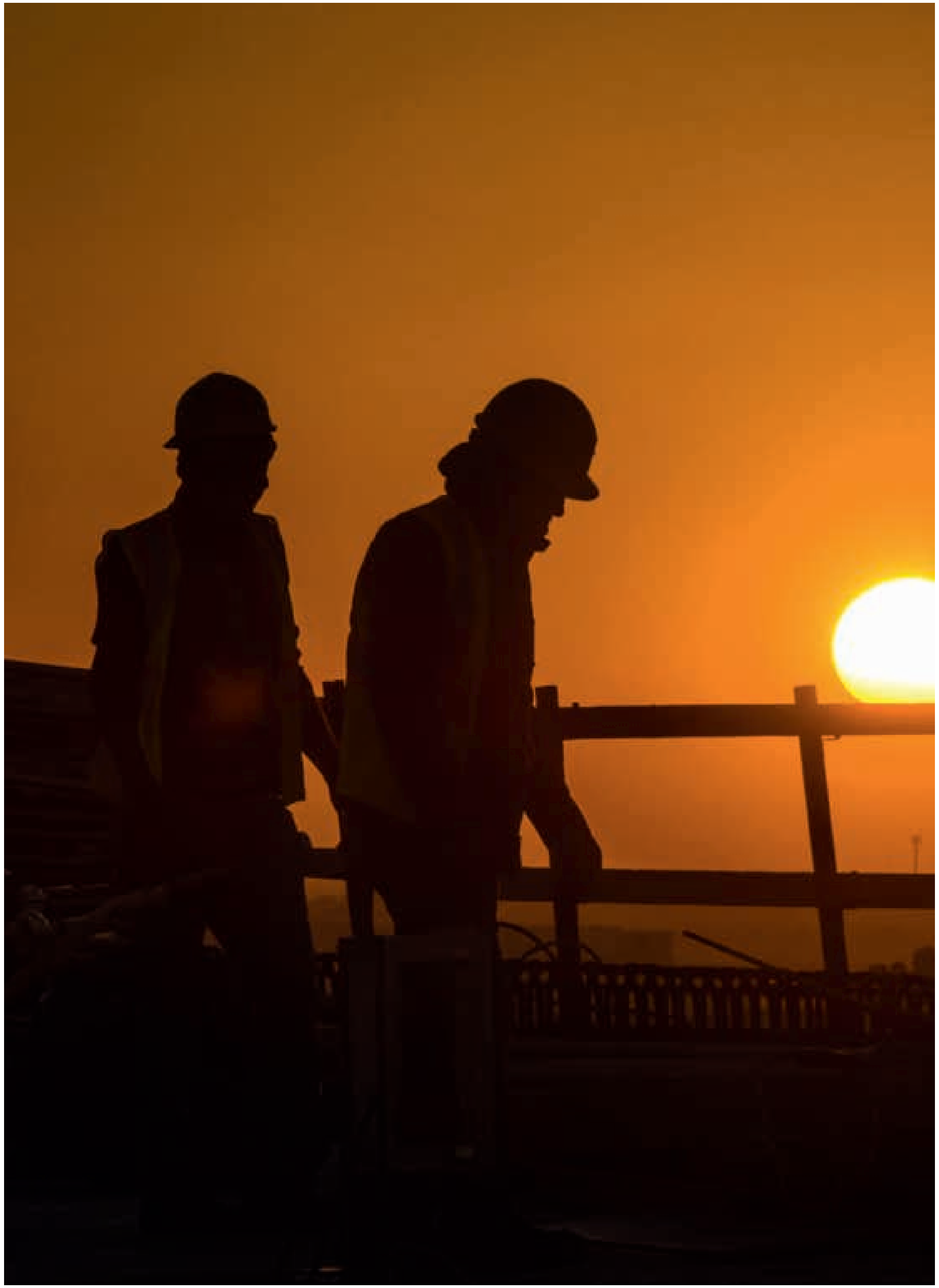
Tekfen Holding
Annual Report 2016

TEKFEN HOLDING

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



Contents

Originally founded in 1956 by three civil engineers – Feyyaz Berker, Ali Nihat Gökyiğit, and Necati Akçağlılar – the Tekfen Group celebrated its 60th anniversary in 2016.

Today Tekfen is a publicly-traded corporate group of companies whose operations are carried out in three principal business lines: Contracting, Agri-Industry, and Real Estate. Having striven with all its might for the last 60 years to grow stronger and to create value for all of its stakeholders – shareholders, employers, customers, employees, suppliers, and community alike – Tekfen will continue to do no less in the future as well.

Profile and Basic Indicators

Profile

Founded in 1956 by three civil engineers – Feyyaz Berker, Ali Nihat Gökyiğit, and Necati Akçağlılar – the Tekfen Group today is a conglomerate of publicly-traded companies consisting of 39 companies and 12 subsidiaries. Celebrating its 60th anniversary in 2016, the group currently conducts its operations under three main headings: Contracting, Agri-Industry, and Real Estate Development.

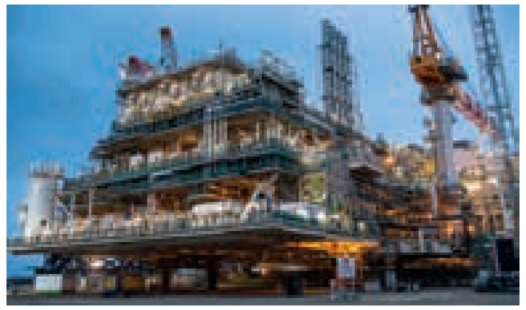
39 companies

One of the leading representatives of the Turkish business world by virtue not just of its brands and market strength but also of the values which it upholds and as an employer with a well-trained workforce of 14,295 people, the group is a potent force in every business line in which it has a presence.

In keeping with its principle of "Do what you know best in the best way possible," Tekfen regards achieving perfection in everything that it does and an absolute commitment to ethical values as essential prerequisites. Tekfen supports its existing operations with ventures into new business lines whose profitability is sustainable as well as with innovative advances which are compatible with both its core corporate values and the demands of a changing world.

A publicly-traded company whose shares are included in the İstanbul Stock Exchange's BIST-30 index, Tekfen Holding booked a turnover of TRY4,737 million and increased its assets to TRY6,668 million in 2016.

Contracting



Employing nearly 18 thousand people and having undertaken more than 350 projects to date, the Tekfen Contracting Group is one of the most successful international representatives of the Turkish contracting industry. An international contractor active across a broad region, the Tekfen Contracting Group provides its customers with turnkey-delivery solutions on an EPC (Engineering, Procurement & Construction) basis in a wide range of sectors. With extensive experience in petroleum, gas, and petrochemical facilities, Tekfen Construction, the group's flagship company, serves customers in such areas as pipelines, land and marine terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metro and railroad projects, sports complexes, infrastructure, and other civil engineering projects.

As a provider of engineering design, procurement, and project management services for the projects of both group and non-group companies, Tekfen Engineering's capacity to effectively participate in technologically difficult contracting projects that require extensive know-how make it one of Turkey's leading engineering services firms. The fabricated steel, process equipment, and storage tanks that are needed in projects are produced at Tekfen Manufacturing & Engineering's plant located in Derince (Turkey) and at Tekfen Construction's steel structure fabrication plants located in Ceyhan (Turkey) and Bayıl (Azerbaijan).

The group's strict compliance with international quality standards supports its steady growth and development while also strengthening the visibility and reputation of the Tekfen name in the international arena. Tekfen Construction today is a solution partner that is preferred by the world's leading employers on projects involving the construction of even the most complex of facilities. As of end-2016, the company had an active business portfolio whose aggregate value was US$3.67 billion, a performance that ranked it in 118th place among Engineering News-Record's 2016 list of the world's top 250 contractors as measured by portfolio size.

12 subsidiaries

Agri-Industry

Turkey's biggest privately-owned agri-industrial concern as measured by business volume, product and service lineup, and market share, the Tekfen Agri-Industry Group conducts its operations under the name "Toros Tarım". Ranking in 62nd place in the İstanbul Chamber of Industry's list of Turkey's 500 biggest industrial concerns, Toros Tarım is active principally in the business lines of fertilizer production and marketing, seed production, techno-agriculture, and seedling production.

Toros Tarım regards agricultural development throughout Turkey as a multidimensional process in which, as a matter of policy, the company is committed to playing an active role. Believing that improvements in productivity and quality are absolutely essential to farmers' prosperity and to enabling agricultural production to assume its rightful place in the national economy, Toros Tarım supplies farmers not only with fertilizer but also with a range of high-quality crop seedlings and seeds. Controlling 38% of Turkey's total installed fertilizer production capacity, Toros Tarım also supports its commanding position in this business line with an extensive network of authorized dealers and sellers that positions it as the sector's leader in terms of market share.

Toros Tarım's most important business line other than agriculture is terminal services, the operations of which are conducted at the company's Ceyhan and Samsun terminals. Torosport Ceyhan Terminal is one of the biggest ports in the Eastern Mediterranean. The company's Samsun terminal, which is part of its Samsun production plant, contributes to the group's operations in this business line by virtue both of the additional capacity it provides and of its geographical location. As part of its port management operations, Toros Tarım also provides pilotage, tugboat, shipping agency, and similar services as well.

Two other business lines in which Toros Tarım is active are free zone and fuel station management. Occupying 4.6 million m^2 of grounds, the Adana Yumurtalık Free Zone (TAYSEB) is one of the biggest free zones in Turkey and was also the first and only one that was set up explicitly for the conduct of industrial endeavors.

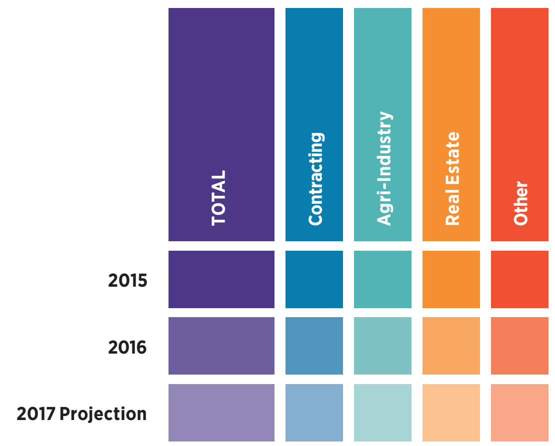
Real Estate

Founded in 2000 in order to undertake high-quality and innovative projects in the real estate industry, the Tekfen Real Estate Group carries out projects which combine its own brand values of quality, sustainability, environmental awareness, functionality, and reliability with unique design values. Tekfen Real Estate provides integrated services in all aspects of every project's development, design, construction management, and facility management so as to achieve customer satisfaction with each and every detail.

