.682)**
Distribution of Profit / (Loss) For The Period			
Non-controlling interests		1.948	579
Owners of the parent		55.909	(64.261)
Earnings / (Loss) Per Share	31	0,151	(0,174)

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	Audited 1 January- 31 December 2014	Audited 1 January- 31 December 2013
PROFIT / (LOSS) FOR THE PERIOD		**57.857**	**(63.682)**
OTHER COMPREHENSIVE INCOME / (EXPENSE):			
Items that will not be reclassified to profit or loss		**(3.128)**	**2.470**
Gain on revaluation of defined retirement benefit plans	22	(3.910)	3.088
Taxes based on other comprehensive income that will not be reclassified to profit or loss		782	*(618)*
Deferred tax income / (expense)		*782*	*(618)*
Items that will be reclassified to profit or loss		**22.168**	**33.942**
Gain / (loss) on revaluation of available for sale financial investments	6	5.138	(30.625)
Currency translation reserve differences	22	17.287	63.036
Taxes based on other comprehensive income that will be reclassified to profit or loss		(257)	1.531
Deferred tax income / (expense)		*(257)*	*1.531*
OTHER COMPREHENSIVE INCOME		**19.040**	**36.412**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**76.897**	**(27.270)**
Distribution of Total Comprehensive Income / (Expense) For The Period			
Non-controlling interests		4.856	5.790
Owners of the parent		72.041	(33.060)

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain / (loss) on revaluation and remeasurement	Gain / (loss) on revaluation and reclassification	Currency translation reserve	Restricted profit reserves	Retained earnings	Net profit/ (loss) for the period	Equity attributable to owners of the parent	Non controlling interests	Total
Opening balances as of 1 January 2013	370.000	3.475	300.984	-	74.273	91.270	98.255	843.918	299.305	2.081.480	29.785	2.111.265
Other comprehensive income	-	-	-	2.470	*(29.094)*	*57.825*	-	-	-	*31.201*	*5.211*	*36.412*
Net loss for the period	-	-	-	-	-	-	-	-	*(64.261)*	*(64.261)*	*579*	*(63.682)*
Total comprehensive income	-	-	-	2.470	(29.094)	57.825	-	-	(64.261)	(33.060)	5.790	(27.270)
Change in non-controlling interests	-	-	-	-	-	-	-	(527)	-	(527)	(3.532)	(4.059)
Fair value of redeemed shares	-	-	-	-	-	-	-	(19.464)	-	(19.464)	-	(19.464)
Transfers to retained earnings	-	-	-	-	-	-	-	299.305	(299.305)	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	22.575	(22.575)	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	(138.275)	-	(138.275)	-	(138.275)
Balance as of 31 December 2013	370.000	3.475	300.984	2.470	45.179	149.095	120.830	962.382	(64.261)	1.890.154	32.043	1.922.197
Opening balances as of 1 January 2014	370.000	3.475	300.984	2.470	45.179	149.095	120.830	962.382	(64.261)	1.890.154	32.043	1.922.197
Other comprehensive income	-	-	-	(3.128)	*4.881*	*14.379*	-	-	-	*16.132*	*2.908*	*19.040*
Net profit for the period	-	-	-	-	-	-	-	-	*55.909*	*55.909*	*1.948*	*57.857*
Total comprehensive income	-	-	-	(3.128)	4.881	14.379	-	-	55.909	72.041	4.856	76.897
Fair value of redeemed shares	-	-	-	-	-	-	-	(3.030)	-	(3.030)	-	(3.030)
Transfers to retained earnings	-	-	-	-	-	-	-	(64.261)	64.261	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	19.355	(19.355)	-	-	-	-
Balance as of 31 December 2014	370.000	3.475	300.984	(658)	50.060	163.474	140.185	875.736	55.909	1.959.165	36.899	1.996.064

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

AUDITED CONSOLIDATED STATAMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	Audited 1 January- 31 December 2014	Audited 1 January- 31 December 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES		**133.493**	**(123.232)**
Profit / (Loss) for The Period		57.857	(63.682)
Adjustments To Reconcile Net Profit / (Loss)		267.829	101.013
- Depreciation and Amortization	13,14,15	89.997	82.500
- Impairment / Reversed Provision	10, 14, 15	971	8.702
- Provision Adjustments	8, 18, 20	60.155	80.929
- Interest Expense and Income	28	(57.848)	(40.427)
- Difference Between Capital in Kind and Fair Value	27	-	(49.083)
- Loss / (Gain) on Sale of Associate Accounted by Equity Method	12	-	42
- Group's Share on Net Assets of Investments in Associates Accounted by Equity Method	12	(41.127)	(33.705)
- Dividend Income	27	(6.664)	(6.590)
- Gain / Loss on Fair Valuation	6	(19)	(5)
- Allowance for Taxation	30	37.838	58.533
- Loss Arising from The Derecognition of Net Assets in Libya	35	189.740	-
- Gain / Loss on Sale of Fixed Assets	27	(5.214)	117
Movements in Working Capital		(133.799)	(101.753)
- Changes in Inventories	10	(191.238)	(66.478)
- Changes in Retention Receivables		67.478	(39.650)
- Changes in Trade Receivables	8	(32.078)	(110.258)
- Changes in Other Assets		(17.591)	(132.622)
- Changes in Receivables from Ongoing Construction Contracts	11	(29.933)	67.863
- Changes in Trade Payables	8	24.021	241.736
- Changes in Other Liabilities		118.737	23.244
- Changes in Receivables from Ongoing Construction Progress Payments	11	(80.903)	(36.469)
- Other Changes in Working Capital	6	7.708	(49.119)
Cash Generated by Operating Activities		191.887	(64.422)
Interest Paid		(33.513)	(25.554)
Interest Received		83.231	65.924
Tax Paid / Return	30	(59.966)	(60.647)
Penalty of Litigation Paid	18	(382)	(921)
Retirement Pay Provision and Premiums Paid	20	(35.983)	(27.683)
Unused Vacation Paid	20	(11.645)	(9.397)
Other Provision Paid	18	(136)	(532)

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

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

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(305.962)**	**(185.495)**
Proceeds from Sale of Tangible and Intangible Assets	14, 15	18.154	9.928
Acquisition of Tangible and Intangible Assets	13, 14, 15	(400.028)	(166.930)
Advances and Debts Given	16	52.891	(46.057)
Proceeds from Sale of Associate	12	-	6.126
Acquisition of Non-Controlling Interests' Shares		-	(4.059)
Dividend Received	27	23.021	15.497
C. CASH FLOWS FROM FINANCING ACTIVITIES		**119.064**	**213.148**
Proceeds from Borrowings		1.147.558	1.061.149
Repayments of Borrowings		(970.552)	(659.540)
Payments of Financial Lease Obligations		(57.942)	(50.186)
Dividend Paid		-	(138.275)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		**(53.405)**	**(95.579)**
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		45.701	86.971
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(7.704)**	**(8.608)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.055.153	1.063.761
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)		**1.047.449**	**1.055.153**

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

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 31 December 2014, the Group has employees 13.878 (31 December 2013: 15.514) 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 publicly traded beginning 23 November 2007 on Borsa Istanbul.

As of 31 December 2014 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 % 2014	2013	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 Services ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft, Halle "HMB"	Trading	Germany	100	100	Contracting
Tekfen International Limited "Tekfen International Ltd"	Investment	United Kingdom	-	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. "Tekfen Construction"	Construction	Ireland	100	100	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Agriculture-Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. "Toros Terminal"	Service	Turkey	100	100	Agriculture
Türk Arap Gübre A.Ş. "Türk Arap Gübre"	Manufacturing	Turkey	100	80	Agriculture
Toros Gemi Acenteliği ve Ticaret A.Ş. "Toros Gemi"	Shipping Agent	Turkey	100	100	Agriculture
Toros Tarımsal Ürünler Pazarlama Hizmet ve Ticaret A.Ş. "TorosTarımsal"	Fertizilier Agent	Turkey	100	-	Agriculture
TST International Trading Limited "TST Trading"	Trading	Ireland	100	100	Agriculture
TST International Limited "TST Ltd."	Trading	United Kingdom	100	100	Agriculture
Industrial Supply and Trading Company Limited "Industrial Supply"	Trading	United Kingdom	100	100	Agriculture
Petrofertil Trd. Ltd "Petrofertil Trading"	Trading	United Kingdom	100	100	Agriculture
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Real Estate
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. "Tekfen Emlak"	Real Estate	Turkey	100	100	Real Estate
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul"	Investment	Turkey	100	100	Other

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

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

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2014	2013	Business Segment
Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. "Belpa"	Trading	Turkey	94	94	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Other
Tekfen Kültür Sanat Ürünleri Yapım ve Yayın San. Tic. A.Ş. "Tekfen Kültür" (*)	Cultural Activities	Turkey	-	100	Other
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Other
Papfen Limited Liability Company "Papfen"	Textile	Uzbekistan	100	100	Other
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Other
Antalya Stüdyoları A.Ş. "Antalya Stüdyoları"	Studio Management	Turkey	100	100	Other
Petrofertil Shipping S.A. "Petrofertil Shipping"	Service	Panama	100	100	Agriculture/ Contracting/ Other
Joint Ventures					
Blacksea Gübre Ticaret A.Ş. "Black Sea"	Fertilizer Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik"	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesi "Azfen "	Construction	Azerbaijan	40	40	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. "Florya Gayrimenkul"	Real Estate	Turkey	50	50	Real Estate

(*)Tekfen Kültür, is donated to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı based on the Company's board directors' resolution dated 31 January 2014.

As of 31 December 2014, branches included in the Group's consolidation are as follows:

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

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

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

Contracting Group

Contracting group undertakes infrastructure and industrial construction projects in Turkey, Saudi Arabia, Azerbaijan, Kazakhstan, Morocco, Qatar, Oman, United Arab Emirates, Turkmenistan and Libya. Contracting group especially specializes on construction of petroleum and gas facilities. Land and sea terminals, offshore platforms, tank farms, pipe lines, petroleum refineries, pumping stations, generating stations, highway and metro projects, electricity and telecommunication systems, residential and trading centers, stadium and sport complexes are included in Contracting group's scope of activity. Tekfen İnşaat's income provided from the consolidation of Azfen by equity method is disclosed in this group.

Agricultural Group

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

Real Estate Group

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

Other Operations

Operations of "Other" segment comprise of light-pulp trading, cotton yarn production and trading, 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 5 March 2015. 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 for Presentation

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

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

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

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

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 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 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 2014 is; 1 USD= 2,3189 TRY, 1 EUR= 2,8207 TRY, 1 MAD= 0,25785 TRY, 1 SAR= 0,61837 TRY, 1 QAR= 0,63532 TRY (As of 31 December 2013; 1 USD= 2,1343 TRY, 1 EUR= 2,9365 TRY, 1 MAD= 0,26277 TRY, 1 SAR= 0,56915 TRY, 1 QAR= 0,58474 TRY)

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, for companies engaged in Turkey and those of which prepare their financial statements in accordance with Turkey Accounting Standards, use of inflationary accounting standards has been discontinued effective 1 January 2005. Pursuant effectuation, "Financial Reporting Standards in Hyperinflationary Economies" ("TAS 29") was no longer applied henceforward.

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. In the current year, the Group had made a reclassification in prior period condensed consolidated financial statements in order to provide conformity with the current period's presentation. The nature, reason and amount the reclassification is described below:

Currency translation reserves shown in gross value amounting to 23.032 is netted off with the reclassification between "Financial Income" and "Financial Expense" accounts in the consolidated financial statements as of 31 December 2013. In the scope of TAS 33 Earnings per share, this reclassification has no effect on earnings per share calculation.

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

2.1 The Basis for Presentation (cont'd)

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.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group. When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained after the sales of a subsidiary at the date when control is lost, is regarded as the fair value on initial recognition accounting within the scope of TAS 39 "Financial Instruments: Recognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and investments valued by equity method

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.