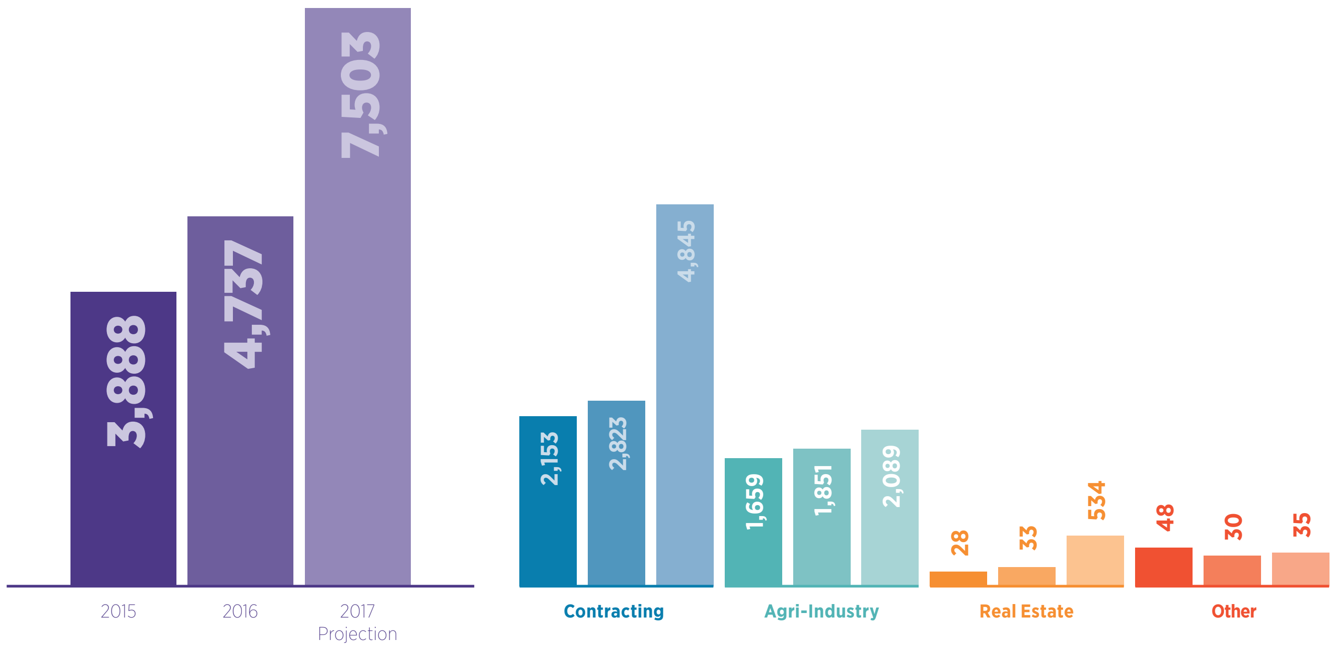
To date the group has carried out numerous high-profile projects which blend into the urban texture, are conceptually distinctive, and improve the quality of their users' lives. Concentrating on sustainability and energy efficiency in all of its projects, Tekfen Real Estate also authored the first green building projects in Turkey.

14,295 employees

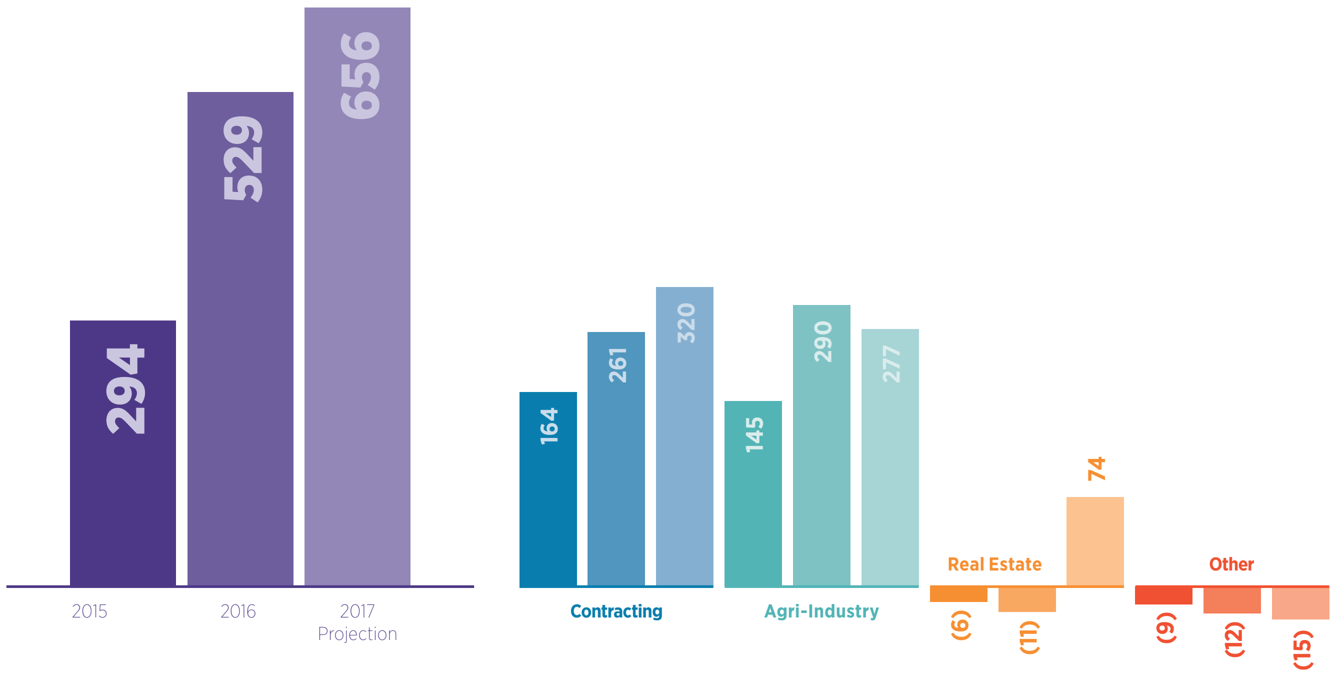
Basic Indicators



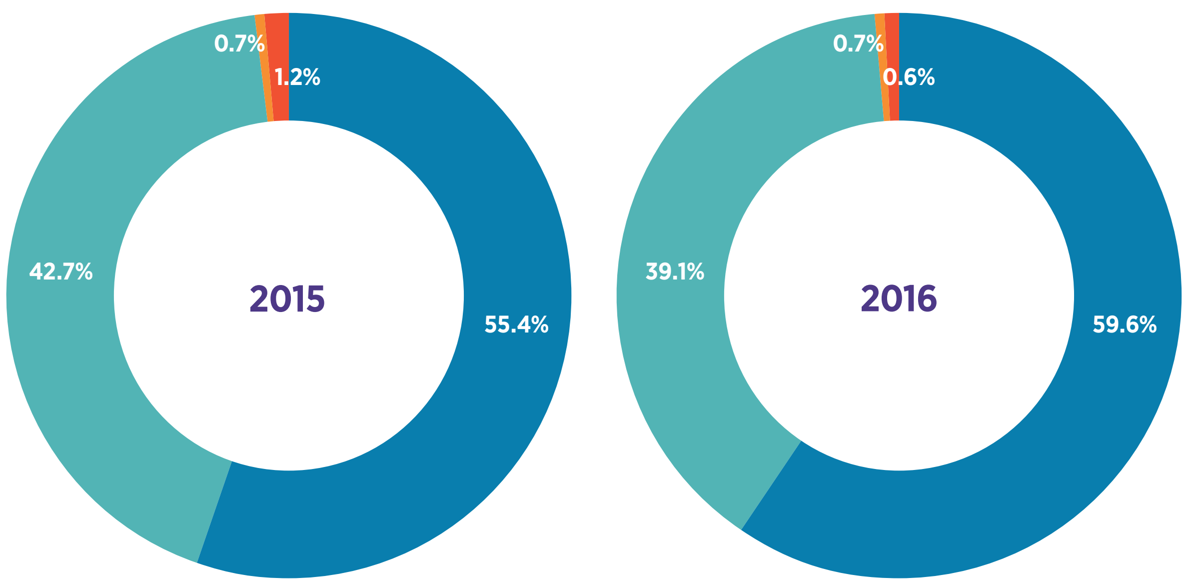
Revenues (Consolidated million TRY)



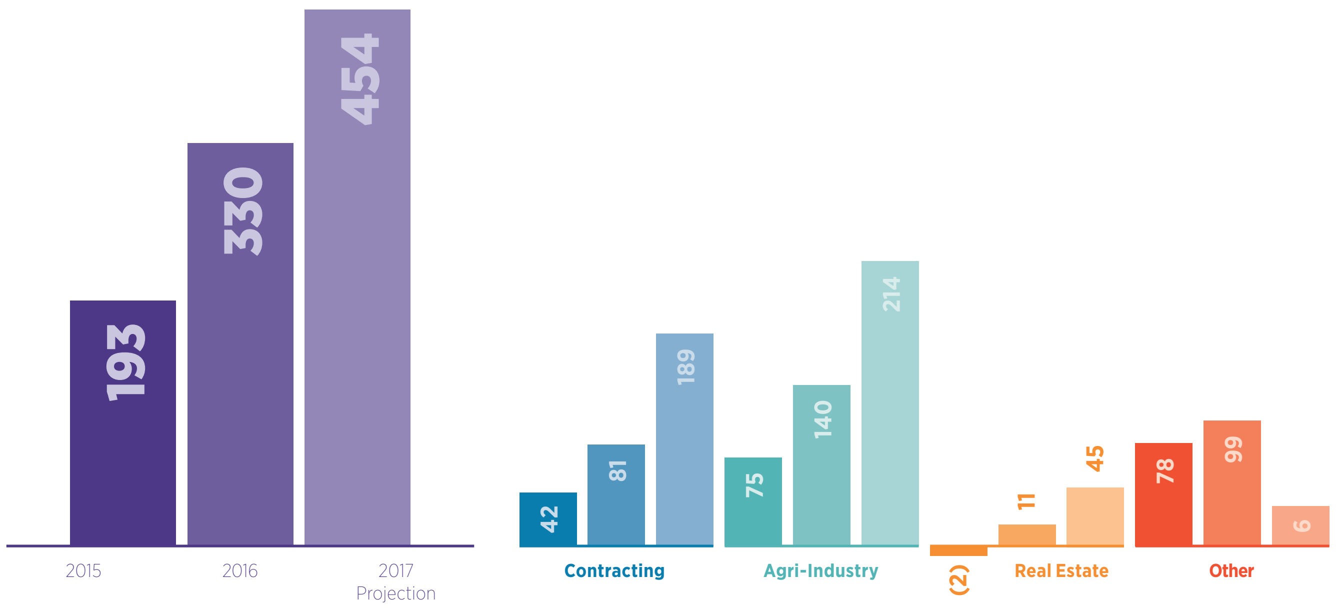
EBIDTA (Consolidated million TRY)



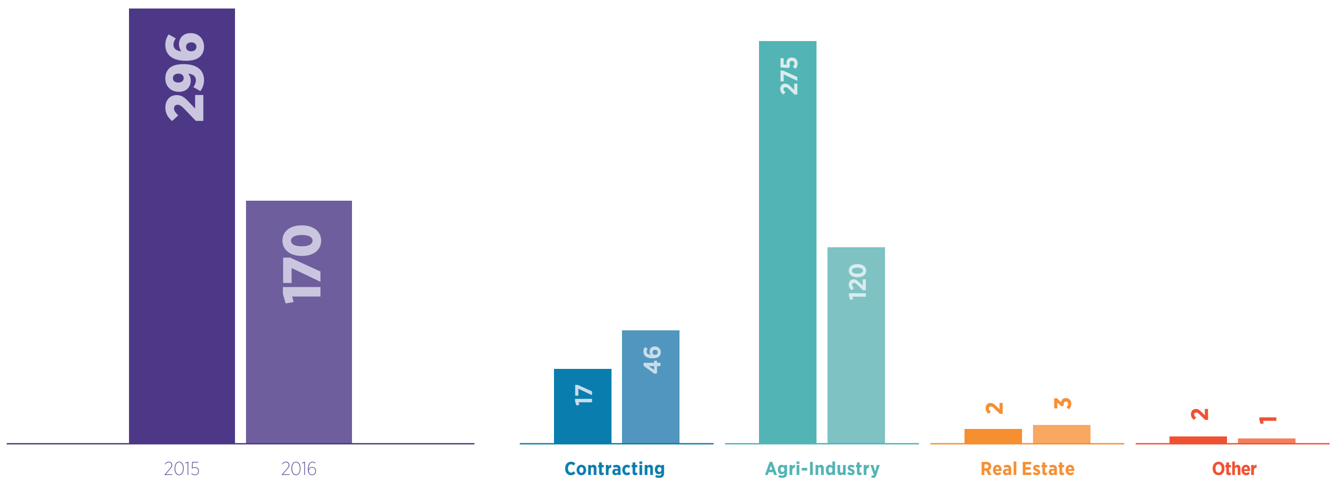
Breakdown of Revenues (%)



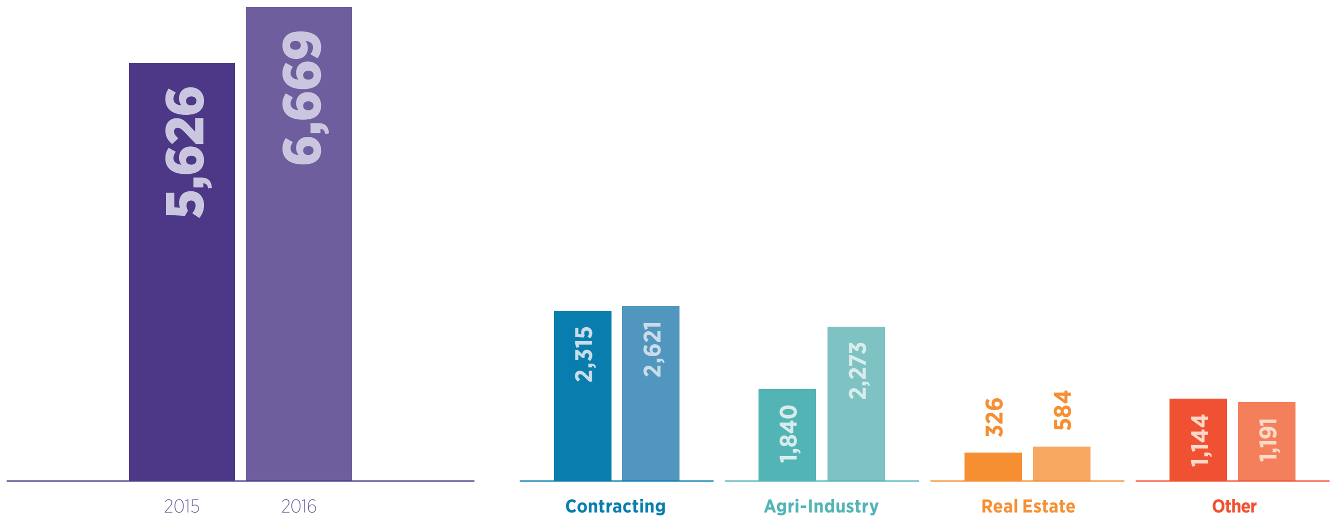
Net Profit / Loss for the Year (Consolidated million TRY)



Investment (Consolidated million TRY)



Assets (Consolidated million TRY)



Employees

2015 **13,234**

2016 **14,295**

SUMMARY BALANCE SHEET (thousand TRY)	31 December 2015	31 December 2016
Current Assets	3,713,282	4,533,781
Non-Current Assets	1,912,773	2,135,028
Total Assets	**5,626,055**	**6,668,809**
Current Liabilities	2,889,548	3,896,563
Non-Current Liabilities	651,372	392,789
Equity Attributable to Owners of the Parent	2,057,358	2,349,681
Minority Interest	27,777	29,776
Total Shareholders' Equity and Liabilities	**5,626,055**	**6,668,809**

SUMMARY INCOME STATEMENT (thousand TRY)	1 January – 31 December 2015	1 January – 31 December 2016
Revenue	3,888,172	4,737,397
Gross Profit	408,874	653,545
Operating Profit	116,523	313,293
Profit Before Taxation	259,560	438,938
Net Profit / Loss for the Year	193,036	330,323

IMPORTANT RATIOS	31 December 2015	31 December 2016
Liquidity		
Current Ratio	1.29	1.16
Liability and Indebtness		
Total Liabilities / Equity Attributable to Owners of the Parent	1.72	1.83
Current Liabilities / Total Liabilities	0.82	0.91

	1 January – 31 December 2015	1 January – 31 December 2016
Profitability		
Gross Profit Margin	10.52%	13.80%
EBITDA Margin	7.57%	11.16%
Net Profit for the Year	4.96%	6.97%

Tekfen Holding is 60!

Necati Akçağlılar, 1925-2011 (second from left), Feyyaz Berker (in the centre), Ali Nihat Gökyiğit (far right)

FEYYAZ BERKER
Founding Honorary Chairman

When we founded Tekfen 60 years ago, there was a reason why we named it as such, combining “Technology” and “Science” (“Teknoloji” and “Fen”). Firstly, all three founders had been trained as engineers. All three of us had received our MS degrees in civil engineering at American universities and as young entrepreneurs guided by science, we wanted to put our knowledge and experience to use in our country.

In those days, there was a great shortage of engineers with an entrepreneurial spirit speaking a foreign language in Turkey. Our aim was to take action and responsibility in the construction of the infrastructure direly needed for Turkey’s prosperity, growth, and development.

Defined in the early days of the company, that mission is also the summary of Tekfen’s 60 years. For 60 years, Tekfen contributed to Turkey’s development with the pipelines, industrial plants, roads, and buildings it constructed. As my valuable partner Necati Akçağlılar always said, most of Tekfen’s construction work consisted of infrastructure that either remained under ground or was located far away from the man on the street. For this reason, Tekfen was mostly known as a company that produced light bulbs.

The fact was, however, that our company was creating countless buildings and plants that made the life of that man on the street so much easier. With its investments not only in construction but also in various industries, it played a key role in providing the people of Turkey with lighting, increased agricultural productivity, better nutrition, and higher living standards in general. The immense projects Tekfen undertook abroad helped the Turkish contracting sector become an international player, bringing in foreign currency and contributing to Turkey’s reputation. Tekfen has created employment for tens of thousands of people, helping them raise their children as citizens working for the good of their country. Tekfen was never a company to stand out solely with its commercial success and achievements. With its faith in technology and science, it has always been a symbol of progress, growth, and development, and a company that set an example even to its competitors with the principles and values it defended.

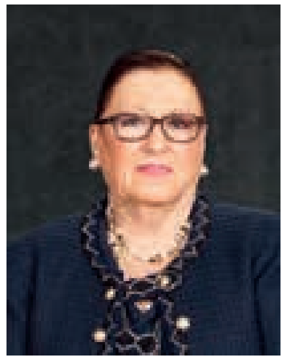
I am proud to be one of the founders of this unique company, and would like to thank all my colleagues who have stood by our side and helped us bring it to the present, sharing our philosophy and ideals. I have no doubt that future generations will embrace the principles and values we have defended for 60 years, and that our company will live on for many 60 years to come.

ALİ NİHAT GÖKYİĞİT
Founding Honorary Chairman

As we are about to leave behind 60 years at Tekfen, I would like to review some of its qualities that make us proud. The first thing that comes to mind is the fact that Tekfen is a highly respected brand. We have always been proud of this privilege and the opportunities this provided to our Group. Tekfen has always been one of the top companies preferred by job applicants, an indication of the trust placed in our Group and its continuity. The Tekfen family is founded on the values of merit, capability, loyalty, sacrifice, and fraternity, and has been our greatest asset along with this brand name. Another issue dear to our hearts is the utmost care we have shown for paying all wages and salaries on time without any infringement of rights. This principle has never changed throughout 60 years, no matter how difficult conditions become or how serious crises are.

We have also never compromised on work safety, no matter the cost. It has always been a source of pride for us to receive awards for the records we break in accident-free days. An important factor that also contributes to our brand name is the determination to do high-quality work and finish it on time, even if at loss. Even under the most difficult conditions, we have never considered leaving or closing a project site. We have always shown ultimate care to avoid conflicts with business partners and to settle disagreements out of court. I would say that the most important factor contributing to the success of Tekfen Group is the level of agreement among the three founding partners and the fact that we have complementary responsibilities. During the time we have worked together, which is now more than half a century, we have always been able to take decisions unanimously, without having to raise our voices. Many have asked me how this incredibly harmonious relationship was possible. It is true that our educational backgrounds are very similar, but each of us came from a different coastal region, believed to cultivate different attitudes: Feyyaz is from Mersin, the Mediterranean; Necati is from İzmir, the Aegean; I am from Artvin, on the Black Sea. I believe that at the heart of our harmony were the principles I have listed in part as well as the shared values of our culture such as tolerance and unity. The first 45 years of Tekfen constituted the period of expansion and growth, while the last 15 years constituted the period of consolidation. During the latter, we undertook restructuring and rebranding, selling off some of our companies while joining others; going public and adapting ourselves to the changes in management. Since last year, members of the Tekfen family are working hard to take the Group even further with a new strategy and renewed effort. I wholeheartedly believe they will succeed.

It has been the greatest wish of the three co-founders to see Tekfen continue to live for many years after we are gone under a sustainable structure. As we strive towards this strong and sustainable Tekfen, I am confident that social responsibility efforts will also continue unabated, and I wish everyone many 60 years full of success.



CANSEVİL AKÇAĞLILAR
Vice-Chairwoman of the Board of Directors,
Executive Director

Tekfen's foundations were laid at a time when new airports, highways, and facilities were being built in Turkey, by three friends who worked at the Ministry of Public Works and decided to found their own company. They implemented their decision under dire financial circumstances, in a small office. After that, Tekfen grew confidently to this day, and its success has been founded on honesty and hard work. For my beloved husband Necati Akçağlılar, who died in 2011, work was almost a form of worship. He used to spend more than six months a year at construction sites, and when I complained that I saw too little of him, he would say, "The workers at the construction need me to work hard." Putting on his boots and going from one site to another fueled him and gave strength to the workers who toiled under very difficult conditions.

Today, Tekfen has become a huge family of 15 thousand people, all of them hard-working and honest. It gives me great pleasure to see that the company's corporate culture is alive and strong today, based on the hard work of the three founding partners, their desire to do their work in the best way possible, and the way they joined forces to reach their aims. I believe that these qualities, which brought Tekfen to the present, will be key in the company's success in the future. Time passes and new generations arrive. Needless to say, Tekfen also changes. When you see how fast these 60 years have gone by, it is not that difficult to imagine what will happen in 100 years.

What we need to do is to trust our young friends and support them in their quest to carry Tekfen, which is one of the most select companies of Turkey, to an even better future. Business is becoming ever more competitive, and I would like our young friends to remember this little piece of advice that makes Tekfen what it is, whenever they feel stumped: "Enjoy the work you do and do it the best way possible."

I congratulate the entire Tekfen family on their 60th anniversary and wish them continued success.

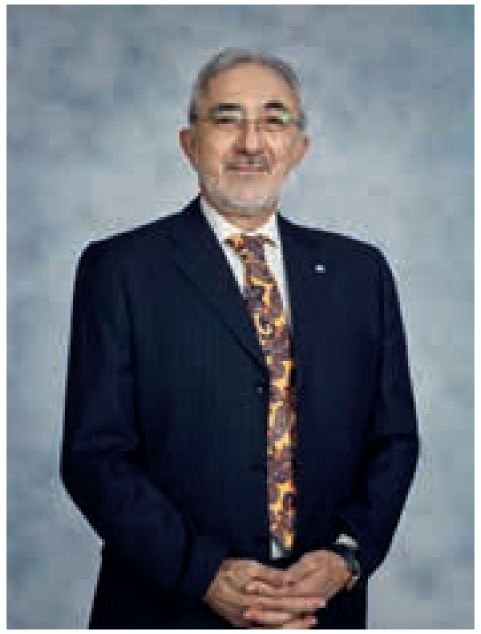
Tekfen Holding
Board of Directors

Standing from left to right:
Assoc. Prof. Ahmet İpekçi
Member
Erhan Öner
Member
Dr. M. Ercan Kumcu
Member
Murat Gigin
Chairman and CEO
Prof. Dr. Ahmet Çelik Kurtoğlu
Independent Member
Çiğdem Tüzün
Independent Member
Sinan K. Uzan
Member
Zekeriya Yıldırım
Independent Member

Sitting from left to right:
Prof. Dr. Emre Gönensay
Independent Member
Cansevil Akçağlılar
Vice-Chairwoman and
Executive Director
Ali Nihat Gökyiğit
Founding Honorary Chairman
and Member

Message from the Chairman

> "In order to achieve sustainable growth, companies and businesses no longer have any option other than that of being a part of the world's fast-paced change."



Esteemed Shareholders,

2016 was a special year for our company, not only because of the many critical developments that took place both at home and abroad but also because it marked Tekfen's 60th anniversary.