(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 for Presentation (cont'd)

Investments in associates and investments valued by equity method (cont'd):

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

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

Shares 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 2014 are as follows:

Joint Operations:	Nature of Business	Country of Origin	Participation Rate % 2014	Participation Rate % 2013	Business Segment
Gate İnşaat Taahhüt San. ve Tic. A.Ş. "Gate J.V." (*)	Construction	Turkey	50	50	Contracting
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V."	Construction	Turkey	25	25	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Contracting
TGO İnş. Taahhüt Tic. San. Ltd. Şti "TGO J.V." (*),(**)	Construction	Turkey	-	50	Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Contracting
Tekfen Impresit J.V. "Impresit"	Construction	Turkey	100	100	Contracting
North Caspian Constructors B.V. "NCC J.V." (*)	Construction	Netherlands	50	50	Contracting
Tekfen Rönesans Adi Ortaklığı "Tekfen Rönesans"	Construction	Turkey	50	50	Real Estate

(*) Companies are joint ventures in terms of their operations; however, they are established as equity companies in terms at their legal structure.
(**) Liquidated in 2014.

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 TASs applicable to the particular assets, liabilities, revenues and expenses.

2.2 Changes in Accounting Policies

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

2. 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, 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 Revised Turkey Accounting Standards

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

None.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2014, but not affecting the consolidated financial statements of the Group:

- TFRS 10, TFRS 11, TAS 27 (amendments) "Investment Entities", will be effective for annual periods beginning on or after 1 January 2014.
- TAS 32 (amendment) "Offsetting Financial Assets and Financial Liabilities", will be effective for annual periods beginning on or after 1 January 2014.
- TAS 36 (amendment) "Recoverable Amount Disclosures for Non-Financial Assets", will be effective for annual periods beginning on or after 1 January 2014.
- TAS 39 (amendment) "Novation of Derivatives and Continuation of Hedge Accounting", will be effective for annual periods beginning on or after 1 January 2014.
- TFRS Interpretation 21, "Levies", will be effective for annual periods beginning on or after 1 January 2014.
- TAS 21(amendment), "The Effects of Foreign Currency Transactions", the amendments will be effective from the date of publication of 12 November 2014.

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

- TFRS 9, "Financial Instruments", will be effective for annual periods beginning on or after 1 January 2015.
- TFRS 9 and TFRS 7 (amendments), "Mandatory Effective Date of TFRS 9 and Transition Disclosures", on November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018. This amendment has not been published by POA yet.
- TAS 19 (amendment), "Employee Benefits", will be effective for annual periods beginning on or after 30 June 2014.
- Annual Improvements to 2010-2012 Cycle (TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39), will be effective for annual periods beginning on or after 30 June 2014.
- Annual Improvements to 2011-2013 Cycle (TFRS 3, TFRS 13, TAS 40), will be effective for annual periods beginning on or after 30 June 2014.
- TAS 16 and TAS 38 (amendments), "Clarification of Acceptable Methods of Depreciation and Amortisation" will be effective for annual periods beginning on or after 31 December 2015.
- TAS 16 and TAS 41 (amendments) and TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 (amendments), "Agriculture: Bearer Plants" will be effective for annual periods beginning on or after 31 December 2015.
- TFRS 11 and TFRS 1 (amendments), "Accounting for Acquisitions of Interests in Joint Operations" will be effective for annual periods on or after 31 December 2015.

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

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

2.5 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods:

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

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

Rental income:

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

Construction Contracts:

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

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

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

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

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

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

Retention Receivables from Contractors

The Group's interim progress billings from its employees are subject to retention deductions, which vary, based on the individual agreements. These balances are collected from the employee 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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Retention Payables to Subcontractors

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

Inventories

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

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

Property, Plant and Equipment

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

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

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

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

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

Financial Leasing Operations

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets

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

Impairment of Assets

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

Borrowing Costs

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

Financial Instruments

Financial assets

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

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)

Available-for-sale financial assets

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

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

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

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 currencies other than TRY (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 at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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. Exchange differences arising, are recognized in other comprehensive income and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions of warranty costs are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

Reporting of Financial Information According to Segments

The Group has four operating segments which are Contracting, Agriculture, Real Estate and Other including information in order to monitor performance and to allocate resources. These segments are managed separately because of the risk and benefits attributable to these segments are influenced from different economical environments and different geographical locations.

Government Grants and Incentives

Government grants are recognized at fair value only if there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to cost are consistently accounted as revenue; where they are matched with the relevant costs during the period.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Government Grants and Incentives (cont'd)

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 as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for a business combination.

Assets Held For Sale

Non-current assets are classified as "assets held for sale" and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring, involuntarily leaving the Group or when the conditions presented in law are met. Such payments are considered as being part of defined retirement benefit plan according to the revised TAS 19 *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the consolidated financial statements represents the net present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

The Company and its subsidiaries are liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees. The Group and its consolidated subsidiaries, regarding the retirement benefits of its personnel employed abroad, is subject to laws and regulations of the countries its personnel is located within. Regarding the laws mentioned, required provision has been provided for in the consolidated financial statements.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Redeemed Shares

As determined in the articles of association of Tekfen Holding A.Ş., 30 of the registered redeemed shares belong to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı ("Tekfen Vakfı"). The constitutive redeemed shares grant no voting rights or any membership rights to their owners.

As explained in the articles of association of the Company, after the first dividend is distributed in the ratio of 30% in accordance with the communiqués of Capital Market Board, a maximum ratio of 3%, which is determined by the General Assembly, of the remaining net distributable profit amount is allocated to the Tekfen Vakfı.

According to TAS 32, if, as a result of contingent settlement provisions, the issuer does not have an unconditional right to avoid settlement by delivery of cash or other financial instrument, the instrument is a financial liability of the issuer.

Redeemed shares owned by Tekfen Vakfı are considered as negotiable instruments and realized as a financial liability assuming that they will continue to take advantage of the right at upper limit as long as the Group's existing shareholders structure and management remains the same. In assessment of fair values of related constitutive redeemed shares, the Group's market value as of balance sheet date is taken into consideration. Calculated fair value depends on different conditions which may occur in foreseeable future and is therefore discounted and realized as liability in the consolidated financial statements.

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses 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 has recognized deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

Income tax

The Group operates in various tax jurisdictions and is subject to applicable tax legislation and tax laws in these countries. The Group requires the use of significant estimates of determining provision of income tax. The Group estimates the usage of financial losses carried forward and the tax provision arising from tax liabilities. When the final tax results are determined, realized amounts may be different than the estimated amounts and as of the balance sheet date an adjustment may be made on the recognized income tax provision.

Change in contract fee

Changes in contract fees are recognized in the consolidated financial statements to the extent that those changes are likely to be approved by the customers, based on the percentage of completion method of the construction projects. Estimates on the collection of those changes are made based on the Group management's past experiences, the related contract terms and the related legislation.

Translated into English from the report originally issued in Turkish.

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

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

2.6 Critical Accounting Judgment and Key Sources of Estimation Uncertainty (cont'd)

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.

3. JOINT OPERATIONS

Group's significant partnerships subject to joint operations are described in Note 2.

Financial information related to these joint operations is as follows:

	31 December 2014	31 December 2013
Current assets	46.789	226.383
Non current assets	25.046	34.004
Current liabilities	186.860	282.452
Non current liabilities	7.332	7.169
Shareholders' equity	(122.357)	(29.234)

	1 January- 31 December 2014	1 January- 31 December 2013
Revenue	20.257	44.453
Cost of revenue (-)	(24.397)	(50.347)
Net loss	(89.383)	(17.221)

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

4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.767.793	1.625.940	26.292	54.730	4.474.755
Cost of revenue (-)	(2.703.230)	(1.257.712)	(23.955)	(37.434)	(4.022.331)
GROSS PROFIT	**64.563**	**368.228**	**2.337**	**17.296**	**452.424**
General administrative expenses (-)	(66.904)	(25.366)	(3.909)	(27.842)	(124.021)
Marketing expenses (-)	(875)	(116.208)	(6.156)	(8.586)	(131.825)
Research and development expenses (-)	-	-	-	-	-
Other operating income	60.676	97.301	1.771	1.532	161.280
Other operating expenses (-)	(262.130)	(110.969)	(235)	(1.136)	(374.470)
Share on profit / (loss) of investments valued using equity method	40.410	717	-	-	41.127
OPERATING PROFIT / (LOSS)	**(164.260)**	**213.703**	**(6.192)**	**(18.736)**	**24.515**
Investment income	3.797	1.847	461	6.044	12.149
Investment expense (-)	(241)	(19)	-	-	(260)
PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)	**(160.704)**	**215.531**	**(5.731)**	**(12.692)**	**36.404**
Financial income	9.133	54.368	448	118.553	182.502
Financial expenses (-)	(38.190)	(42.751)	(25)	(42.245)	(123.211)
PROFIT / (LOSS) BEFORE TAXATION	**(189.761)**	**227.148**	**(5.308)**	**63.616**	**95.695**
Tax expense	(7.339)	(8.679)	1.131	(22.951)	(37.838)
PROFIT / (LOSS) FOR THE PERIOD	**(197.100)**	**218.469**	**(4.177)**	**40.665**	**57.857**

The Group has 84.479 of revenue and 39.514 of operating income from terminal operations classified as agricultural operation in 2014.

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

4. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January - 31 December 2013				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.326.683	1.422.712	29.645	66.996	3.846.036
Cost of revenue (-)	(2.458.637)	(1.189.327)	(25.940)	(44.900)	(3.718.804)
GROSS PROFIT	**(131.954)**	**233.385**	**3.705**	**22.096**	**127.232**
General administrative expenses (-)	(60.572)	(22.389)	(4.109)	(26.062)	(113.132)
Marketing expenses (-)	(1.219)	(109.997)	(198)	(8.951)	(120.365)
Research and development expenses (-)	-	(253)	-	-	(253)
Other operating income	58.146	51.755	1.330	2.822	114.053
Other operating expenses (-)	(50.267)	(110.247)	(422)	(3.851)	(164.787)
Share on profit / (loss) of investments valued using equity method	32.636	967	75	27	33.705
OPERATING PROFIT / (LOSS)	**(153.230)**	**43.221**	**381**	**(13.919)**	**(123.547)**
Investment income	3.737	700	22	55.280	59.739
Investment expense (-)	(4.163)	(1.223)	-	(8.542)	(13.928)
PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)	**(153.656)**	**42.698**	**403**	**32.819**	**(77.736)**
Financial income	10.410	30.518	914	102.267	144.109
Financial expenses (-)	(36.301)	(9.245)	(2.315)	(23.661)	(71.522)
PROFIT / (LOSS) BEFORE TAXATION	**(179.547)**	**63.971**	**(998)**	**111.425**	**(5.149)**
Tax expense	(37.844)	(1.444)	264	(19.509)	(58.533)
PROFIT / (LOSS) FOR THE PERIOD	**(217.391)**	**62.527**	**(734)**	**91.916**	**(63.682)**

The Group has 68.707 of revenue and 28.466 of operating income from terminal operations classified as agricultural operation in 2013.

Translated into English from the report originally issued in Turkish.

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

4. SEGMENTAL REPORTING (cont'd)

b) As of 31 December 2014 and 2013 segmental assets and liabilities are as follows:

	31 December 2014				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	1.977.897	1.838.653	212.216	926.716	4.955.482
Current and non-current liabilities	1.842.845	831.979	197.434	87.160	2.959.418
Equity attributable to owners of the parents	(66.787)	657.318	15.773	1.352.861	1.959.165
Non-controlling interests	36.571	262	-	66	36.899

	31 December 2013				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.217.424	1.312.260	129.460	1.038.276	4.697.420
Current and non-current liabilities	1.882.713	652.739	107.544	132.227	2.775.223
Equity attributable to owners of the parents	143.702	451.509	20.295	1.274.648	1.890.154
Non-controlling interests	31.789	189	-	65	32.043

c) Segmental information related to intra and inter segment revenue, property, plant and equipment, intangible assets and investment property for the year ended 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	27.049	371.202	2.594	616	401.461
Depreciation and amortization expense for the period (**)	64.133	21.114	370	4.380	89.997
Intra-segment revenue	109.690	23.219	67	215	133.191
Inter-segment revenue	23	1.077	503	7.078	8.681

	1 January - 31 December 2013				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	24.738	158.389	356	643	184.126
Depreciation and amortization expense for the period (**)	61.579	15.693	287	4.941	82.500
Intra-segment revenue	155.573	20.237	244	188	176.242
Inter-segment revenue	19	1.212	416	6.596	8.243

(*) Fixed assets purchases through financial lease amounting to 2.213 (2013: 7.008) and reversal of capitalized borrowing costs amounting to 780 (2013: 10.188 additional capitalization) are also included.