Tekfen has always built its future on foundations that are rooted in hard work, honesty, a dedication to success, and ethical values and if we think about the company's humble means and dimensions when it was originally established, the point we have reached today in the course of sixty years should be a source of pride for us all. Since its very first day, Tekfen has considered it to be its duty to support national development through the countless infrastructure projects that it undertakes, to create jobs through industrial investments that are each and every one a leader of its respective sector, to blaze an international trail for the Turkish contracting services through the projects that it undertakes abroad, and to play as much of a role in the advancement of our country's intellectual and civil-society infrastructure as it does in its physical aspects. Decisiveness and constancy have always been two of Tekfen's core values and its "Do the job you know best and do it in the best way possible" motto has always propelled our group forward. Tekfen has always known how to adapt itself to changing conditions and, with its eye on the way ahead, has always chosen to trod the path of prudent and purposeful growth.

Be that as it may, the events of 2016 dramatically demonstrated how quickly political, economic, and social contexts can change in today's world. Just as the globalization-accelerated flow of information, technology, goods and services, capital, and ideas creates new opportunities from the standpoint of economic vigor, growth, and markets, so too does the greater integration of financial markets, national economies, and trade mean that countries and companies are naturally going to be increasingly more affected by changes taking place around the world. This is slippery ground indeed and it makes it essential that such concepts as "stability" and "risk" be redefined.

There is much that those who are responsible for the management of national economies need to do if these risks are going to be dealt with in today's world. A country's success in addressing the necessities of the irreversible process of globalization will also ensure its progress as measured by international competitiveness, economic growth, increased affluence, and development. This is also true for companies and businesses nowadays: in order to achieve sustainable growth they too no longer have any option other than that of being a part of the world's fast-paced change. But especially for companies with international operations, it has become essential to keep a close watch on the world's changing trends in order to understand the new economy and to constantly update their business models according to circumstances. Let no one doubt that achieving all of this requires a mentality which does not reject innovation but which accepts change and is flexible and nimble when dealing with it.

As we set new goals for ourselves at Tekfen we do not merely give priority just to turnover, business volume, and profitability targets but strive to integrate that change in mentality into our company as well. The intellectual capital which has been entrusted to us is informed by experience, expertise, and brand reputation. Transforming this capital into sustainable and profitable growth in a manner that is compatible with the conditions of the day is now the fundamental goal of the Tekfen Group.

For all of its difficulties, 2016 nevertheless was a year in which we made important progress along the course laid out in a new corporate roadmap. In order to create a stronger and more dynamic management structure that will make all Tekfen Group companies more productive and enterprising, the organizational structure of Tekfen Holding was reviewed, as a result of which individual vice presidents were appointed to head the Contracting Group, the Agri-Industry Group, and the Real Estate Group and two new vice-presidential positions were also created: one to be responsible for business development and investments and the other to be responsible for financial affairs. New appointments were also made to seats on group companies' boards of directors and new additions were made to companies' management teams. Finally we created coordinator positions within Tekfen Holding with responsibilities in the increasingly more important corporate-governance issues of Sustainability, Risk Management, Occupational Health & Safety, Regulatory Compliance, and Human Resources.

In order to further develop our core business activities, new goals were set in the Contracting as well as in the Agri-Industry and Real Estate business lines and work continued all year long on formulating strategic plans that are compatible with those goals. As a result of new additions made to our international contracting portfolio last year, the value of the active projects in the portfolio more than doubled from US$1.7 billion to US$3.67 billion while progress also continued to be made in line with our determination to further expand our core engineering skills.

In the Agri-Industry business line we are exploring and assessing opportunities across a broad range of potential opportunities capable of driving both organic and inorganic growth such as organomineral fertilizers, molecular biotechnology, seed breeding, contracted agricultural production, and agrochemicals. In order to expand the Terminal Services that make a considerable contribution to Toros Tarım's revenues and to better exploit the potential of our newly-renamed Torosport Ceyhan Terminal, a new investment plan has been formulated with the aim of strengthening existing platforms and increasing their capacity. Investment opportunities are now at the project-study stage. In the Real Estate business line, our goals are to enhance the visibility of the Tekfen brand by pursuing growth in high-profile projects both at home and abroad and ultimately to increase the share which the Real Estate Group makes to Tekfen's total turnover.

> “Giving Tekfen greater access to the younger generation as well as technologies has an important place among our basic objectives.”

Giving Tekfen greater access to the younger generation as well as technologies has an important place among our basic objectives. Tekfen Ventures, a corporate venture capital company which we believe will make it easier for us to achieve this by supplying capital support to innovative startups, was set up in 2016 and its New York office is now in operation.

For any company seeking to ensure the sustainability of its growth in today’s world, erecting plans on solid foundations is as essential a prerequisite as is the ability to perceive correctly, to react swiftly, and to make quick decisions. The pillars of these foundations are respect for the environment and the community, technological progress, and employee happiness.

The feelings of belonging and loyalty among Tekfen employees are perhaps higher than they are at any other company. It is vitally important however to properly convey such feelings to younger generations as well. We have therefore set ourselves the goals of making Tekfen one of the top five employers that the country’s young people aspire to work for within the next five years and one of the top ten most valuable brands in Turkey within the next ten years. I believe that if we can achieve these two goals our commercial success will follow as a natural consequence as we shall be erecting our plans for the future not just on numbers but on human values as well.

While we can be proud and pleased to have methodically achieved the reputation we enjoy in our 60th year of operation thanks to human resources each and every one of whom we regard as a member of the Tekfen Family, to our commitment to ethical values, to our contributions to our country and its people, and to our respect for the environment, we must never suppose that we have gone “far enough”. And that is because we know that the farther we advance the bigger the contribution we will make to our country’s and our nation’s progress.

Convinced that the Tekfen Group will continue to contribute to and create value for its shareholders, employees, and other stakeholders as well as the Turkish economy as a whole for many more years and generations to come, we set out on a brand-new race with an even higher bar in yet another brand-new year.

Let no obstacle stand in our way.

Murat Gigin
Chairman of the Board and CEO

Message from the President

We have completed 2016, a year of many very – indeed historically – important political as well as economic developments.

The UK’s “Brexit” referendum on whether or not to leave the European Union, presidential elections in the United States, and likewise market expectations that the US Federal Reserve Bank was about to embark upon a round of raising interest rates were among the issues with which the world’s agenda was the most preoccupied. While the outcome of the UK referendum in which a majority voted to leave the EU was a momentous decision in its own right, it also provoked worries that similar movements in other EU countries might be emboldened by it. In a nutshell, the idea of a “United Europe” seemed to be under threat.

The extraordinary language and approaches adopted by America’s newly-elected president towards political and economic issues made the year’s elections even more critical from the standpoint of worldwide balances and developments. Meanwhile in the United States, the realization that the era of monetary expansion and low interest rates that had existed since the onset of the 2008 economic crisis had reached its end and that the Fed was about to embark upon a series of interest rate hikes grew increasingly stronger. In the Fed’s decision in late 2016 to raise rates once, there is also the implication that it may do it again two or three more times in 2017. Expectations of this are now exerting tremendous pressure on the financial markets of developing countries like Turkey.

Turning now to our own country last year, the events that first come to mind were the treacherous attempted coup against our republic and democracy, Turkey’s decision to send troops across its border in the wake of developments in the Syrian civil war, and the government’s tabling a bill in parliament proposing constitutional amendments that would change the country’s form of government from a parliamentary to a presidential system. Another issue that preoccupied the domestic agenda was a rapid rise in exchange rates, especially towards the end of the year.

"We have completed 2016, a year of many very – indeed historically – important political as well as economic developments."

Developments in the Turkish economy in 2016 therefore took shape within the overall macro framework outlined above.

During the first three quarters of 2016, gross domestic product (GDP) growth rates of 4.5%, 4.5%, and -1.8% (as compared with the same quarters of the previous year) were registered in Turkey. This corresponds to an overall 2.2% rate of growth in the first nine months of the year and is also indicative of a slowdown in the national economy. This development can also be seen in unemployment figures: the 10.5% joblessness rate recorded in November 2015 was up to 12.1% twelve months later.

Twelve-month consumer price index (CPI) inflation in 2016 was 8.53%. Although the twelve-month inflation rate was down to as low as 6.57% in April of the year, the rise in exchange rates played a role in its resurgence towards the year's end. A comparison of end-2015 and end-2016 results for example shows rises of 21% and 16% for the USD and EUR respectively.

One consequence of a relatively sluggish economy and rising exchange rates is that Turkey's foreign trade deficit narrowed in 2016. In such a context imports were down, as might be expected, but the growth in the current account deficit despite a decline in exports and a contraction in the foreign trade deficit is remarkable: the current account deficit, which was US$32.1 billion in 2015, edged up to US$32.6 billion in 2016. A US$7.9 billion decline in tourism receipts last year played a significant role in the current account deficit's expansion.

Despite such a challenging business environment both at home and abroad however, the Tekfen Group demonstrated a successful financial performance and significantly increased both its sales and its profitability as compared with the previous year. As measured on a consolidated basis in 2016, the Tekfen Group generated a turnover of TRY4,737 million; an earnings before interest, taxes, depreciation, and amortization (EBITDA) profit of TRY529 million; and a net profit of TRY330 million. Likewise as of end-2016, the Tekfen Group had total assets and total equity amounting to TRY6,669 million and TRY2,379 million respectively.

The Contracting Group, which makes a substantial contribution to Tekfen's overall business volume, posted a turnover of TRY2,823 million and a net profit of TRY81 million in 2016. The group succeeded in making many new additions to its business portfolio such as engineering, procurement, and construction works for compressor and metering stations on the Trans-Anatolian Natural Gas Pipeline Project (TANAP); the construction of a headquarters building for the Ministry of Taxes in Azerbaijan; a pipeline that is to be built between Yanbu and Jeddah in Saudi Arabia; and the construction of the Afyonkarahisar-Uşak and the Afyonkarahisar Direct Transfer sections of the Ankara-İzmir High-Speed Train Project in a joint venture with Doğuş İnşaat. The US$2.1 billion value of the Al Khor Expressway contract, a prestigious and high-profile project being undertaken in Qatar, is the biggest contract that Tekfen Construction has ever signed in a single go. The upshot is that as of end-2016, Tekfen had a backlog of orders worth on the

"Despite a challenging business environment both at home and abroad, the Tekfen Group demonstrated a successful financial performance and significantly increased both its sales and its profitability."

order of US$3.67 billion. Another promising start for 2017 that I should add here is that, as of this writing, we have reached the contract-signing stage for a project to build a stadium for the FIFA World Cup that is to take place in Qatar in 2022.

A second important contributor to Tekfen's operations is the Agri-Industry Group, which generated a turnover of TRY1,851 million and a net profit of TRY140 million in 2016. Around the middle of the year the government banned the sale of nitrate-based fertilizers owing to security concerns; so in view of the adverse impact this necessarily had, these results are extremely pleasing indeed. When one also takes into account the rapid rise in exchange rates and considers that the Turkish fertilizer industry's production is most dependent on imported raw materials while its sales are directed mainly to the domestic market, these results are even more impressive.

The Real Estate Group in 2016 focused primarily on the construction, pre-sale, and marketing operations of its HEP İstanbul project in the Esenyurt district of the city. As the project is due to be completed in 2017, it did not generate any significant turnover or profit last year. The group will however continue to defend its respected market position with the new projects that it will be launching in 2017.

The Tekfen Group celebrated its 60th anniversary in 2016. As it had intended to do, the Tekfen Group also made this special year in its corporate history a sizeable financial success despite the challenging conditions all around it. I therefore take this opportunity to thank our founding partners and other members of the Tekfen Family, who are the true authors of that success, and to offer my respects to all of our stakeholders for continuing to stand by us.