(**) Depreciation expense is added to the cost of inventory 395 (2013: 3.181).

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

4. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information is as follows:

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2014)	2.398.512	1.470.032	82.885	661.081	4.117	(141.872)	4.474.755
Total assets (31 December 2014)	6.134.476	2.137.335	320.421	673.673	78.586	(4.389.009)	4.955.482
Capital expenditures (1 January - 31 December 2014)(*)	382.192	4.113	72	15.084	-	-	401.461

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2013)	2.299.084	952.728	274.326	490.235	14.148	(184.485)	3.846.036
Total assets (31 December 2013)	5.382.474	1.726.942	385.965	722.194	78.812	(3.598.967)	4.697.420
Capital expenditures (1 January - 31 December 2013)(*)	174.176	2.689	40	7.221	-	-	184.126

(*) Fixed assets purchases through financial lease amounting to 2.213 (2013: 7.008) and reversal of capitalized borrowing costs amounting to 780 (2013: 10.188 additional capitalization) are also included.

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

5. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	1.301	867
Cash at banks		
Demand deposits	83.046	20.463
Time deposits with maturity of three months or less	909.702	996.633
Overdue cheques	105	148
Other cash equivalents	53.295	37.042
	1.047.449	1.055.153

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 33.

6. FINANCIAL INVESTMENTS

Short term financial investments	31 December 2014	31 December 2013
Time deposits with maturity of longer than three months	41.411	49.119
Long term financial investments		
Available for sale financial investments	68.745	63.593

Short term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 3% (2013: 3,46%) amounting to 41.411(17.858 thousand USD) (31 December 2013: 49.119 (23.014 thousand USD)).

Details of available for sale financial assets are as follows:

Details	Share %	31 December 2014	Share %	31 December 2013
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	65.523	10,79	60.700
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.429	<1	1.116
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	87	<1	66
Turcas Petrolcülük A.Ş.	<1	10	<1	10
		67.049		61.892
Non traded				
Sınai ve Mali Yatırımlar Holding A.Ş.	<1	2.536	<1	2.536
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.(*)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	27,45	109	27,45	109
Tümteks Tekstil Sanayi ve Ticaret A.Ş.	7,45	6.147	7,45	6.147
Other		1.298		1.257
		11.429		11.388
Less: Allowance for impairment of available for sale investment				
Sınai ve Mali Yatırımlar Holding A.Ş.		(2.536)		(2.536)
Tümteks Tekstil Sanayi ve Ticaret A.Ş.		(6.147)		(6.147)
Other		(1.050)		(1.004)
		(9.733)		(9.687)
		68.745		63.593

(*) As of 31 December 2014 and 2013, entities classified as financial investment are shown at cost due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.

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6. FINANCIAL INVESTMENTS (cont'd)

Traded available for sale financial assets actively are carried at quoted market prices. The positive difference of 50.060 (31 December 2013: 45.179) in the fair value of the available for sale financial assets traded in active markets is directly recognized in equity. There is a positive difference amount of 19 (31 December 2013: 5) in the fair value of the available for sale financial assets traded in active markets is directly recognized in the statement of profit or loss.

1.696 (31 December 2013: 1.701) of the above available for sale financial assets that do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for impairment in value, if any.

Explanations about the nature and level of risks related to financial investments are provided in Note 33.

7. SHORT AND LONG TERM FINANCIAL DEBTS

	31 December 2014	31 December 2013
Short-term bank loans	676.552	555.236
Short-term portion of long-term bank loans' and interest payments	1.154	749
Short term portion of long term obligation under finance leases	20.525	57.280
Total short-term financial debts	698.231	613.265
Long-term bank loans	383.851	275.768
Long term obligation under finance leases	5.851	21.894
Total long-term financial debts	389.702	297.662
Total financial debts	1.087.933	910.927

<u>The details of bank loans are as follows:</u>

	Weighted average interest rate %		31 December 2014		
Original currency	Short term	Long term	Short term	Long term	Total
US Dollars	3,17	3,88	505.936	124.766	630.702
EUR	2,04	3,23	52.479	259.085	311.564
TRY	12,04	-	101.760	-	101.760
TRY	-	-	17.531	-	17.531
			677.706	383.851	1.061.557

	Weighted average interest rate %		31 December 2013		
Original currency	Short term	Long term	Short term	Long term	Total
US Dollars	3,38	4,05	476.225	173.096	649.321
EUR	2,36	2,67	43.604	102.672	146.276
TRY	9,60	-	28.293	-	28.293
TRY	-	-	7.863	-	7.863
			555.985	275.768	831.753

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

7. SHORT AND LONG TERM FINANCIAL DEBTS (cont'd)

Repayment schedule of bank loans is as follows:

	31 December 2014	31 December 2013
Within 1 year	677.706	555.985
Within 1-2 year	176.583	139.872
Within 2-3 year	51.817	64.032
Within 3-4 year	51.817	20.529
Within 4-5 year	51.817	20.529
Within 5 or more years	51.817	30.806
	1.061.557	831.753

Group's bank loans; as of 31 December 2014 in the amounts of 267.778 thousand USD (620.950), 18.100 thousand EUR (51.055) and 115.531 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2013: 304.321 thousand USD (649.512), 14.673 thousand EUR (43.087), 36.156). Other bank loans are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk.

One of the Group's subsidiaries, Toros Tarım has borrowed ECA (SACE) bank loan from Unicredit Bank Austria in August, 2013 for sulfuric acid facility in Samsun factory. The credit amount used until 31 December 2014 is 155.708 (55.202 thousand EUR). The duration of repayments will last 7 years, including no principal payment within the first two years. The interest rate is 2% plus Euribor. Toros Tarım fulfilled the financial performance criteria obliged due to the agreement as of 31 December 2014. The Deutsche Bank credit amount used for investments until 31 December 2014 is 103.381 (36.651 thousand EUR). The duration of repayments will last 6,5 years, including no principal payment within first 1,5 years. The interest rate for 6 months is 0,9% plus Euribor.

Details of obligation under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Obligations under finance leases under finance leases:				
Within one year	21.447	60.255	20.525	57.280
Within 2-5 year	5.998	22.771	5.851	21.894
	27.445	83.026	26.376	79.174
Less: finance expenses related to following years	(1.069)	(3.852)	-	-
Present value of obligations finance leases	26.376	79.174	26.376	79.174
Less: Payments within 12 months (in short term payables)			20.525	57.280
Due beyond 12 months			5.851	21.894

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term varies between 36 months and 48 months (2013: 18 – 48 months). For the year ended 31 December 2014 effective weighted average interest is 5,34% for USD and 5,36% for EUR (31 December 2013: 5,29% for USD, 5,41% for EUR). Financial lease obligations currency type distribution is disclosed in Note 33. The fair value of the Group's lease obligations approximates their carrying amount.

Explanations about the nature and level of risks related to financial debts are provided in Note 33.

Translated into English from the report originally issued in Turkish.

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

8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

Short term trade receivables	31 December 2014	31 December 2013
Receivables from Contracting group operations	480.159	500.337
Receivables from Agriculture group operations	157.502	159.088
Receivables from Real Estate group operations	16.729	1.106
Other trade receivables	11.655	24.706
Provision for doubtful receivables	(56.292)	(32.675)
Retention receivables (Note: 11)	65.355	123.337
Due from related parties (Note: 32)	17.819	9.081
Other	11.461	4.709
	704.388	789.689

Long term trade receivables		
Retention receivables (Note: 11)	70.901	84.225
Receivables from Real Estate group operations	17.304	-
	88.205	84.225

Postdated cheques amounting to 126.374 (31 December 2013: 131.730), notes receivables amounting to 32.469 (31 December 2013: 45), foreign currency differences amounting to (12) (31 December 2013: (10)), and due date differences amounting to 8 (31 December 2013: 88) are included in short and long term trade receivables.

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 66 days (31 December 2013: 81 days), for domestic projects is 35 days (31 December 2013: 43 days), for Agriculture group is 40 days (31 December 2013: 37 days), for Real Estate group for short term trade receivables is 115 days, for long term trade receivables is 625 days (31 December 2013: short term trade receivables is 15 days, there are not any long term trade receivables) and for other segment is 117 days (31 December 2013: 80 days)

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered. As of 31 December 2014, trade receivables of 67.438 (31 December 2013: 38.474) is provided provision for in the amount of 56.292 (31 December 2013: 32.675).

The movement of the Group's provision for doubtful receivables is as follows:

	2014	2013
Provision as at 1 January	(32.675)	(17.090)
Charge for the year	(21.628)	(13.754)
Collected	362	101
Write off of bad debt	-	-
Currency translation effect	(2.351)	(1.932)
Provision as at 31 December	(56.292)	(32.675)

19.938 of charge for the year (2013: 12.608) has been charged to cost of revenue and 1.690 (2013: 1.146) to general administrative expenses.

Explanations about the nature and level of risks related to trade receivables are provided in Note 33.

Translated into English from the report originally issued in Turkish.

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

8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

As at balance sheet date, details of trade payables of the Group are as follows:

Short term trade payables	31 December 2014	31 December 2013
Trade payables from Contracting group operations	615.611	663.618
Trade payables from Agriculture group operations	464.602	440.831
Trade payables from Real Estate group operations	5.190	1.641
Due to related parties - trade (Note: 32)	519	444
Retention payables (Note: 11)	12.430	23.954
Other trade payables	7.693	15.122
	1.106.045	1.145.610

Long term trade payables	31 December 2014	31 December 2013
Retention payables (Note: 11)	79.117	23.569
Trade payables from Contracting group operations	73	82
	79.190	23.651

Notes payables amounting to 141 (31 December 2013: 18.123), and foreign currency differences amounting to 61.337 (31 December 2013: 86.049) are included in short and long term trade payables), there is any postdated cheques in the current year (31 December 2013: 248).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 93% (31 December 2013: 96%) of trade payables as at balance sheet date and average payable period for these import purchases is 164 days (31 December 2013: 131 days) whereas average payable period for domestic purchases is 30 days (31 December 2013: 30 days).

For Contracting group, import purchases through letter of credit constitute 3% (31 December 2013: 4%) of trade payables as at balance sheet date. The average payable period for these import purchases is 90 days (31 December 2013: 76 days) whereas the average payable period for other purchases is 104 days (31 December 2013: 84 days).

The average payable period for Real Estate group is 30 days (31 December 2013: 11 days).

For the other operations of the Group, the average payable period is 88 days (31 December 2013: 53 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 33.

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

9. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

Other short term receivables	31 December 2014	31 December 2013
Blocked deposits	-	1.387
Deposits and guarantees given	1.305	1.092
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	1.748	520
	3.053	2.999
Other long term receivables		
Deposits and guarantees given	2.836	6.473
Other doubtful receivables	1.113	1.025
Provision for other doubtful receivables	(1.113)	(1.025)
Other receivables	130	260
	2.966	6.733

b) Other Payables:

Other short term payables	31 December 2014	31 December 2013
Taxes and funds payable	12.338	14.832
Deposits and guarantees received	1.751	1.120
Related party payables - non trade (Note: 32)	21	-
Other payables	1.163	526
	15.273	16.478
Other long term payables		
Fair value of reedemed shares	22.494	19.464
Deposits and guarantees received	1.719	1.198
	24.213	20.662

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 33.

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

10. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	62.378	48.741
Work in progress	86.463	46.487
Finished goods	55.911	41.734
Trading goods	122.974	38.169
Goods in transit	72.799	52.066
Inventory from real estate projects	146.170	110.936
Inventory at construction sites	147.749	149.679
Other inventories	29.074	33.429
Allowance for impairment on inventory (-)	(1.039)	(67)
	722.479	521.174

During the year ended 31 December 2014, borrowing costs capitalized in inventory amount to 14.832 (31 December 2013: 11.454).

Movement of allowance for impairment on inventory	2014	2013
Provision as of 1 January	(67)	(983)
Charge for the period	(1.039)	(48)
Currency translation effect	(1)	(70)
Provision released	68	1.034
Provision as of 31 December	(1.039)	(67)

Group has identified some inventories whose net realizable value is less than its current cost. Accordingly, the amount of 1.039 (31 December 2013: 48) has been determined as an allowance for impairment on inventory and included in cost of revenue. As of 31 December 2014, total amount of the inventory shown at net realizable value is 7.280 (31 December 2013: 486).

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

11. CONSTRUCTION CONTRACTS

	31 December 2014	31 December 2013
Cost incurred on uncompleted contracts	8.648.378	7.531.560
Recognised gain less losses (net)	187.789	481.652
	8.836.167	8.013.212
Less: Billings to date (-)	(8.482.084)	(7.590.158)
	354.083	423.054

Costs and billings incurred on uncompleted contracts in consolidated financial statements are follows:

	31 December 2014	31 December 2013
From customers under construction contracts	409.086	558.960
To customers under construction contracts	(55.003)	(135.906)
	354.083	423.054

	31 December 2014	31 December 2013
Receivables from uncompleted contracts		
Contracts undersigned abroad	386.047	513.876
Contracts undersigned in Turkey	23.039	45.084
	409.086	558.960
Payables from uncompleted contracts		
Contracts undersigned abroad	(54.020)	(135.906)
Contracts undersigned in Turkey	(983)	-
	(55.003)	(135.906)
	354.083	423.054

The Group has 58.087 of advances given to subcontractors and other suppliers for construction projects classified in short term prepaid expenses (31 December 2013: 130.772). Also, the Group has 183.203 of advances received for contracting projects classified in advances received (31 December 2013: 189.065) (Note 16).

As of 31 December 2014, the Group has 91.547 of retention payables to subcontractors (31 December 2013: 47.523). Also, the amount of retention receivables is 136.256 (31 December 2013: 207.562) (Note 8).

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

12. INVESTMENTS VALUED BY EQUITY METHOD

The details of the joints ventures of the Group, which are valued by equity method, are as follows:

		31 December 2014		31 December 2013			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50,00 %	6.060	50,00 %	5.610	50,00 %	Agriculture
Azfen	Azerbaijan	40,00 %	81.002	40,00 %	52.841	40,00 %	Construction
Black Sea	Turkey	30,00 %	997	30,00 %	727	30,00 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50,00 %	61.248	50,00 %	61.369	50,00 %	Real Estate
			149.307		120.547		

Movement of Group's joint ventures during the year is as follows:

	2014	2013
Opening balance as at 1 January	120.547	42.539
Group's share on profit/(loss)	41.127	33.705
Effect of the newly established joint ventures	-	61.560
Effect of the joint ventures sold	-	(6.168)
Transactions of the joint ventures sold during the year	-	(8.200)
Dividends	(16.357)	(8.907)
Currency translation effect	4.110	6.284
Profit eliminations	(120)	(266)
Closing balance as at 31 December	149.307	120.547

Group's share on profit /loss of joint ventures is as follows:

	2014	2013
H-T Fidecilik	448	485
Azfen	40.410	32.636
Black Sea	269	482
Florya Gayrimenkul	-	75
Shares on profit/ loss of joint ventures consolidated by equity method	41.127	33.678
<u>Other subsidiaries consolidated by equity method</u>		
Tekfen Oz (*)	-	27
Total investments consolidated by equity method	41.127	33.705

(**)Group has sold its shares in Tekfen Oz to Omurga Konya Gayrimenkul Yatırım A.Ş. on 29 March 2013.

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

12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to financial position:

31 December 2014	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	16	87.517	2.508	153	90.194
Other current assets	24.838	323.656	11.311	60.653	420.458
Other non current assets	16.652	69.248	473	65.327	151.700
Total Assets	41.506	480.421	14.292	126.133	662.352
Short term financial debts	16.154	-	-	-	16.154
Other short term liabilities	11.735	276.051	10.844	1.192	299.822
Long term financial debts	1.073	-	-	-	1.073
Other long term liabilities	424	1.865	124	2.445	4.858
Total Liabilities	29.386	277.916	10.968	3.637	321.907
Net Assets	12.120	202.505	3.324	122.496	340.445
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	6.060	81.002	997	61.248	149.307

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

12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to financial position (cont'd):

31 December 2013	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	7	8.997	1.744	261	11.009
Other current assets	16.293	160.474	605	56.603	233.975
Other non current assets	9.285	37.873	393	68.376	115.927
Total Assets	25.585	207.344	2.742	125.240	360.911
Short term financial debts	6.534	-	-	-	6.534
Other short term liabilities	5.906	75.096	318	67	81.387
Long term financial debts	1.600	-	-	-	1.600
Other long term liabilities	325	145	-	2.435	2.905
Total Liabilities	14.365	75.241	318	2.502	92.426
Net Assets	11.220	132.103	2.424	122.738	268.485
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	5.610	52.841	727	61.369	120.547

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

12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to profit or loss statement (cont'd):

31 December 2014	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	29.656	752.826	151.255	-	933.737
Depreciation and amortization expense	1.059	14.997	116	-	16.172
Operating profit / (loss)	1.972	125.846	(1.423)	1	126.396
Financial income	5	1.335	2.323	9	3.672
Financial expense (-)	(916)	-	(2)	-	(918)
Tax income / (expense)	(164)	(26.158)	-	(9)	(26.331)
Profit / (Loss) for the year	896	101.024	898	-	102.818
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Profit / (Loss) for the year	448	40.410	269	-	41.127

31 December 2013	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	25.095	384.525	90.837	-	500.457
Depreciation and amortization expense	821	8.409	114	-	9.344
Operating profit / (loss)	1.930	102.227	1.803	145	106.105
Financial income	1	-	2.903	46	2.950
Financial expense (-)	(930)	-	(2.792)	-	(3.722)
Tax income / (expense)	(30)	(20.637)	(308)	(40)	(21.015)
Profit / (Loss) for the year	970	81.591	1.605	150	84.316
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Tekfen Oz (*)					27
Group's share on Profit / (Loss) for the year	485	32.636	482	75	33.705

(*) Group has sold its shares in Tekfen Oz on 29 March 2013. The Group's share until the date of sale is presented.

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

13. INVESTMENT PROPERTY

Investment property as at 31 December 2014 and 2013 is as follows:

Cost	Land	Building	Total
Opening balance as at 1 January 2014	5.878	99.371	105.249
Currency translation effect	378	-	378
Additions	-	292	292
Transfers	1.660	-	1.660
Closing balance as at 31 December 2014	7.916	99.663	107.579
Accumulated Depreciation			
Opening balance as at 1 January 2014	-	(26.474)	(26.474)
Charge for the year	-	(2.771)	(2.771)
Closing balance as at 31 December 2014	-	(29.245)	(29.245)
Carrying value as at 31 December 2014	7.916	70.418	78.334

Cost	Land	Building	Total
Opening balance as at 1 January 2013	8.198	111.093	119.291
Currency translation effect	720	-	720
Additions	-	429	429
Disposals	(3.040)	(12.151)	(15.191)
Closing balance as at 31 December 2013	5.878	99.371	105.249
Accumulated Depreciation			
Opening balance at 1 January 2013	-	(26.466)	(26.466)
Charge for the year	-	(2.722)	(2.722)
Disposals	-	2.714	2.714
Closing balance as at 31 December 2013	-	(26.474)	(26.474)
Carrying value as at 31 December 2013	5.878	72.897	78.775

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 of 2.248 (2013: 2.199) has been charged to cost of revenue, 523 (2013: 523) to general administrative expenses.

For the year ended 31 December 2014 total rental income earned from investment properties is 25.827 (31 December 2013: 18.582). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 5.875 (31 December 2013: 4.934).

The fair value of the Group's investment property has been arrived based on a valuation carried out by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair market value of the investment properties as of 31 December 2014 is 431.836 (31 December 2013: 391.858) according to the valuation carried out by independent expert.

There are not any restrictions on the realizability of investment property or any remittances of income and proceeds of disposal and there are not any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2014	339.855	347.984	1.273.685	40.293	77.602	154.592	136.079	2.370.090
Currency translation effect	16.897	2.104	55.045	1.835	4.614	135	390	81.020
Additions	5.205	155	24.386	530	4.305	364.454	351	399.386
Disposals	(7.018)	(1.356)	(24.347)	(2.155)	(5.722)	-	-	(40.598)
Transfers	2.098	11.275	5.729	-	479	(21.118)	137	(1.400)
Disposals due to the grant of subsidiary	-	-	-	-	(250)	-	-	(250)
Transfer of the subsidiary to assets classified as held for sale	-	(25.938)	(39.510)	(431)	(326)	-	-	(66.205)
Derecognition of property, plant and equipment in Libya	(813)	-	(104.215)	(6.296)	(2.222)	-	-	(113.546)
Closing balance as at 31 December 2014	356.224	334.224	1.190.773	33.776	78.480	498.063	136.957	2.628.497
Accumulated Depreciation								
Opening balance as at 1 January 2014	(103.241)	(210.609)	(980.052)	(33.116)	(57.173)	-	(81.187)	(1.465.378)
Currency translation effect	(7.207)	940	(40.088)	(1.855)	(3.782)	-	(267)	(52.259)
Charge for the year	(12.310)	(6.046)	(54.702)	(2.436)	(6.849)	-	(4.017)	(86.360)
Disposals	4.901	902	16.772	1.993	3.090	-	-	27.658
Transfers	-	-	-	-	-	-	291	291
Disposals due to the grant of subsidiary	-	-	-	-	250	-	-	250
Transfer of the subsidiary to assets classified as held for sale	-	24.373	37.936	402	310	-	-	63.021
Derecognition of property, plant and equipment in Libya	813	-	60.708	6.296	2.222	-	-	70.039
Closing balance as at 31 December 2014	(117.044)	(190.440)	(959.426)	(28.716)	(61.932)	-	(85.180)	(1.442.738)
Carrying value as at 31 December 2014	239.180	143.784	231.347	5.060	16.548	498.063	51.777	1.185.759

Property, plant and equipment include fixed assets with carrying value of 117.673 purchased through financial lease. These property, plant and equipment purchased through financial lease consist of various prefabricated buildings, machinery, equipment and vehicles employed in construction sites. During the current period, property, plant and equipment purchases through financial lease amount to 2.213 (31 December 2013: 7.008). For the year ended as of 31 December 2014, reversal of capitalized borrowing costs amounting to 780 (31 December 2013: 10.188 additional capitalization) are included in property, plant and equipment. The rate used to determine the amount of borrowing costs eligible for capitalization is 18,39% (2013:18,35%).

Translated into English from the report originally issued in Turkish.

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

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2013	295.690	322.490	1.104.410	35.140	70.000	52.376	134.973	2.015.079
Currency translation effect	35.751	25.978	120.509	5.083	9.938	2.004	723	199.986
Additions	5.580	718	14.985	1.523	2.860	155.564	535	181.765
Disposals	(417)	(8.709)	(11.512)	(1.099)	(4.838)	-	(154)	(26.729)
Transfers	3.251	7.507	45.293	(354)	(358)	(55.352)	2	(11)
Closing balance as at 31 December 2013	339.855	347.984	1.273.685	40.293	77.602	154.592	136.079	2.370.090
Accumulated Depreciation								
Opening balance as at 1 January 2013	(80.281)	(183.457)	(852.641)	(26.536)	(46.827)	-	(76.832)	(1.266.574)
Currency translation effect	(12.879)	(17.897)	(82.314)	(4.026)	(7.261)	-	(395)	(124.772)
Charge for the year	(10.404)	(7.383)	(49.282)	(3.770)	(7.072)	-	(4.329)	(82.240)
Allowance for impairment	-	(3.981)	(4.496)	-	-	-	-	(8.477)
Disposals	323	2.869	9.452	1.018	2.869	-	154	16.685
Transfers	-	(760)	(771)	198	1.118	-	215	-
Closing balance as at 31 December 2013	(103.241)	(210.609)	(980.052)	(33.116)	(57.173)	-	(81.187)	(1.465.378)
Carrying value as at 31 December 2013	236.614	137.375	293.633	7.177	20.429	154.592	54.892	904.712

Property, plant and equipment include fixed assets with carrying value of 148.385 purchased through financial lease.