Osman Birgili
President, Tekfen Group of Companies

Tekfen Holding
Executive Management

From left to right:
Hakan Göral
Deputy Vice-President,
Agri-Industry Group
Ahmet Okçular
Deputy Vice-President,
Finance
Zeynep Hüveyda
Akdilli Oral
Vice-President,
Real Estate Group
Osman Cengiz Birgili
President,
Tekfen Group of
Companies
Cahit Oklap
Vice-President, Strategy,
Business Development
and Investments
Ümit Özdemir
Vice-President,
Contracting Group
Assoc. Prof. Reha Yolalan
Vice-President,
Corporate Affairs

Shah Deniz Phase 2
Off-shore Platforms
Complex, Bayıl, Baku

Contracting Group

Profile

As the representative of one of Tekfen Holding's two principal business lines, the Tekfen Contracting Group's nearly 18 thousand employees and more than 350 projects that have been undertaken to date make it a successful international champion of Turkey's contractor services industry.

The group, which includes Tekfen Construction, whose six decades of experience also make it one of the most reputable contracting companies in Turkey, is a solution partner preferred by leading employers around the world not only because of its know-how and competence but also because of its adherence to a business model that is grounded in superior occupational health and safety performance and a commitment to quality and keeping one's word.

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

The Tekfen Contracting Group consists of the following companies and plant operations whose complementary areas of activity and expertise are what make it possible for the Group to provide customers with turnkey-delivery projects on an EPC basis:

- Tekfen Construction, a seasoned international contractor with an extensive geographical footprint;
- Tekfen Engineering, a provider of engineering, design, procurement, and project management services for both group and non-group customers;
- Tekfen Manufacturing and Engineering, whose Derince plant near İstanbul produces the fabricated steel, process equipment, and storage tanks needed for projects, as also do Tekfen Construction's steel structure fabrication plants in Ceyhan (Adana) and Bayıl (Baku).

Three other members of the Group – Hallesche Mitteldeutsche Bau (Germany), AZFEN (Azerbaijan), and GATE (Gama-Tekfen) – are joint ventures involved in various aspects of the group's international operations.

One of the most important elements that distinguishes the Tekfen Contracting Group from its rivals is its uncompromising approach to occupational health and safety issues. The Group's outstanding accident-free performance (as high as 33.7 million man-hours in one case) in the many different projects that it has undertaken has gained it worldwide recognition and contributes significantly towards making Tekfen a preferred contractor especially in the oil and gas industry. Other evidence of the importance that Tekfen gives to Health Safety and the Environment (HSE) is to be seen in its employment of 218 HSE and 62 healthcare personnel and the countless HSE awards.

In 2016 Tekfen Construction more than doubled its active business portfolio from US$1.7 billion to US$3.67 billion while conducting its operations in five countries. In *Engineering News-Record*'s 2016 list of the world's 250 biggest international contractors based on their 2015 business portfolios, Tekfen Construction ranked in 118th place.

"The Tekfen Contracting Group supplies its customers with turnkey-delivery EPC (Engineering, Procurement & Construction) solutions in a wide range of projects."

In 2016, marking its 60th anniversary, Tekfen Construction signed a number of new contracts, thus reaching a record high level of active portfolio.

3.67
billion US$

With US$3.67 billion worth of new business signed in 2016, Tekfen Construction doubled its backlog.

2016: An Overview

The top agenda issues in 2016 were presidential elections in the United States and expectations that the US Federal Reserve Bank would raise interest rates; worries about the prospects of the Chinese economy; the failure to restore an enduring balance in the global economy even after the passage of more than thirty quarters since the global economic crisis began; heightened political risks; and weak economic growth and depressed oil prices. For the international contracting industry, such issues created an adverse business climate and led to a market contraction associated with a drop in investment. The national-income losses which oil-producing countries suffered because of low energy prices led to the cancellation or postponement of many projects. In this respect, the market contraction that began in 2015 continued into 2016 and most oil-producing countries had recourse to significant budget cutbacks.

Severely hampered by this situation insofar as its markets were concerned, the Turkish contracting services industry was obliged to conduct its operations in 2016 under much more constrained and intensely competitive market conditions.

According to figures published by Turkey's economics ministry, while the aggregate value of new projects undertaken by Turkish contractors abroad was US$30 billion in 2013, US$26.5 billion in 2014, and US$21.7 billion in 2015, as of the end of the third quarter of 2016 it had only reached the US$4.1 billion level. Not only general economic malaise but also geopolitical problems in the industry's primary markets played a substantial role in what amounts to a serious contraction in new projects. The seemingly interminable political strife and uncertainty in Middle Eastern, Russian, and North African markets do not give rise to conditions that are suitable for contractors to work under.

The Turkish contracting services industry for its part continued to search for new markets as a way out of this bottleneck. Although Africa is pointed to as a market with a promising future and ventures there are continuing, financing difficulties and political volatility are casting a pall over Sub-Saharan Africa's appeal. As for Libya, a country in which Turkish contractors once had a strong operational presence, it has lost any appearance of a viable market in the near term at least owing to civil strife and security issues.

In Iran, whose market was reopened to the world with the lifting of international economic sanctions in 2015, it appears now that it is going to take some time before the effects of those sanctions fully dissipate and the country's economic system becomes functional again. There is certainly a need for large-scale infrastructure investment in Iran but assertions on the part of Iranian construction firms that they can handle the majority of such projects on their own are going to make it difficult for international firms to enter the country. That said, the Iranian market is expected to present significant opportunities for foreign firms that do come to the table with in-depth know-how and attractive financing solutions.

Besides searching for new markets however and given the current economic climate, it is also vitally important that inter-country relations be mended so that Turkey's contractors can regain their traditional markets. One of those markets is Iraq, which, even though its political stability is far from fully restored, nonetheless remains a substantial market for Turkish construction firms. The potential inherent in a country that needs to rapidly rehabilitate its oil infrastructure in order to bring in the revenues it requires will present Turkish contractors with new opportunities in line with the Iraqi government's ability to fully reassert its political authority and with the progress of relations between our two countries. The renormalization of relations with Russia, a country which played an especially important role in the historical development of Turkey's international contracting services industry, is another matter of vital importance.

The Azerbaijan Ministry of Taxes Headquarters Building will stand out with its unique architecture.

"The Turkish contracting services industry continued to search for new markets as a way out of the current bottleneck."

The adverse impact of volatilities in the global economic climate and appetite for risk on the international contracting services industry reveals itself in the results of the "Top 250 International Contractors" survey published by *Engineering News-Record* (ENR). According to ENR figures, the top 250 firms' aggregate market share, which was US$544 billion in 2013, slipped to US$521.5 billion in 2014 and again to US$500.1 billion in 2015.

The rise in the performance of Turkish contractors in an economic climate in which the market for international contracting services shrank two years in a row is noteworthy: while the Turkish firms included in the ENR list in 2013 accounted for only a 3.8% share of the list's total market, this percentage increased to 4.3% and 4.6% in 2014 and 2015 respectively. What's more, the 2015 ENR list cites 40 Turkish firms, which once again ranks it in second place in this league table between China (65 firms) and the United States (39 firms).

Shah Deniz Phase 2 Off-shore Platforms Complex, Bayıl, Baku
Considerable progress was made on the platforms which are scheduled for sail-away in the 1st half of 2017.

Operations in 2016

Construction Works

In 2016, a year in which the international contracting industry saw its existing business shrink and fewer new projects were increasingly harder to find, the Tekfen Contracting Group succeeded in taking on new business worth a total of US$3.8 billion, thereby increasing the value of its active business portfolio to US$3.67 billion. Two factors that played an important role in this success were Tekfen's reputation among the world's leading employers and its consistent performance in completing work on time and in the best way possible.

The group continued to conduct its operations in Azerbaijan, Saudi Arabia, Qatar, and Kazakhstan as well as in Turkey.

The Tekfen Contracting Group also continued its efforts in 2016 to diversify its business portfolio and geographical footprint by expanding into new markets as well. One of the markets to which Tekfen is paying close attention is Africa, whose countries are rich in natural resources but are in need of substantial infrastructure and industrial facility investment in order to exploit those resources. Although a decision was made in 2016 to open a representative office in Africa, action on that decision has been postponed until 2017 so as to allow market needs and market-entry strategies to be considered more comprehensively and correctly. Because one of the most important prerequisites for doing business in Africa is an ability to offer project-finance solutions, the group is currently engaged in discussions on this matter with financial institutions as well. Tekfen is exploring business opportunities not just in Sub-Saharan Africa but also in North Africa.

In 2017 the group plans to open a representative office in Iran in order to assess the business potential there and to keep better track of opportunities in a market that has become important in the wake of the recent lifting of the economic embargo on that country. In the Middle East, the group continues to keep a close watch on business opportunities in Iraq, another market with a promising future.

Saudi Arabia, which remains one of the most significant markets for the Turkish contracting services industry by virtue of its strong economy and political stability, enjoys an important place among the countries in which the Tekfen Contracting Group has operations. Efforts are being made to maintain the group's presence in the country by undertaking new projects in the wake of the completion of the Sadara Propylene Oxide Processing Unit last year. During the 23rd session of the World Energy Congress, which was held in İstanbul in 2016, Saudi Aramco and Tekfen Construction signed a memorandum of understanding in which both firms expressed their intention to exploit potential opportunities together. Saudi Aramco is the world's biggest energy company and Tekfen Construction's association with it, which reaches back to the 1990s, makes it one of the few Turkish contractors deemed to be sufficiently qualified to satisfy its high quality and safety standards. In November 2016 a contract was signed with Saudi Aramco to construct a pipeline between Yanbu and Jeddah. It is expected that this project will be followed by new ones in anticipation of a possible rise in oil prices.

Azerbaijan, one of the world's most important energy centres by virtue of its oil and gas reserves, continues to be an important market for the Tekfen

"During the 23rd session of the World Energy Congress, which was held in İstanbul in 2016, Saudi Aramco and Tekfen Construction signed a memorandum of understanding in which both firms expressed their intention to exploit potential opportunities together."

The Amec-Tekfen-Azfen (ATA) Consortium has successfully completed 3 off-shore platforms to date at the Bayıl Steel Manufacturing Plant.











Upon eggs of a bird species (Burhinus oedicnemus) being found on the pipeline's right of way, the eggs were taken under protection in their natural habitat and construction work in the area has been suspended until their hatching.

TANAP is a gigantic project in every respect and when the length of its route and the dimensions of its works are considered, the project has the potential to affect social and ecological balances wherever it goes. For this reason a detailed environmental impact assessment (EIA) that thoroughly and comprehensively evaluated the environmental dimensions and significant environmental implications of the project's activities was drawn up during the planning stage. Ecological, archaeological, soil and water resource, and other critical environmental criteria were identified as a result of a careful and comprehensive study that was carried out all along the route based on globally-recognized pipeline industry best practices. During this study, nine species of insect, one species of plant, and 106 archaeological sites which previously had been unknown were discovered and reported to the scientific world.

Contracting Group, whose operations are concentrated in this area. Tekfen is currently exploring new projects with which to maintain its presence in the country after the 2017 completion of the Sangachal Land terminal and offshore platform projects, whose construction works under Azerbaijan's Shah Deniz Phase 2 investment program are still in progress. Kazakhstan, where new energy projects are on the horizon, is yet another market that Tekfen is keeping its eye on.

Although its business portfolio consists of international projects in the main, as a Turkish contractor, Tekfen naturally takes a close interest in large-scale projects in its home market. Closely following developments in oil, gas, and energy investments that are likely to come up for consideration in 2017 and the years that follow, the group is also interested in infrastructure and energy projects in Turkey that are to be carried out under the "Build-Operate-Transfer" model.

Pipeline Projects

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

Trans-Anatolian Natural Gas Pipeline (TANAP)

Totaling 1,850 kilometers in its overall length, the Trans-Anatolian Natural Gas Pipeline (TANAP) is being built to carry natural gas from the Shah Deniz-2 Field in Azerbaijan to Turkey and thence on to Europe. Tekfen Construction is building the "Lot 3" section between Sivas and Eskişehir in Turkey. Passing through the provinces of Yozgat, Kırşehir, Kırıkkale, Ankara, and Eskişehir, this project involves the laying of 509 kilometers of 56-inch pipeline as well as the construction of 14 valve stations and 2 pigging stations. With 64.8% of works completed as of end-2016, the goal is to complete the project by the end of 2017.

Yanbu-Jeddah Pipeline

In 2016 Tekfen Construction signed a US$299 million contract with Saudi Aramco for the construction of a 333-km pipeline project between Yanbu and Jeddah in Saudi Arabia. This project consists of a 20-inch gasoline pipeline and a 24-inch jet fuel pipeline that will run between the cities of Yanbu and Jeddah on the shore of the Red Sea on the western side of the country. The Yanbu-Jeddah Pipeline Project is scheduled to take 47 months to complete.

BTC Repair and Enhancement Project

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

The BTC Repair and Enhancement Project involves such operations as making route changes and by-pass lines at designated points along the pipeline, repairing damaged sections, performing shutdown operations at pumping stations, fitting pipes at pumping stations, replacing valves and strengthening valve stations, constructing security systems, and carrying out geological improvements and reinforcements at river crossings and locations that are prone to landslides. The project's engineering works are also being provided by Tekfen Engineering. The project's contract, which was due to end on 12 September 2016, has been extended for another year.

Oil, Gas, and Petrochemical Projects

Tekfen Construction's expertise in the oil, gas, and petrochemical industry has repeatedly given it a role in many huge refinery, terminal, production facility, and tank farm projects in different parts of the world. Some of the major projects that are evidence of the company's competencies in this field are the İPRAŞ and TÜPRAŞ refineries, the Aliağa Petrochemical Complex, and the BTC Ceyhan Sea Terminal in Turkey; the Samir Refinery in Morocco; the Sangachal Terminal in Azerbaijan; the Atyrau Refinery and the

Laid end-to-end, all of the pipeline ever built by Tekfen would reach from İstanbul to Beijing, or Johannesburg, or Boston.

EXPERTISE CROWNED BY RECORD-BREAKING PERFORMANCE

Ever since the day it was founded in 1956, Tekfen Construction has carried out many different and challenging pipeline engineering projects. One such challenge was the joining up of 2 thousand meters of TANAP pipeline in just 14 hours in 2016, whereby Tekfen Construction achieved a world record that will be hard to break. In a single workday, the project team successfully completed 145 welds with 5 welding stations and 16 welders. The two kilometers of pipeline laid in one go in a single day with 145 error-free welds have set a world record as the longest one-day installation ever achieved in a 56-inch pipeline project.

Moreover by crossing under the 1,100-meter wide Sakarya river bed, one of the most difficult sections of the entire TANAP route, Tekfen Construction also added "Europe's longest horizontal directional drilling" to its record as well. In the Lot 3 section of TANAP that Tekfen is responsible for, the company has carried out 19 major drilling operations involving passage under rivers and existing infrastructure such as highways and railroads.

main works of the Kashagan Oil Field Development Project in Kazakhstan; the Fergana Refinery in Uzbekistan; and the Yanbu and Petrorabigh refineries in Saudi Arabia.

Shah Deniz Phase 2 Offshore Platform – Sangachal Land Terminal

The goal of the Shah Deniz Phase 2 project in Azerbaijan, which was initiated in 2014 to help buttress European energy security, is to produce another 16 billion m3 of gas a year in addition to that which is already being produced by Shah Deniz Phase 1. This gas will be sent to Europe through the Trans-Anatolian Natural Gas Pipeline (TANAP). In addition to its role in the construction of TANAP, Tekfen is undertaking the construction and installation works of the Sangachal Land Terminal (another part of the Shah Deniz Phase 2 project) as a member of the Tekfen-Azfen Consortium. In the Sangachal Land Terminal project, whose budget is nearly US$1 billion, Tekfen Construction's stake (including its interest in the Tekfen-Azfen Consortium) is worth about US$621 million.

Construction work at the land terminal, which is being built next to the existing Sangachal terminal facilities 45 kms from downtown Baku, was 86.9% complete as of end-2016. The project is proceeding on schedule and the aim is to have it fully completed by October 2017. Without a single lost workday due to accidents in 2016, this project has achieved an outstanding accident-free record on the order of 30 million man-hours.

TANAP Compressor and Metering Stations

In addition to the Lot 3 section of the TANAP Project on which it is currently working, the Tekfen Contracting Group has also undertaken the engineering, procurement, construction, pre-commissioning, and commissioning works of TANAP's compressor and metering stations at a contract value of US$457 million. This project involves the construction of two compressor and four metering stations on an EPC basis along the Turkish section of the pipeline. The project's subcontractor selection, mobilization, and camp works have been substantially completed and production work on the structural steel at the Ceyhan Steel Manufacturing Plant is currently in progress. Construction work on the project is to take 39 months with a targeted completion date of 31 May 2019.

"One of the world's largest natural gas investments, the Shah Deniz Phase 2 Project's aim is to contribute to European energy security by transporting Azerbaijani gas to Europe for the first time ever."

Sangachal Land Terminal as part of Shah Deniz Phase 2

Offshore Platforms

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

Shah Deniz Phase 2 Offshore Platforms
Under the Shah Deniz Phase 2 investment, whose aim is to increase Azerbaijani gas capacity, we have reached the final stage in the manufacturing of two offshore platforms (total weight of 26,442 tons) that are being built by ATA, an AMEC-Tekfen-Azfen consortium. A mid-2017 completion date is targeted for this project, whose total budget amounts to about US$975 million and in which Tekfen Construction's stake (including its interest in Azfen) amounts to US$496 million.

The Shah Deniz Phase 2 Offshore Platforms Complex consists of a production platform (where effluents from the wells are collected and processed and which sends them to the land terminal through separate pipelines carrying gas and liquid), a separate service platform with personnel accommodation units, and a bridge connecting the two. Both platforms are currently being simultaneously erected at Tekfen's Bayıl Steel Manufacturing Plant near Baku. Once platform manufacturing works have been completed, they will be moved and installed at their offshore location by BP Exploration's expert solution partner whereas Tekfen will continue to provide support in the final installation and commissioning of the platforms.

Industrial Facilities

Sadara Propylene Oxide Processing Unit
Mechanical works at the Propylene Oxide Processing Unit that Tekfen Construction began building for Sadara Chemicals in Saudi Arabia in 2012 was completed in 2016 and the unit has been turned over to the Sadara Operations Group. Tekfen was responsible for all of the facility's reinforced concrete construction, structural steel, installation of employer-supplied process equipment, electrical works and instrumentation, and main control building construction works. The main goal of the Sadara Propylene Oxide Plant, the biggest petrochemical project ever undertaken in Saudi Arabia, is to achieve a considerable increase in the country's petrochemical industry total capacity once the plant has been commissioned and goes into production.

"Offshore platforms clearly testify for the high level of expertise Tekfen has reached in engineering and manufacturing."

Highway Projects

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

Qatar North Road Highway Side Roads & Junctions Project
The North Road Highway Side Roads & Junctions Project, which was launched in parallel with the North Road Highway project that Tekfen Construction worked on in Qatar between 2007 and 2013, is still in progress but is expected (along with its maintenance works) to be wound up by the end of 2017. The project, whose owner is the Public Works Authority of Qatar ASHGHAL, consisted of the building of two 95-km service roads on either side of the North Road Highway, the construction of new underpasses and bridges, the expansion of some bridges, and the installation of road lighting, landscaping, irrigation, telecommunications and electrical infrastructure.

Al Khor Expressway Project
Last year Tekfen Construction made a new addition to the highway projects that it has undertaken in Qatar with the signing of a contract 2016 to build the Al Khor Expressway for the Private Engineering Office. With a contract value of about US$2.1 billion, the project calls for Tekfen's construction on a turnkey-delivery basis of a 34-km ten-lane (five lanes in each direction) expressway with a large number of junctions, viaducts, underpasses, and overpasses located along the route. The project, which is to take 36 months to complete, has the distinction of being the largest contract that Tekfen Construction has ever signed in a single go.

Ankara-İzmir High-Speed Train Project
Having previously undertaken such projects as the Levent Metro Line in İstanbul and the Bursaray Lightrail System in Bursa, last year Tekfen Construction and Doğuş Construction jointly submitted

Qatar North Road Side Roads and Additional Junctions Project

Situated at 45 kms from Baku city centre, the new terminal adjacent to the already operational Sangachal Terminal reached 86.9% completion by the end of 2016.

the winning bid on a contract to build the Afyonkarahisar-Uşak (Banaz) section and the Afyonkarahisar Direct Transfer section of the ongoing Ankara-İzmir High-Speed Train Project. This new railway project involves the construction of 9 tunnels, 32 underpasses, 19 overpasses, 11 viaducts, and 7 bridges along 73.7 kms of track at a total contract value of TRY879 million (in 2015 prices). This major project, which will make a substantial contribution to Turkey's transportation infrastructure, is scheduled to take 36 months to complete.

Superstructure Projects

Tekfen Construction has extensive experience in high-profile structures like skyscrapers and stadiums that frequently become landmarks in a city's identity. Such examples are Tekfen Tower and the Atatürk Olympic Stadium in İstanbul and SOCAR Tower and the Baku Olympic Stadium in Azerbaijan.

Azerbaijan Ministry of Taxes Headquarters Building
The projects that Tekfen Construction has undertaken in Azerbaijan, where it has had operations continuously since 1996, have earned it many awards and recognitions. Last year the company added a major new project to its portfolio in the country with a US$94 million contract to build a new headquarters building for the Ministry of Taxes. Set to become a uniquely-designed architectural landmark in Baku's cityscape, the 33-story building will soar to a height of 169 meters, boast a façade of 30,000 m², and contain 44,200 m² of indoor space. When completed the complex will consist of offices, conference halls, underground parking facilities, gardens on most floors, and an annex auditorium.

AWARD-WINNING PROJECTS
The Baku Olympic Stadium and SOCAR Tower projects that Tekfen carried out in Azerbaijan draw attention not just because of their record-breaking completion times and accident-free execution but also because of the international awards and recognitions that they attracted. The Baku Olympic Stadium, which had already been singled out by the professional journal Engineering News-Record and by the American Council of Engineering Companies, earned Tekfen the "Best Stadium Contractor of the Year" accolade at the 2016 World Stadium Congress held in Doha (Qatar). SOCAR Tower, which was officially opened by Azerbaijan President İlham Aliyev, was cited by Engineering News-Record as "Best International Office Building of the Year".

Following the Qatar North Road Side Roads and Additional Junctions Project, Tekfen Construction was awarded the Al Khor Expressway Project in 2016 with a project value of US$2.1 billion, the highest ever amount Tekfen has signed in one single contract.

Engineering Services

Tekfen Engineering was set up in 1984 to provide all of the engineering services required in the conduct of the EPC turnkey-delivery projects which the Tekfen Contracting Group undertook. Having built up an impressive array of competencies that enable it to play an effective role especially in knowhow-demanding projects like petrochemical plants, terminals, and power plants, the company is one of Turkey's leading firms in its respective business lines.

With its ability to serve in a wide array of areas ranging from oil and gas plants to highways, from power plants to metros, and from pipelines to terminals and offshore structures, Tekfen Engineering has gradually been playing a more active role as a solution partner in large-scale projects overseas in recent years. Distinguishing itself by virtue of its knowledge and experience in areas demanding special expertise such as process, instrumentation, control systems, and model design, Tekfen Engineering has the ability to continuously reorganize itself and to expand its human resources with the addition of particular competencies necessary to support Tekfen Construction's mission of being a full-fledged EPC contractor. Investment in the development of its own human resources means that the company can put together teams whose members are competent in different specialties and disciplines and this is what especially sets Tekfen Engineering apart in projects that demand several kinds of expertise.

Similarly Tekfen Engineering seeks to maximize its labour and time efficiency by keeping abreast of the latest approaches and trends in the deployment of technology. In 2009 the company took a major step forwards with the introduction of computer-assisted 3D design-modeling for use in especially technologically-challenging operations. Striving to achieve interdisciplinary integration and engineering perfection by developing its own software and engineering tools, the company has been playing a leading role in the use of Building Information Modeling (BIM), a technology that has brought a whole new dimension to project design in recent years.