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

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment are depreciated over the following useful lives:

	Useful life
Land and land improvements	2-50 years
Buildings	5-50 years
Machinery and equipment	2-40 years
Vehicles	2-15 years
Furniture and fixtures	2-50 years
Leasehold improvements	5-50 years

Depreciation expense of 80.239 (2013: 74.316) has been charged to cost of revenue, 1.357 (2013: 1.234) to marketing expenses, 4.369 (2013: 3.499) to general administrative expenses and 395 (2013: 3.181) to inventory. There is not any depreciation expense charged to research and development expenses (2013: 10).

15. INTANGIBLE ASSETS

Cost value	Rights	Other	Total
Opening balance as at 1 January 2014	19.131	449	19.580
Currency translation effect	1.268	(8)	1.260
Additions	877	906	1.783
Disposals due to the grant of subsidiary	(202)	-	(202)
Transfers	981	-	981
Closing balance as at 31 December 2014	22.055	1.347	23.402
Accumulated amortization			
Opening balance as at 1 January 2014	(15.966)	(303)	(16.269)
Currency translation effect	(1.061)	8	(1.053)
Charge for the year	(1.255)	(6)	(1.261)
Disposals due to the grant of subsidiary	186	-	186
Transfers	(291)	-	(291)
Closing balance as at 31 December 2014	(18.387)	(301)	(18.688)
Carrying value as at 31 December 2014	3.668	1.046	4.714

Cost value	Rights	Other	Total
Opening balance as at 1 January 2013	15.235	1.457	16.692
Currency translation effect	2.196	41	2.237
Additions	1.770	162	1.932
Disposals	(81)	-	(81)
Intangibles written off	-	(1.211)	(1.211)
Transfers	11	-	11
Closing balance as at 31 December 2013	19.131	449	19.580
Accumulated amortization			
Opening balance as at 1 January 2013	(13.744)	(257)	(14.001)
Currency translation effect	(1.583)	(46)	(1.629)
Charge for the year	(719)	-	(719)
Disposals	80	-	80
Closing balance as at 31 December 2013	(15.966)	(303)	(16.269)
Carrying value as at 31 December 2013	3.165	146	3.311

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 969 (2013: 539) has been charged to general administrative expenses, 292 (2013: 180) to cost of revenue.

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

16. PREPAID EXPENSES, ADVANCES RECEIVED AND DEFERRED REVENUE

Short term prepaid expenses	31 December 2014	31 December 2013
Advances paid for construction projects (Note: 11)	58.087	130.772
Prepaid expenses	9.958	12.743
Business advances given	534	1.183
Order advances given	8.935	6.454
	77.514	151.152
Long term prepaid expenses		
Advances given for fixed assets	8.464	61.355
Prepaid expenses	13.483	7.739
	21.947	69.094
Advances received		
Advances received for construction projects (Note: 11)	183.203	189.065
Other advances received	49.021	66.131
	232.224	255.196
Short term deferred revenue		
Income relating to future months	5.618	5.278
	5.618	5.278
Long term advances received		
Advances received for Real Estate projects	87.128	-
	87.128	-

17. GOVERNMENT GRANTS AND INCENTIVES

	31 December 2014	31 December 2013
Government incentives and grants	767	-

Toros Tarım benefits from the certified seed production support according to the support amounts determined in the Communiqué about "Supporting Domestic Certified Seed Production" published in the Official Gazette for its production of certified wheat and potato seeds.

Before the harvest period, the support amounts per kilogram are conveyed in the Official Gazette by Republic of Turkey Ministry of Food, Agriculture and Livestock annually. For the harvest period in 2014, unit prices conveyed in 2013 for wheat is 0,10 TRY/kg and for potato is 0,08 TRY/kg. As of 31 December 2014, income generated from wheat support is 899 whereas the income generated from potato support is 180 which make a total income of 1.079 (31 December 2013: wheat supporting 644, potato supporting 116, total 760). Support income generated from current year sales is recognized as income accrual every reporting period is collected in the following period.

Within the scope of Tübitak, The Scientific and Technological Research Council of Turkey Teydeb (The Scientific and Technological Research Council of Turkey Technology and Innovation Grant Programs Directorate), several programs are being conducted for private sector entities on a project basis in order to provide support for Research and Development activities. 1511 numbered Research Technology Development and Innovation Projects in Priority Areas Grant Program is one of those programs. Toros Tarım applied for support within the context of this program with "Wheat Breeding Project" and its project is approved. The purpose of the project is to breed high quality and efficient wheat types that are resistant to biotic and abiotic stress conditions for different ecological zones of our country. 36 month long support duration has begun on 1 September 2013 and will continue until 31 August 2016. In parallel with the budget given to Tübitak; personnel expenses, fixed asset and material acquisitions, service and labor costs are also in the scope of the support. Support fees will be paid in cash after the assessment of financial and technical reports presented to Tübitak semi-annually.

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

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short term other provisons	31 December 2014	31 December 2013
Provision for litigation	23.152	8.112
Other provisions	4.310	22.580
	27.462	30.692

Long term other provisons	31 December 2014	31 December 2013
Other provisions	65	70
	65	70

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as of 1 January 2014	8.112	22.650	30.762
Currency translation effect	626	739	1.365
Charge for the period	19.304	3.713	23.017
Provision paid	(382)	(136)	(518)
Provision released	(4.508)	(22.591)	(27.099)
Closing balance as of 31 December 2014	23.152	4.375	27.527
Opening balance as of 1 January 2013	8.248	877	9.125
Currency translation effect	(30)	2.431	2.401
Charge for the period	1.690	19.912	21.602
Provision paid	(921)	(532)	(1.453)
Provision released	(875)	(38)	(913)
Closing balance as of 31 December 2013	8.112	22.650	30.762

b) Contingent Assets and Liabilities

Contractual Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group's subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods stated on the agreements. In case the customer determines any defects subsequent to the provisional acceptance of the contract, Tekfen İnşaat is 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 shall pay penalty amount for such defaults to its customers.

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities (cont'd)

Tax Inspections

During the period, developments have been occurred in the process of the lawsuit attributable to tax inspection of Saudi Arabia Branch explained in the notes of the audited consolidated financial statements as of 31 December 2013. The Department of Zakat and Income Tax of Saudi Arabia ("DZIT") has issued its final tax assessment and based on this assessment, Tekfen İnşaat Saudi Arabia Branch has an additional tax liability amounting to 5.644 (2.434 thousand USD). According to the partial result of the objection on this assessment with the Appeal Committee, tax payment amounting to 2.836 (1.223 thousand USD) has been made during the period and the part of the tax liability amounting to 2.808 (1.211 thousand USD), which has not been resulted yet, is concluded not to be paid.

<u>Litigations:</u>

As of 31 December 2014, lawsuit filed against the Group is totally 119.453 (31 December 2013: 114.085) and the management has decided to accrue 23.152 (31 December 2013: 8.112) 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 lawsuit filed against the Group.

Toros Tarım Samsun Fertilizer Facility

Toros Tarım has acquired all of the public shares of Samsun Gübre Sanayi A.Ş. from the Privatization Administration on 4 July 2005. Following the issuance of the Article 2/B of the Forest Law in April 2012, restraints on some parcels transferred from Samsun Gübre Sanayi A.Ş. have become futile. Accordingly, revised construction plans with different scales and application zoning plans have been prepared by Samsun Metropolitan Municipality (Municipality). Upon the rejection of appeal for each construction plans, Toros Tarım has filed an annulment action against Municipality at Samsun 1stAdministrative Court. Since the effect of Planning Partnership Interest prescribed at the Application Zoning Plan is considered to break the integrity of the facility; Toros Tarım has not been granted the operating license and Municipality Committee has announced enforcement on 5 February 2013 regarding the shutdown of the facility. Aforementioned transaction was not exercised upon interim suspension of the execution by the Administrative Court.

The lawsuits filed at Samsun Administrative Court with the request for cancellation of construction plans prepared by the Municipality are concluded in our favor.

On the other side, new title deeds are received as a result of construction plans prepared ex office and parceling prepared by Ministry of Environment and Urbanization related to the parcels on which the facility is located. The Municipality has filed a lawsuit against the Ministry, related with the cancellation of the zoning plan, the Court has given decision for the suspension of the execution and the cancellation of construction plans prepared by Ministry. The decision is appealed by the defendant Ministry.

Subsequently, Toros Tarım has filed lawsuits against the Municipality with the request for cancellation of the new construction plans prepared by Municipality, and the lawsuits are not concluded.

The application to Municipality for operating license is not accepted on the grounds that the Court has given decision for the suspension of the execution for the lawsuit filed by the Municipality against the Ministry.

On 3 November 2014, the Municipality notified for shutdown of the facility and since it is decided by the Court for the suspension of the execution at the lawsuit filed at Samsun 2nd Administrative Court by Toros Tarım for cancellation of this administrative act, the shutdown is no implemented. The lawsuit related with the cancellation of this administrative act is still going on.

<u>Other provisions</u>

Tax inspection carried out by the Ministry of Finance on Tekfen İnşaat's for the corporation tax calculations for the fiscal years 2010 and 2011 has been completed. According to the report prepared by the tax inspector, a provision is recognized in the amount of 3.610 in other provisions (31 December 2013: None).

<u>Other</u>

The financial, economic, and social policies of the foreign countries in which the Group has operations may affect the Group's profitability.

National and international commodity market price volatility may affect the Group operations and profitability.

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

19. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2014 and 2013 is as follows:

31 December 2014	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands*
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	6.145.036	2.313.655	60.232	610.005
-Guarantee	*6.140.536*	*2.313.655*	*60.232*	*605.505*
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	27.381	-	-	27.381
-Guarantee	*27.381*	-	-	*27.381*
-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 2014	6.172.417	2.313.655	60.232	637.386

31 December 2013	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	1.915.847	589.084	47.760	518.318
-Guarantee	*1.914.347*	*589.084*	*47.760*	*516.818*
-Pledge	-	-	-	-
-Mortgage	*1.500*	-	-	*1.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	-	-	-	-
-Guarantee	-	-	-	-
-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 2013	1.915.847	589.084	47.760	518.318

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.)

20. EMPLOYEE BENEFITS

Employee benefit payables

	31 December 2014	31 December 2013
Salary accruals	24.814	26.110
Social security witholding payables	9.312	12.279
	34.126	38.389

Short term provisions attributable to employee benefits	31 December 2014	31 December 2013
Retirement pay provision	17.321	5.734
Unused vacation pay liability provision	15.526	17.933
Premium provision	13.818	12.629
	46.665	36.296
Long term provisions attributable to employee benefits		
Retirement pay provision	36.649	45.090

	31 December 2014	31 December 2013
Short term retirement pay provision	17.321	5.734
Long term retirement pay provision	36.649	45.090
	53.970	50.824

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

The Group is 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.

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 3.541,37 TRY which is effective on or after 1 January 2015 (31 December 2013: 3.438,22 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 2014.

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.

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

20. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

Retirement pay provision for Turkish personnel employed in Turkey (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2014, 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 2014, the provisions have been calculated by taking the real discount rate as approximately 2,82% (31 December 2013: 4,99%). 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 of 1 January 2014	50.824	12.629	17.933	81.386
Currency translation effect	1.627	274	793	2.694
Charge for the period	19.946	13.484	10.054	43.484
Interest expense	1.309	-	-	1.309
Provision paid	(23.414)	(12.569)	(11.645)	(47.628)
Provision released	(213)	-	(1.609)	(1.822)
Actuarial gain	3.891	-	-	3.891
Closing balance as of 31 December 2014	53.970	13.818	15.526	83.314
Opening balance as of 1 January 2013	42.581	11.754	13.223	67.558
Currency translation effect	4.357	923	1.981	7.261
Charge for the period	23.380	12.056	13.108	48.544
Interest expense	645	-	-	645
Provision released	(1.620)	-	(982)	(2.602)
Provision paid	(15.579)	(12.104)	(9.397)	(37.080)
Actuarial gain	(2.940)	-	-	(2.940)
Closing balance as of 31 December 2013	50.824	12.629	17.933	81.386

17.960 (2013: 19.742) of current year charge and released provision for retirement pay has been included in cost of revenue, 2.916 (2013: 2.054) has been included in general administrative expenses and 166 (2013: 609) has been included in marketing expenses.