Seeking to support its high-tech focus with research and development, Tekfen Engineering took its first concrete step in this direction in 2016, in collaboration with Boğaziçi University by taking part in an R&D project being conducted by the university's department of mechanical engineering. The R&D project is working on the design and manufacture of the impellers that are the principal components of centrifugal pumps, turbines, and compressors. Tekfen Engineering is participating in this project through its own engineers who are at the same time doctoral candidates working on this subject. The project's laboratory work is being conducted at the university's Kilyos labs and the intention is that in the project's later stages, Tekfen Manufacturing will also be brought in for the commercial manufacturing aspects. The R&D work that was initiated in 2016 is only the first step in this direction and the goal is to continue such work in the years ahead. To that end, the plan in 2017 is to set up an R&D Group whose activities will be coordinated by Tekfen Engineering's Technology Department.

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

Leading the sector through its approach to engineering and use of technology, Tekfen Engineering also stands out as a model on international platforms. The integrated engineering solutions that Tekfen Engineering uses in its projects were cited in such respected international journals as AVEVA World Magazine and Hydrocarbon Engineering in 2016.

From the standpoint of Tekfen Engineering's routine operations, 2016 was a year whose course paralleled that of previous years owing especially to the adverse impact which the slowdown in oil-related investments had on the engineering industry. Although this situation dictates prudence insofar as its growth plans are concerned, the company nevertheless continued its efforts all year long to defend its existing position especially in industrial buildings and to increase its qualified human resources in such disciplines as process and plant design and technology. During 2016 the company's IT infrastructure was completely overhauled and a project was begun to create an enterprise resource planning (ERP) infrastructure in which bidding, project management, operational, procurement, and costing processes are all linked to one another.

Among the year's new projects, the TANAP Compressor & Metering Stations Project that Tekfen Construction has undertaken on a turnkey-delivery basis was especially important for Tekfen Engineering owing to the services which it will be providing in the areas of detail engineering, procurements, and engineering coordination. Tekfen Engineering will also be working together with Tekfen Construction in the provision of engineering services for the Al Khor Expressway Project in Qatar.

Turning now to non-group projects of 2016, a contract signed for the renovation of the TÜPRAŞ İzmir Refinery's fluid catalytic cracking (FCC) unit was an important development for Tekfen Engineering insofar as the company has now been recognized as a “qualified engineering firm” by UOP, the project's technology licensor. 2016 also saw the signing of a contract to provide engineering services for a 133-km section of the high-speed railway line between Afyonkarahisar and Burdur. Finally the owner's engineering agreement signed with Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş., a geothermal power plant builder and operator, is important inasmuch as it is Tekfen Engineering's first venture into geothermal energy and renewable energy resources.

Besides these new non-group projects, last year Tekfen Engineering continued to work on the 70 MW Gas Combined-Cycle Power Plant at the TÜPRAŞ Kırıkkale Refinery and the AKSA Ghana Diesel Engine Power Plant (industrial works), the İzmir Monorail Project, the KGM Merzifon-Koyulhisar Motorway implementation project, and the Vadi İstanbul project's funicular links (transportation and infrastructure works). The company's Baku office was also busy last year with its Azerbaijan Ministry of Taxes Headquarters, SAIPEM-Azfen Pipeline, and Sangachal-SD2 projects.

Fabrication Plants

In keeping with its capacity as an EPC contractor with the ability to supply customers with turnkey-delivery projects, the Tekfen Contracting Group has three fabrication plants (Kocaeli-Derince, Adana-Ceyhan, and Baku-Bayıl) where steel construction and steel equipment fabrication operations are carried out.

Equipped with advanced levels of technology, competency, and capacity in their areas of expertise, these plants not only supply the needs of the Tekfen Contracting Group itself but also those of non-group customers both in Turkey and abroad.

Tekfen Manufacturing and Engineering - Derince Plant

Tekfen Manufacturing and Engineering (Tekfen Manufacturing) was set up in 1970 to produce storage and processing equipment for the oil, petrochemical, and chemical industries and for industrial facilities such as gas, iron and steel, and power plants. Providing engineering, manufacturing, and installation services that conform to international standards, the company's operations are conducted at its plant with 19,250 m² of covered area located in Derince, from which it offers customers an extensive manufacturing portfolio that includes cylindrical and spherical storage tanks, pressurized vessels, process columns, reactors, heat exchangers, waste-heat recovery boilers, pressurized piping, and heavy steel construction. In addition to group companies, Tekfen Manufacturing's customers include international contracting companies and domestic and foreign companies in the LPG storage and distribution sectors.

Tekfen Manufacturing conducts its operations in accordance with industry-recognized international standards and it has been awarded ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System, and OHSAS 18001:2007 Occupational Health and Safety Management System certifications. The company's plant, which can handle individual units of up to 1,000 tons, can also work in every kind of corrosion-resistant steels and alloyed steels, special duplex, Monel, Inconel, and Hastelloy alloys as well as in brass, copper, and nickel alloy-coated sheet steel. In 2016 Tekfen Manufacturing initiated a project to add titanium and titanium-clad materials to its product line.

As it was kept busy by orders carried forward from the previous year, Tekfen Manufacturing performed well in 2016 but it encountered difficulties in attracting new orders to its portfolio owing to depressed investment in the oil and petrochemical industries, which make up its main customer group. The company conducted its operations last year with 193 employees and nearly doubled its turnover year-on to TRY74.5 million. While 41% of total sales were directed to the domestic market, the remaining 59% were shipped abroad. Azerbaijan and Egypt were the company's principal export markets.

Turning now to 2017, offers which Tekfen Manufacturing has submitted on cylindrical and spherical tanks and on process equipment intended for a variety of projects in Azerbaijan, Iran, Bangladesh, and Sub-Saharan Africa are currently being considered. The company is also exploring other potential projects in addition to these.

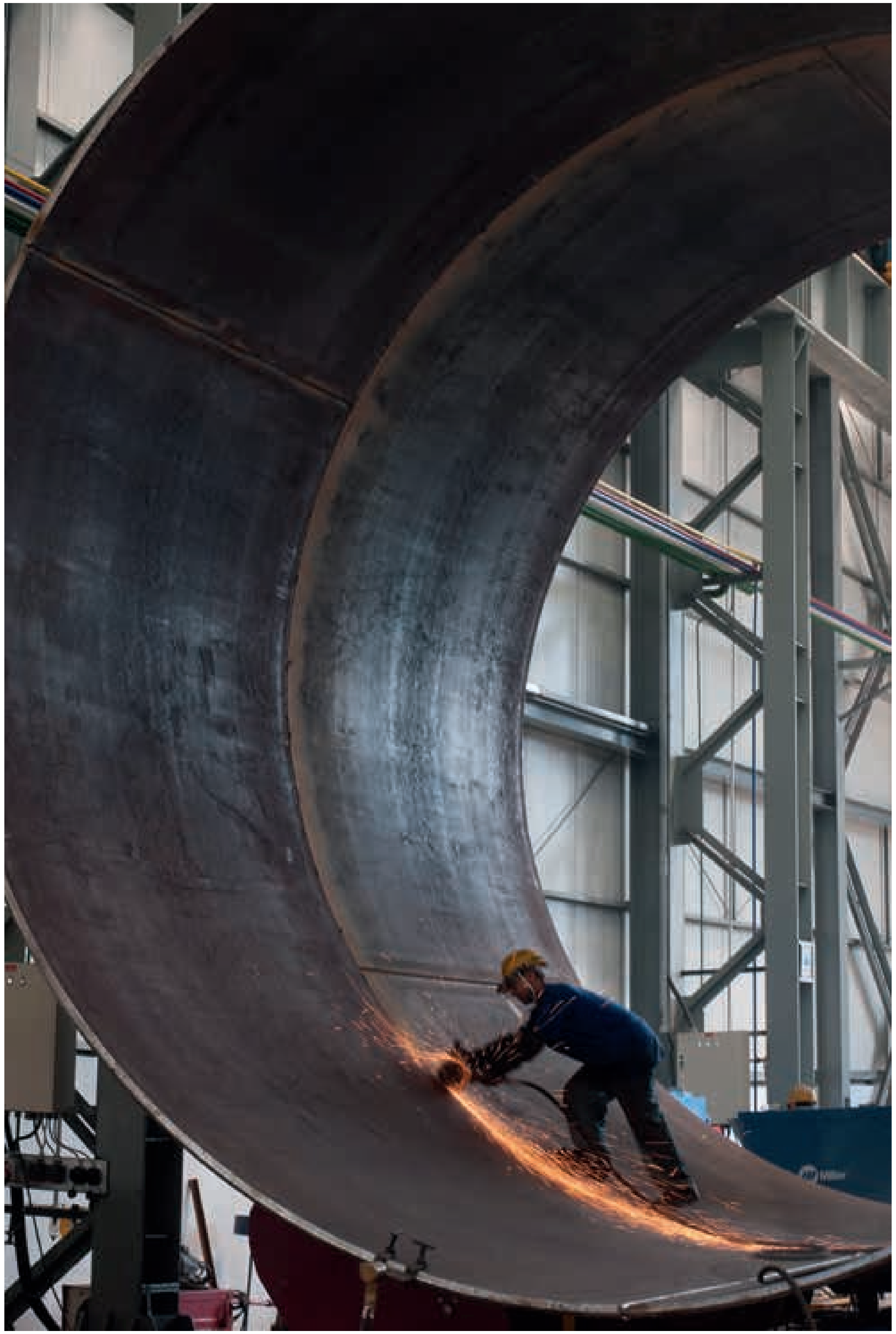
Ceyhan Steel Structure Fabrication Plant

The Ceyhan Steel Structure Fabrication Plant was commissioned in 1993 to meet Tekfen Construction's needs for steel structures mostly in its international operations. With both the equipment and the expertise to respond to the needs of every sort of contracting project, the Ceyhan plant manufactures steel structures for refineries, petrochemical complexes, power plants, sea terminals, oil and gas platforms, stadiums, bridges,

19,250m²

Tekfen Manufacturing operates in its plant located in Derince on 19,250 m² of covered area, in conformity with international standards.

Shaping steel with the precision of a seasoned tailor, Tekfen Manufacturing has the experience and equipment to meet any of its customers' demand.



Established on 160 thousand m², the Ceyhan Steel Structure Fabrication Plant has a yearly production capacity of 30 thousand tons of steel and 10 thousand tons of pipe spool.

viaducts, and much more. The company is also able to manufacture corrosive resistant, duplex, super duplex, and carbon steel pipe spools.

As evidence that the company's 160 thousand m² plant conducts its operations in accordance with international standards, it has been awarded ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System, OHSAS 18001:2007 Occupational Health and Safety Management System, EN ISO 3834-2 Quality Requirements for Fusion Welding of Metallic Materials, and EN 1090-2 EXC 4 Certificate of Conformity of Factory Production Control (CE) certifications. The Ceyhan plant has the capacity to manufacture 30,000 tons of steel construction and 10,000 tons of pipe spools a year. To date, the plant has produced approximately 300,000 tons of steel construction.

The plant also houses a welding school in order to address the shortage of the suitably qualified technical personnel that Tekfen needs. Graduates of this school are awarded internationally-recognized welder's licenses. Most recently the school licensed 236 welders to be employed in refinery projects.

In 2016 the Ceyhan Steel Structure Fabrication Plant turned out about 3,000 tons of fabricated steel. While nearly all of this was for TANAP and for various other refinery projects in Turkey, a small amount was intended for the Sangachal Land Terminal (SD2) project, which has been going on in Azerbaijan since 2015, and for oil platform modules that are being exported to Brazil. A breakdown of the plant's 2016 output shows that it consisted of 1,700 tons of fabricated steel (1,350 tons for TANAP, 150 tons pipe support manufacturing for the Star Refinery, and 200 tons for the Azerbaijan Sangachal Land Terminal (SD2) Project) and 1,300 tons of pipe spool (850 tons for refinery projects and a total of 450 tons for TANAP and the Brazilian projects).

The plan is to complete the plant's remaining orders for fabricated steel and pipe spool for the TANAP and refinery projects before the end of 2017. The plant's existing orders will keep it operating at full capacity during the year.