1.822 (2013: 2.774), 11.080 (2013: 8.853) and 582 (2013: 423) of current year premium provision have been included in cost of revenue, in general administrative expenses and in marketing expenses respectively. There is not any premium provision included in research and development expenses (2013: 6).

7.249 (2013: 11.135) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 1.013 (2013: 864) has been included in general administrative expenses and 183 (2013: 127) has been included in marketing expenses.

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

21. OTHER CURRENT/NON CURRENT ASSETS AND OTHER SHORT TERM LIABILITIES

Other current assets	31 December 2014	31 December 2013
VAT receivables	174.240	102.951
Witholding tax of ongoing construction contracts	3.084	712
Other current assets	109	1.934
	177.433	105.597

Other non current assets	31 December 2014	31 December 2013
Witholding tax of ongoing construction contracts	51.460	34.820
VAT receivables	1.799	1.797
	53.259	36.617

Other short term liabilities	31 December 2014	31 December 2013
VAT calculated	11.386	822
Other	-	175
	11.386	997

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

22. SHAREHOLDERS' EQUITY

a) Share Capital

After the changes in the shareholders' structure during the period, the structure of the paid in capital as of 31 December 2014 and 2013 is as follows:

Shareholders	(%)	31 December 2014	(%)	31 December 2013
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Akçağlılar family	10,87%	40.216	19,30%	71.426
Other (*)	4,21%	15.593	4,21%	15.593
Publicly traded (**)	46,31%	171.339	37,89%	140.129
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%.
(**) 14.892.694 (4,02%) shares at 1 TRY par value of publicly traded shares are under the control of founding shareholder families as of 31 December 2014 (31 December 2013: 14.892.694 share; 4,02%).

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2013: 370.000.000). All these shares consist of bearer common shares.

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. From the remaining statutory profit, 30% of the paid capital is distributed as first dividend to the holders on the condition that rates and amounts are not less than rates and amounts applied by CMB. Also at most 3% of remaining profit is distributed to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which has redeemed share.

b) Accumulated other comprehensive income or loss that will be not reclassified / reclassified in profit or loss

	31 December 2014	31 December 2013
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
-Gain on revaluation of defined retirement benefit plans	(658)	2.470
	(658)	2.470
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	163.474	149.095
- Gain/(loss) on revaluation and reclassification (Note: 6)	50.060	45.179
	213.534	194.274

Gain/(loss) on revaluation and remeasurement:

Gain 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.

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

22. SHAREHOLDERS' EQUITY (cont'd)

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 163.474 (31 December 2013: 149.095).

Gain / (loss) on revaluation and reclassification:

Gain / (loss) on revaluation and reclassification consists of changes in fair value of financial assets available for sale. In the event of the disposition of a revalued financial asset at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss. In case of a revalued at fair value financial assets impairment, amount impaired is accounted in profit or loss.

c) Restricted Profit Reserves

	31 December 2014	31 December 2013
Restricted profit reserves	140.185	120.830

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 5 March 2015, Board of Directors offered to pay shareholders 0,10 TRY (2013: None) gross dividends per share. That dividend payment is subject to approval of the shareholders in General Shareholders' Meeting and therefore amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount is 40.000 (2013: None), on the other side projected gross dividend amount to be paid to holders of the redeemed share is 1.048 (2013: None).

Resources That Can Be Subject To Profit Distribution:

The other resources that may apply to profit distribution is 1.206.696 (31 December 2013: 1.097.822) for Tekfen Holding A.Ş., 731.790 portion of this amount belongs to shares issued and 474.906 portion of this amount belongs to bonus shares issued (31 December 2013: shares issued 622.916, bonus shares issued 474.906).

d) Premiums in Capital Stock

Group has done public offering (22,50%) of issued 66.775 shares by increased capital on 23 November 2007. The income from this public offering is 380.618. After 12.859 expenses directly related to the public offering deducted, 300.984 is accounted as premium in capital stock in shareholder's equity.

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

23. REVENUE AND COST OF REVENUE

a) Revenue

	1 January- 31 December 2014	1 January 31 December 2013
Domestic goods and merchandise sales	1.623.119	1.450.828
Export goods and merchandise sales	33.572	9.843
Contract revenue – domestic	557.543	595.217
Contract revenue – abroad	2.191.110	1.689.487
Joint operations – domestic	17.712	29.894
Joint operations – abroad	1.428	12.085
Textile products revenue	14.564	15.869
Other	53.806	50.879
Sales returns (-)	(10.818)	(7.373)
Sales discounts (-)	(7.281)	(693)
	4.474.755	3.846.036

b) Cost of Revenue

	1 January- 31 December 2014	1 January- 31 December 2013
Cost of raw materials used	(1.658.370)	(1.934.719)
Subcontractor expenses	(1.103.723)	(501.025)
Employee benefits expenses	(522.560)	(493.345)
Machinery, vehicle and other rent expenses	(128.463)	(146.799)
Construction site expenses	(121.425)	(116.089)
Transportation expenses	(91.493)	(69.855)
Depreciation expenses (Note: 13, 14, 15)	(82.779)	(76.695)
Consultancy expense	(54.710)	(62.859)
Energy and fuel expenses	(53.893)	(52.773)
Maintenance expenses	(33.940)	(29.005)
Outsourcing expenses	(23.911)	(24.816)
Engineering expenses	(23.254)	(25.346)
Provision for doubtful receivables (Note: 8)	(19.938)	(12.608)
Cost of merchandises sold	(15.968)	(20.463)
Insurance expenses	(10.739)	(14.082)
Custom expenses	(7.854)	(12.488)
Consumable and other material expenses	(2.385)	(4.185)
Allowance for impairment on inventory (Note: 10)	(971)	(48)
Other	(65.955)	(121.604)
	(4.022.331)	(3.718.804)

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

24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January-31 December 2014	1 January-31 December 2013
General administrative expenses (-)	(124.021)	(113.132)
Marketing expenses (-)	(131.825)	(120.365)
Research and development expenses (-)	-	(253)
	(255.846)	(233.750)

a) Details of General Administrative Expenses	1 January-31 December 2014	1 January-31 December 2013
Payroll expenses and fringe benefits	(77.932)	(69.453)
Consultancy expenses	(11.122)	(12.092)
Office and administration expenses	(10.760)	(9.789)
Depreciation and amortization expenses (Note: 13, 14, 15)	(5.861)	(4.561)
Bank and notary expenses	(2.133)	(1.374)
Duties, charges and other tax expenses	(1.897)	(2.388)
Provision for doubtful receivables (Note: 8)	(1.690)	(1.146)
Traveling expenses	(1.152)	(1.064)
Rent expenses	(1.016)	(753)
Maintenance expenses	(475)	(504)
Energy and fuel expenses	(324)	(334)
Reversal of doubtful receivable provision (Note: 8)	362	101
Other expenses	(10.021)	(9.775)
	(124.021)	(113.132)

b) Details of Marketing Expenses		
Transportation expenses	(96.606)	(90.975)
Payroll expenses and fringe benefits	(8.756)	(10.444)
Real Estate group advertisement and marketing expenses	(3.475)	-
Office and administration expenses	(2.599)	(490)
Maintenance expenses	(1.885)	(714)
Duties, charges and other tax expenses	(1.693)	(1.260)
Depreciation and amortization expenses (Note: 14)	(1.357)	(1.234)
Rent expenses	(1.168)	(1.350)
Energy and fuel expenses	(972)	(1.083)
Traveling expenses	(689)	(750)
Other expenses	(12.625)	(12.065)
	(131.825)	(120.365)

c) Details of Research and Development Expenses		
Depreciation and amortization expenses (Note: 14)	-	(10)
Payroll expenses and fringe benefits	-	(85)
Maintenance expenses	-	(16)
Energy and fuel expenses	-	(21)
Other expenses	-	(121)
	-	(253)

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

25. QUALITATIVE EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Transportation expenses	(96.606)	(90.975)
Payroll expenses and fringe benefits	(86.688)	(79.982)
Office and administration expenses	(13.359)	(10.279)
Consultancy expense	(11.122)	(12.092)
Depreciation and amortization expenses (Note: 13, 14, 15)	(7.218)	(5.805)
Duties, charges and other tax expenses	(3.590)	(3.648)
Real Estate group advertisement and marketing expenses	(3.475)	-
Maintenance expenses	(2.360)	(1.234)
Rent expenses	(2.184)	(2.103)
Bank and notary expenses	(2.133)	(1.374)
Traveling expenses	(1.841)	(1.814)
Provision for doubtful receivables (Note: 8)	(1.690)	(1.146)
Energy and fuel expenses	(1.296)	(1.438)
Reversal of doubtful receivable provision (Note: 8)	362	101
Other expenses	(22.646)	(21.961)
	(255.846)	(233.750)

26. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange gains	131.566	78.688
Due date difference income	13.954	9.868
Rent income	3.180	2.850
Discount income	2.628	6.290
Scrap sale income	1.881	771
Refundment income of social benefit	1.372	1.308
Government grants and incentives income (Note: 17)	1.079	760
Indemnity income	932	5.860
Reversal of litigation provision (Note: 18)	573	875
Reversal of other unnecessary provisions	252	-
Project management income	87	732
Other income	3.776	6.051
	161.280	114.053
Other operating expenses (-)		
Loss arising from the derecognition of net assets in Libya (Note: 35)	(189.740)	-
Foreign exchange losses	(149.569)	(132.231)
Additional tax expense	(13.563)	(573)
Due date difference expense	(6.590)	(4.890)
Litigation provision (Note: 18)	(4.638)	(1.690)
Discount expenses	(4.004)	(1.282)
Penalty and damages expenses	(1.536)	(157)
Rent expense	(1.414)	(142)
Grants and contributions	(658)	(17.619)
Damages subject to litigation	(29)	-
Other expenses	(2.729)	(6.203)
	(374.470)	(164.787)

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

27. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2014	1 January - 31 December 2013
Dividend income	6.664	6.590
Gain on sale of fixed asset	5.474	4.058
Difference between capital in kind and fair value	-	49.083
Other	11	8
	12.149	59.739
Investment expense (-)		
Loss on sale of fixed assets	(260)	(4.175)
Impairment of fixed assets (Note: 14, 15)	-	(9.688)
Loss on sale of associate	-	(42)
Other	-	(23)
	(260)	(13.928)

28. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange gains	98.052	76.980
Interest income	84.420	67.112
Other	30	17
	182.502	144.109
Financial expenses (-)		
Foreign exchange losses	(92.029)	(58.819)
Interest expenses	(39.905)	(29.134)
Other finance expense	(5.329)	(5.211)
Less: Financial expenses included in costs of property, plant and equipment and inventories	14.052	21.642
	(123.211)	(71.522)

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

29. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale consist of Group's assets which are being actively marketed at a price that is reasonable.

	31 December 2014	31 December 2013
Assets classified as held for sale	19.485	13.312
	19.485	13.312

The movement of assets classified as held for sale is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Net book value as at 1 January	13.312	10.944
Currency translation effect	19	2.368
Transfer of subsidiary	6.154	-
Net book value as at 31 December	19.485	13.312

On 11 August 2014, the Group signed a sales contract indicating that sales and transfer of shares will occur only if parties' specified conditions are fulfilled in order to sell all shares of its subsidiary, Papfen which is consolidated with the full consolidation method and whose amount of total net assets as of the balance sheet date is 6.154. Net assets of Papfen has been classified to the account of "Assets classified as held for sale" in the current period and the final sales contract has not been signed yet, because the obligations of the parties have not been completed as of the report date.

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Assets related to current tax	31 December 2014	31 December 2013
Prepaid corporate tax	52.872	44.299
	52.872	44.299

Current tax liability	31 December 2014	31 December 2013
Corporate tax provision	45.733	48.327
Less: Prepaid taxes and funds	(52.872)	(44.299)
	(7.139)	4.028

Tax expense comprises as follows:	1 January - 31 December 2014	1 January - 31 December 2013
Current tax provision	48.799	57.995
Deferred tax (income) / expense	(10.319)	1.416
Currency translation effect	(642)	(878)
	37.838	58.533

Translated into English from the report originally issued in Turkish.

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2014 is 20% (2013: 20%).

In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2014 is 20% (2013: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its losses carried forward occurred in 2013 until 2018.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1-25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

75% of sale proceeds from subsidiary and fixed asset acquisitions are exempt from corporate tax with the condition that these assets are held more than two years and the proceeds are included in equity for five years. There are not any restrictions for these proceeds to be added to capital.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies.

The rate of income withholding tax is 10% between 24 April 2003 and 22 July 2006. This rate was changed to 15% commencing from 22 July 2006 with the Cabinet Decision 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

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:

Countries	Corporate Tax Rate %	Witholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%	15% - 20%
Uzbekistan	8%	10% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	29%	0% - 15%
Ireland	12,5% - 25%	0% - 20%
United Kingdom	21%	0% - 20%
Morocco	30%	10%
Oman	12%	0% - 10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 7%
Turkmenistan	0% - 20%	15%

Exemption of Foreign Branch Earnings:

In accordance with private judgment related with overseas construction earnings in Corporate Tax Law's Article 5/1-h: "Earnings, which are provided from overseas construction, maintenance, installation or technical services, are transferred to income statement in Turkey" are exempted from corporate tax. According to the judgment, the only requirement is transferring of these earnings to income statement in Turkey. It is not obligatory that the earnings to be brought in Turkey.

COP Petroleum Platform project in Azerbaijan, whose contract is undersigned by Tekfen İnşaat on 15 January 2010, benefits from tax incentive.

The Undersecretaries of Treasury and Foreign Trade of Turkey has given tax, duties and charge incentive for the contracts undertaken by Tekfen İnşaat and its joint operations. These contracts are as follows:

- Ankara - Pozantı Highway (Çiftehan - Pozantı Section) Project - extended till 31 December 2015.
- In the construction project Tekfen İnşaat is conducting in Turkmenistan, the agreement between Turkey and Turkmenistan provides tax exemption from Corporate Income Tax in Turkmenistan.

Investment Incentive Tax Exemption:

Concerning the investment 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 Republic of Turkey Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio. Additionally, Toros Tarım has obtained 5th Region Investment Incentive Certificate (investments priority subject) 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. In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 12.765 on the basis of two years over Toros Tarım's profit projections. (2013: 8.605).

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

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and shown below. Tax rate used in calculating deferred tax assets and liabilities is the effective tax rate in the relevant countries where the Group undertakes its operations.

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 2014	31 December 2013
Restatement and depreciation / amortization differences of tangible and intangible assets	22.928	48.817
Provision for retirement benefits and vacation liability	(38.733)	(32.848)
Investment incentive undertaken	(63.824)	(43.023)
Impairment provision for inventory	(309)	(37)
Contract costs and progress billings (net)	186.902	156.781
Undistributed profits of joint operations	32.286	31.736
Provision for doubtful receivables	(15.072)	(16.115)
Effect of income accruals	682	4.568
Tax losses carried forward	(5.140)	(9.958)
Provision for litigation	(6.614)	(7.375)
Available for sale investments	52.642	47.486
Provision for premium payments	(6.029)	(4.489)
Other	(8.608)	7.732
Deferred tax liabilities / (assets)	151.111	183.275

Components of deferred tax (assets)/liabilities:	31 December 2014	31 December 2013
Restatement and depreciation / amortization differences of tangible and intangible assets	(883)	3.561
Provision for retirement benefits and vacation liability	(7.748)	(6.568)
Investment incentive undertaken	(12.765)	(8.605)
Impairment provision for inventory	(61)	(7)
Contract costs and progress billings (net)	37.378	31.357
Undistributed profits of joint operations	6.460	6.349
Provision for doubtful receivables	(3.015)	(3.219)
Effect of income accruals	136	912
Tax losses carried forward	(1.029)	(1.991)
Provision for litigation	(1.323)	(1.475)
Available for sale investments	2.632	2.374
Provision for premium payments	(1.204)	(898)
Other	(1.716)	1.505
Deferred tax liabilities / (assets)	16.862	23.295
Deferred tax assets	(47.076)	(38.359)
Deferred tax liabilities	63.938	61.654
	16.862	23.295

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

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

Movement of deferred tax assets and liabilities for the year ended 31 December 2014 is as follows:

Movement of deferred tax liabilities / (assets)	2014	2013
Opening balance as at 1 January	23.295	15.730
Deferred tax (income)/expense	(10.319)	1.416
Effect of available for sale investments in comprehensive	258	(1.531)
Effect of actuarial gain / (loss) in comprehensive income	(779)	587
Currency translation effect	4.407	7.093
Closing balance as at 31 December	16.862	23.295

Reconciliation of tax expense for the year with the profit for the year:

Reconciliation of taxation:	1 January- 31 December 2014	1 January- 31 December 2013
Profit before tax	95.695	(5.149)
Expected taxation (*)	89.223	101.792
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	1.338	5.639
- Dividend and other non taxable income	(21.163)	(65.774)
- Carryforward tax losses deducted in current year	(1)	(5)
- Effects of unrealizable tax (losses) / income (net)	12.750	30.400
- Investment incentive undertaken	(31.086)	(9.776)
- Effects of joint ventures	(415)	508
- Tax commitments fall out as a result the sale	-	911
- Effect of change in tax rates and consolidation adjustments	(14.076)	(6.236)
- Other	1.268	1.074
Income tax expense recognized in statement of income	37.838	58.533

(*) Different rates are applied for different countries where the foreign companies and joint ventures are located.

31. EARNINGS PER SHARE

Calculation of earnings per share for the current year is made in accordance with TAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2014 and 2013, 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 2014	1 January- 31 December 2013
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net (loss) / profit for the period attributable to owners of the Parent (thousands TRY)	55.909	(64.261)
Earnings per share from operations (TRY)	0,151	(0,174)

Translated into English from the report originally issued in Turkish.

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

32. RELATED PARTY TRANSACTIONS

The Group has various transactions with related parties during the course of its operations. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Due from and due to balances are unsecured and will be settled in cash. No bad debt provision is made for balances due from related parties in the current year.

	31 December 2014		31 December 2013	
	Due from	Due to	Due from	Due to
Balances with related parties	Short term	Short term	Short term	Short term
Tekzen	1.633	211	1.810	199
Azfen	10.920	-	3.149	-
H-T Fidecilik	78	-	8	2
Florya Gayrimenkul	588	-	-	21
Other	245	169	7	16
Shareholders and upper management	145	96	139	125
Joint operations	4.210	64	3.968	81
	17.819	540	9.081	444

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

32. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2014						
Transactions with related parties	Sales	Interest income	Interest expense	Dividend income	Rent income	Other income	Other costs and expenses
Black Sea	6.178	-	-	-	-	134	3
Azfen	11.593	-	-	16.357	-	-	-
H-T Fidecilik	12	-	-	-	-	259	-
Florya Gayrimenkul	1.117	-	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	683	-	-	-
Tekzen	3.742	-	-	-	-	-	339
Üçgen Bakım	128	-	-	70	-	2	71
Akmerkez Gayrimenkul	4	-	-	5.226	-	-	429
Tekfen Vakfı	-	-	-	-	1	-	-
Other	-	-	-	685	1	-	-
Shareholders and upper management	214	-	-	-	-	-	-
Joint operations	214	1.764	-	-	-	-	-
	23.202	1.764	-	23.021	2	395	842

	1 January - 31 December 2013						
Transactions with related parties	Sales	Interest income	Interest expense	Dividend income	Rent income	Other income	Other costs and expenses
Black Sea	15.685	-	-	-	-	837	180
Azfen	3.342	-	-	8.907	-	-	-
H-T Fidecilik	-	-	-	-	-	40	1
Florya Gayrimenkul	2.475	-	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	1.183	-	-	1
Tekzen	4.026	-	-	-	-	-	452
Üçgen Bakım	98	-	-	77	-	-	43
Akmerkez Gayrimenkul	-	-	-	4.894	-	-	336
Tekfen Vakfı	-	-	-	-	1	-	-
Other	48	-	-	436	-	-	-
Shareholders and upper management	218	-	-	-	-	-	-
Joint operations	577	2.186	1	-	-	-	-
	26.469	2.186	1	15.497	1	877	1.013

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

32. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

The remuneration of directors and other members of key management during the year is as follows:

	31 December 2014	31 December 2013
Salaries and other short term benefits	3.933	7.333
	3.933	7.333

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of financial debts as explained in Note 7 and equity items comprising paid in capital, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

Net cash position as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Total Financial Debts	(1.087.933)	(910.927)
Less: Cash and cash equivalents	1.047.449	1.055.153
Less: Time deposits with maturity of longer than three months	41.411	49.119
Net Cash Position	927	193.345

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.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2014	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	17.819	774.774	-	6.019	1.034.159
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	77.334	-	-	-
A. Net book value of not due or not impaired financial assets	17.701	745.388	-	6.019	1.034.159
B. Net book value of assets that are due but not impaired	118	17.891	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	11.495	-	-	-
- Over due (gross book value)	-	67.787	-	1.684	-
- Impairment (-)	-	(56.292)	-	(1.684)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2013					
Minimum credit risk exposure at balance sheet date (*)	9.081	864.833	-	9.732	1.067.602
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	112.645	-	-	-
A. Net book value of not due or not impaired financial assets	8.955	834.169	-	9.718	1.067.602
B. Net book value of assets that are due but not impaired	126	24.865	-	14	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	5.799	-	-	-
- Over due (gross book value)	-	38.474	-	1.596	-
- Impairment (-)	-	(32.675)	-	(1.596)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- 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 and other receivables.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors of the Group companies the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

31 December 2014	Trade Receivables	Other Receivables	Total
Not due receivables	763.089	6.019	769.108
Overdue by 1-30 days	1.524	-	1.524
Overdue by 1-3 months	7.180	-	7.180
Overdue by 3-12 months	1.718	-	1.718
Overdue 1-5 years	66.472	-	66.472
Overdue by more than 5 years	8.902	1.684	10.586
Total receivables	848.885	7.703	856.588
Total overdue receivables	85.796	1.684	87.480
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(56.292)	(1.684)	(57.976)
Total provision provided for overdue receivables	-	-	-
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2013	Trade Receivables	Other Receivables	Total
Not due receivables	843.124	9.718	852.842
Overdue by 1-30 days	3.218	-	3.218
Overdue by 1-3 months	9.055	-	9.055
Overdue by 3-12 months	16.238	-	16.238
Overdue 1-5 years	29.911	-	29.911
Overdue by more than 5 years	5.043	1.610	6.653
Total receivables	906.589	11.328	917.917
Total overdue receivables	63.465	1.610	65.075
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(32.675)	(1.596)	(34.271)
Total provision provided for overdue receivables	-	-	-
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As at the balance sheet date, there are no collaterals held for the past due trade receivables which are impaired or not impaired.

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 table details the Group's remaining maturity for its non-derivative financial liabilities. The table has 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.

Liquidity risk table:

31 December 2014

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	1.061.557	1.094.056	215.004	477.503	349.035	52.514
Finance lease obligations	26.376	27.445	6.116	15.331	5.998	-
Trade payables (due to related parties included)	1.185.235	1.188.754	737.355	372.093	79.306	-
Employee benefit payables	34.126	34.126	34.126	-	-	-
Other payables (due to related parties included)	39.486	39.486	14.221	1.052	24.213	-
Total liabilities	2.346.780	2.383.867	1.006.822	865.979	458.552	52.514

31 December 2013

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	831.753	846.710	127.261	433.463	255.180	30.806
Finance lease obligations	79.174	83.026	15.181	45.074	22.771	-
Trade payables (due to related parties included)	1.169.261	1.172.628	664.953	484.000	23.675	-
Employee benefit payables	38.389	38.389	38.389	-	-	-
Other payables	37.140	37.140	15.078	1.400	20.662	-
Total liabilities	2.155.717	2.177.893	860.862	963.937	322.288	30.806

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section b.3.1) and interest rates (refer to section b.3.2).

There has been no change to the Group's exposure to market risks or the manner which it manages and measures the risks.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The details of the Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of balance sheet date are shown below:

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2014	Equivalant of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalant of Thousands of TRY)
1. Trade Receivables	52.423	16.778	3.081	-	4.826
2. Monetary Financial Assets	347.276	146.684	1.512	2	2.858
3. Other	81.990	33.850	1.059	-	508
4. CURRENT ASSETS	481.689	197.312	5.652	2	8.192
5. Trade Receivables	12.916	5.570	-	-	-
6. Monetary Financial Assets	342	-	17	-	294
7. Other	12.524	-	4.440	-	-
8. NON CURRENT ASSETS	25.782	5.570	4.457	-	294
9. TOTAL ASSETS	507.471	202.882	10.109	2	8.486
10. Trade Payables	568.729	204.154	16.904	20	47.563
11. Financial Liabilities	35.000	8.250	3.723	-	5.368
12. Monetary Other Liabilities	60.198	457	7.108	-	39.089
12b. Non Monetary Other Liabilities	823	322	27	-	-
13. CURRENT LIABILITIES	664.750	213.183	27.762	20	92.020
14. Trade Payables	13.762	-	1.218	-	10.326
15. Financial Liabilities	262.863	845	92.496	-	-
16. Monetary Other Liabilities	11.308	732	-	-	9.611
17. NON CURRENT LIABILITIES	287.933	1.577	93.714	-	19.937
18. TOTAL LIABILITIES	952.683	214.760	121.476	20	111.957
19. Net foreign currency assets/(liabilities) position	(445.212)	(11.878)	(111.367)	(18)	(103.471)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(538.903)	(45.406)	(116.839)	(18)	(103.979)

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2013	Equivalant of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalant of Thousands of TRY)
1. Trade Receivables	130.707	43.778	10.353	-	6.870
2. Monetary Financial Assets	374.626	171.720	1.476	6	3.769
3. Other	90.020	25.533	11.216	31	2.480
4. CURRENT ASSETS	595.353	241.031	23.045	37	13.119
5. Trade Receivables	41.194	1.912	12.242	-	1.165
6. Monetary Financial Assets	4.215	-	-	-	4.215
7. Other	75.505	19.607	11.462	-	-
8. NON CURRENT ASSETS	120.914	21.519	23.704	-	5.380
9. TOTAL ASSETS	716.267	262.550	46.749	37	18.499
10. Trade Payables	632.858	197.885	38.225	101	97.910
11. Financial Liabilities	185.510	41.125	5.908	-	80.388
12. Monetary Other Liabilities	132.074	22.256	7.054	-	63.859
12b. Non Monetary Other Liabilities	9	4	-	-	-
13. CURRENT LIABILITIES	950.451	261.270	51.187	101	242.157
14. Trade Payables	8.632	-	192	-	8.068
15. Financial Liabilities	117.027	2.096	38.329	-	-
16. Monetary Other Liabilities	12.999	464	-	-	12.009
17. NON CURRENT LIABILITIES	138.658	2.560	38.521	-	20.077
18. TOTAL LIABILITIES	1.089.109	263.830	89.708	101	262.234
19. Net foreign currency assets/(liabilities) position	(372.842)	(1.280)	(42.959)	(64)	(243.735)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(538.358)	(46.416)	(65.637)	(95)	(246.215)

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in the US Dollars and Euro. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2014	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars	5% changed vs TRY
US Dollars net assets / liabilities	(1.377)	1.377
	If Euro	5% changed vs TRY
Euro net assets / liabilities	(15.707)	15.707
	If Other foreign currencies	5% changed vs TRY
Other foreign currency net assets / liabilities	(5.177)	5.177
TOTAL	(22.261)	22.261

	31 December 2013	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars	5% changed vs TRY
US Dollars net assets / liabilities	(137)	137
	If Euro	5% changed vs TRY
Euro net assets / liabilities	(6.307)	6.307
	If Other foreign currencies	5% changed vs TRY
Other foreign currency net assets / liabilities	(12.198)	12.198
TOTAL	(18.642)	18.642

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

Interest Position Table

	31 December 2014	31 December 2013
Financial liabilities - Fixed Interest Rate Instruments	827.775	807.738
Financial liabilities - Floating Interest Rate Instruments	260.158	103.189

At 31 December 2014 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 1.301 (31 December 2013: 516).

b.3.3) Other price risks

Equity pricing sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks for stock.

At reporting date, if variables used in valuation methods had been 10% higher/lower and all other variables held constant:

- As at 31 December 2014, unless available for sale financial investments are disposed of and if are not subject to any impairment, they will have no effect over net profit/loss.
- There will be an increase/decrease of 6.369 (31 December 2013: 5.873 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of available for financial investments.

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

34. FINANCIAL INSTRUMENTS

31 December 2014	Loans and receivables (including cash and cash equivalents)	Available for sale financial investments	Financial liabilities at amortized cost	Carrying value (*)	Note
Financial assets					
Cash and cash equivalents	1.047.449	-	-	1.047.449	5
Trade receivables (due from related parties included)	792.593	-	-	792.593	8, 33
Financial investments	41.411	68.745	-	110.156	6
Other current and non current assets	6.019	-	-	6.019	9, 33
Financial liabilities					
Financial debts	-	-	1.087.933	1.087.933	7, 33
Trade payables (due to related parties included)	-	-	1.185.235	1.185.235	8, 33
Employee benefit payables	-	-	34.126	34.126	20
Other short and long term liabilities (due to related parties included)	-	-	39.486	39.486	9, 33
31 December 2013					
Financial assets					
Cash and cash equivalents	1.055.153	-	-	1.055.153	5
Trade receivables (due from related parties included)	873.914	-	-	873.914	8, 33
Financial investments	49.119	63.593	-	112.712	6
Other current and non current assets	9.732	-	-	9.732	9, 33
Financial liabilities					
Financial debts	-	-	910.927	910.927	7, 33
Trade payables (due to related parties included)	-	-	1.169.261	1.169.261	8, 33
Employee benefit payables	-	-	38.389	38.389	20
Other short and long term liabilities	-	-	37.140	37.140	9, 33

(*) The Group believes that the carrying values of its financial instruments reflect their fair values.

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

34. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

• Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

• Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.

• Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The fair values of financial assets are as follows:

		Fair value level as of reporting date		
Financial investments	31 December 2014	Level 1	Level 2	Level 3
Available for sale financial investments	67.049	67.049	-	-
Total	67.049	67.049	-	-

		Fair value level as of reporting date		
Financial investments	31 December 2013	Level 1	Level 2	Level 3
Available for sale financial investments	61.892	61.892	-	-
Total	61.892	61.892	-	-

35. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

a) Developments in Libya

Tekfen-TML J.V., a joint operation of which 67% is owned by the Group, had to suspend its operations and evacuate its sites in Libya from 2011 February for an uncertain period of time due to the civil unrest in the country.

Certain attempts were made to reach an agreement with the Authority regarding Group's operations in Libya hence 2011; however, as a result of failure in implementing the prerequisites of the agreement coupled with the adverse political issues that came up in Libya in the last period, the Group management resolved to proceed with an International Arbitration claim for recovery of all project-related rights, receivables and assets as of 30 January 2015.

Further to these developments, the assets amounting to 247.167 (106.588 thousand USD) and the liabilities amounting to 55.310 (23.852 thousand USD) carried in the consolidated financial statements are assessed, and net asset amounting to 189.740 (USD 81.823 thousand), which is considered to have any chance of utilization, is accounted for as "Other operating expenses" in the accompanying consolidated financial statements as of 31 December 2014.

Letters of guarantees given related to such projects to various institutions amount to 36.735 (15.841 thousand USD). In accordance with the Council of Ministers' decree no: 2011/2001 issued on 21 June 2011 and until a new resolution replaces resolutions no: 1970 and 1973 of the United Nations Security Council and their requirements, resolution no: 1973 requires disregarding compensation claims of guarantees given to the contractor, hence the expired letter of guarantees do not bear any risk exposure for the Group.

b) Toros Tarım Capital Expenditure

With Toros Tarım's Board of Directors' resolution dated 20 June 2012, it is decided that an investment amounting to 537.985 (232 million USD) will be made and 40% of this amount will be met by shareholders' equity. With Toros Tarım's Board of Directors' resolution dated 7 January 2013, the amount of the investment is increased by 157.685 (68 million USD) and the total amount of the investment is 695.670 (300 million USD). As of the balance sheet date, ongoing investments are worth around 473 Million TRY after the consolidation adjustments, besides advance payments made for these investments amounting to 6.725 is classified under long term prepaid expenses. ECA (SACE) bank loan is obtained from Unicredit Bank Austria AG for related investments in August 2013. The amount used until the balance sheet date is 155.708 (55.202 thousand EUR). A bank loan from Deutsche Bank amounting to 103.381 (36.651 thousand EUR) is obtained up to the date of 31 December 2014 for the investments. In the subsequent period, the use of new loans has been realized from Deutsche Bank amounting to 2.767 (981 thousand EUR) and from Unicredit Bank Austria AG amounting to 1.165 (413 thousand EUR).

c) Other

Tekfen İnşaat, secured 1.307.860 (564 million USD) deal as the part of Trans Anatolian Natural Gas Pipeline (TANAP) Project that involves building 3rd part of 56 inches pipeline, which is 509 km long. The duration of the project is 36 months.

36. SUBSEQUENT EVENTS

As of 5 March 2015, there is a positive change of 7.638 in the fair value of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş., the Company's associate, whose shares are publicly traded.

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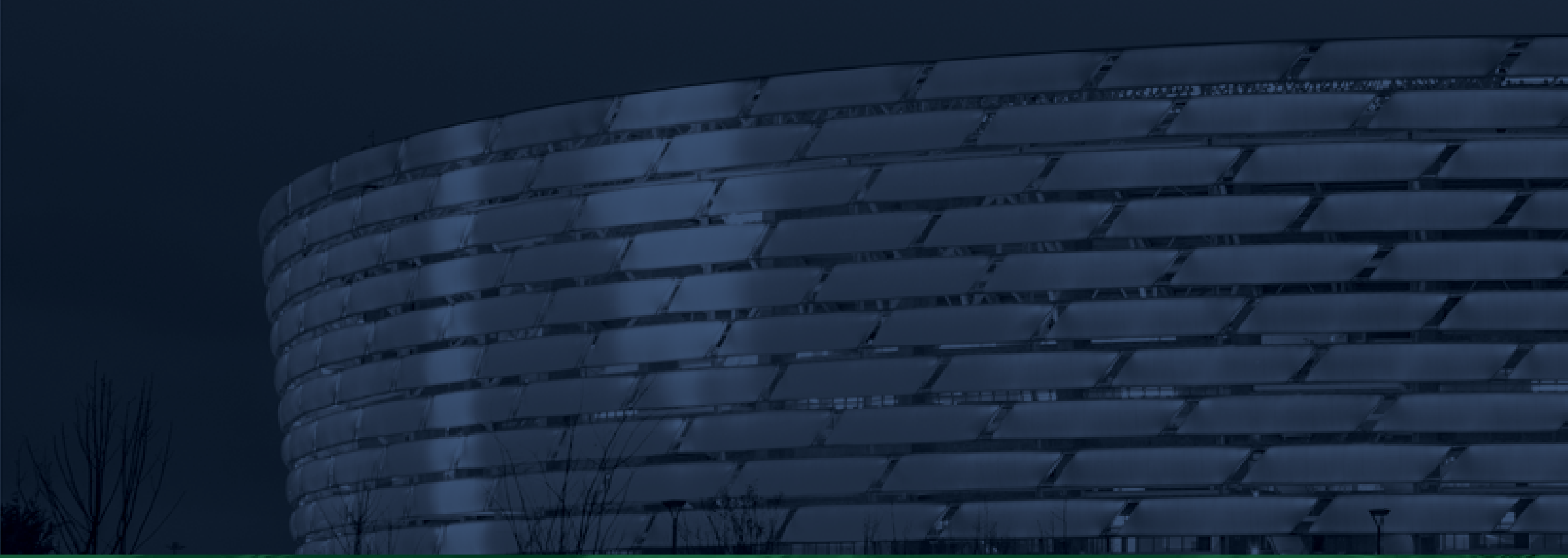

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