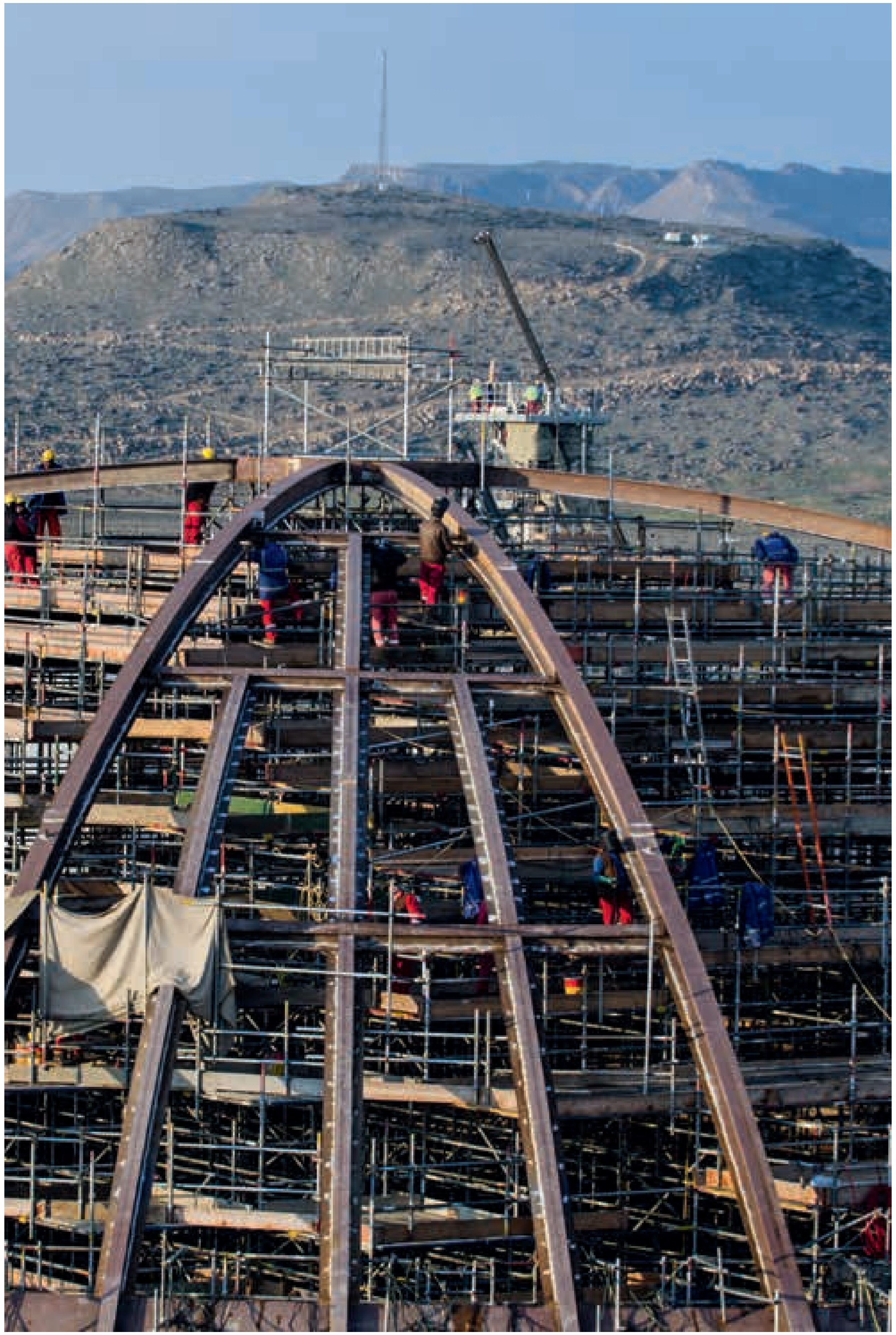
Bayıl Steel Structure Fabrication Plant (Baku-Azerbaijan)
Located in Azerbaijan near its capital city of Baku, the Bayıl Steel Structure Fabrication Plant was acquired by Tekfen when the facility was privatized by the government in 2003. Since undergoing a modernization at a significant investment cost, the plant has been meeting the steel construction needs of the various offshore projects in the region. Originally founded in 1949 as "Cenup Tikinti Servis" (CTS), this steel fabrication plant was responsible for the construction and offshore installation of about 1,400 oil platforms of various sizes in the Caspian Sea. Its acquisition in 2003 is what originally gave Tekfen a foothold in the business of offshore oil platforms.

During 2016, the plant continued working on the fabrication of a 15,919-ton production platform and an 11,312-ton personnel accommodations and service platform for BP Exploration (Shah Deniz Ltd) as part of the Shah Deniz Phase 2 Project. Once erected offshore, the two platforms will be connected by a 412-ton bridge that is also being fabricated at the shipyard. Work on this project got under way in May 2014 with both platforms being built simultaneously. The project is slated for completion in 2017.

"The 160 thousand m² Ceyhan Steel Structure Fabrication Plant conducts its operations in accordance with international standards."

236

The welding school at the Ceyhan Steel Structure Fabrication Plant recently licensed 236 welders with internationally-recognized licenses to be employed in refinery projects.



A total of eight tanks (4 dome roof, 2 conical fixed roof and 2 floating roof tanks) were manufactured by Tekfen Manufacturing for Tekfen Construction's Shah Deniz Phase 2 - Sangachal Land Terminal.

Health-Safety-Environment & Quality

In the conduct of its operations, the Tekfen Contracting Group regards it as a fundamental priority to minimize the risks of harming personnel, third parties, the environment, and property, to focus on social wellbeing, to be environmentally-aware, and to comply with international standards in its Heath-Safety-Environment & Quality (HSE-Q) performance.

The group implements an effective HSE-Q Management System in all of its projects in line with its goals of achieving customer and other stakeholder satisfaction and of being a force to be reckoned with in the international contracting services market.

Tekfen Construction's occupational health and safety, environment, and quality management systems are certified compatible with the OHSAS 18001:2007, ISO 14001:2004, and ISO 9001:2008 standards respectively. The company's management provides the resources needed for the implementation, maintenance, and ongoing improvement of the HSE-Q Management System and it regards that system as an essential element of the company's business model.

During 2016 the group had 218 HSE and 62 health personnel on its payroll. An onsite HSE team is on duty at every project from the day the project starts until the day it ends. This team is responsible for identifying and assessing risks which might cause harm to people, property, or the environment and for taking measures to address those risks with the underlying aim of preventing or mitigating risks at their source.

Tekfen Construction regards it as a prerequisite that every employee be fit (in terms of both health and occupational competency) for the job they are to perform. To achieve this, job-specific duties, responsibilities, and competencies are identified and care is given to ensuring compliance with such criteria when an employee is hired or is transferred from one job position to another. In addition, extensive training is provided both before and after job performance in order to foster an HSE-Q culture among employees and to ensure that they are always operating within the HSE-Q system. During 2016, 0.90 hours of classroom training and 1.00 hours of onsite on-the-job training were provided for every 100 hours worked on average.

Identifying in advance emergency situations that might arise during operations and their possible impact on people and the environment, the company determines in advance how the situations are to be dealt with; sets out project- and/or workplace-specific emergency plans; and reviews emergency-intervention procedures at regular intervals.

The company employs effective inspection mechanisms to ensure that onsite operational control procedures and instructions are properly followed. Onsite compliance with HSE-Q Management System requirements is achieved by means of daily checks and weekly controls as well as through internal and third-party inspections. Internal inspections are conducted at least twice a year to see if the HSE-Q Management System is being effectively and consistently implemented. Additionally, Tekfen Construction's senior management also reviews the HSE-Q Management System at least once a year in order to assess its ongoing suitability, adequacy, and effectiveness.

A total of 54,884,640 man-hours were clocked on all projects in 2016, during which time there were two fatal accidents and other incidents resulting in two days' worth of lost worktime. Tekfen Construction's Total Recordable Incident Rate (an internationally-accepted measure of OHS performance calculated as the number of job-related accident injuries requiring more than first aid treatment recorded during one million hours of worktime) was 0.474 in 2016; in 2015 it was 0.535.

Just as Tekfen Construction was the recipient of numerous citations from employers attesting to its successful workplace safety performance during the year, at the Qatar Transport Safety Forum that took place in Qatar on 17-19 October 2016, the company also received the forum's "Outstanding Contribution to Safety by a Contractor" award.

"Internal inspections are conducted at least twice a year to see if the HSE-Q Management System is being effectively and consistently implemented."

218

HSE staff

The Tekfen Contracting Group employed as much as 218 HSE and 62 healthcare personnel in 2016.

TEKFEN CONSTRUCTION'S ACCIDENT-FREE PERFORMANCE IN 2016:

Sangachal Land Terminal & Installation Project (Azerbaijan): 30 million accident-free man-hours;

Shah Deniz Offshore Platform Construction Project (Azerbaijan): 22.8 million accident-free man-hours;

Qatar North Road Highway Side Roads & Junctions Project (Qatar): 16.3 million accident-free man-hours;

Sadara Propylene Oxide Processing Unit Construction & Installation Works Project (Saudi Arabia): 4.9 million accident-free man-hours;

Ceyhan Steel Structure Fabrication Plant (Turkey): 4.3 million accident-free man-hours;

BTC Pipelines & Facilities Repair Services (Turkey): 4.1 million accident-free man-hours (For about 8 years or 3,100 days);

TANAP Lot 3 Pipeline Project (Turkey): TANAP Lot 3 Pipeline Project (Turkey).

Potato field, Afyon

Agri-Industry Group

Profile

Founded in 1974 and providing a wide range of products and services that focus on agricultural activities, the Tekfen Agri-Industry Group is Turkey's biggest privately-owned concerned in the agricultural inputs sector in terms of its business volumes, product and service lineup, and market share.

The group accounts for a 39% share of Tekfen Holding's total annual revenues. Toros Tarım Industry & Trade Inc. (Toros Tarım), a company that oversees all of the group's operations, ranks in 62nd place in the İstanbul Chamber of Industry's list of Turkey's 500 biggest industrial concerns.

Through mutually supportive investments, Toros Tarım and its subsidiaries conduct their operations under three main headings:

- **Agricultural activities consisting of chemical fertilizer production and marketing, seed production, techno-agriculture, and seedling production;**
- **Terminal services provided at group-owned seaport terminals in Ceyhan and Samsun;**
- **Free zone and fuel station management.**

The core of the group's agricultural activities consists of fertilizer production which is carried out at three plants located in Ceyhan, Mersin, and Samsun. Toros single-handedly accounts for 38% of total installed production capacity in Turkey's fertilizer industry. It supports its leadership in this business line by means of an extensive network of dealers and authorized sellers and is also the sector's leader in terms of market share. Besides ammonium nitrate (AN), diammonium phosphate (DAP) and compound (NPK) fertilizers, the company rounds out its portfolio with imports. In addition to conventional fertilizers, Toros Tarım's product line also includes water-soluble specialty fertilizers and trace elements, thereby giving itself the ability to meet a farmer's entire plant-nutrient needs on its own.

Toros Tarım regards agricultural development throughout Turkey as a multidimensional process in which, as a matter of policy, the company is committed to playing an active role. Believing that improvements in productivity and quality are absolutely essential to farmers' prosperity and to enabling agricultural production to assume its rightful place in the national economy, Toros Tarım supplies farmers not only with fertilizer but also with a range of high-quality crop seedlings and seeds.

Toros Tarım's seedling production is carried out by Hishtil-Toros Fidecilik (HTF), a specialist nursery whose operations are carried out in fully-equipped greenhouses located in Antalya and Adana. Seed production is informed by the company's vision of supplying Turkish farmers with an assortment of premium quality, high-yield wheat seeds that are suited to growing conditions in Turkey. Placing great importance on yield-increasing technologies, Toros Tarım's investments in this area have made "Toros" the sector's standard-setting brand in the area of seed and seedling production as well as in that of fertilizer in recent years.

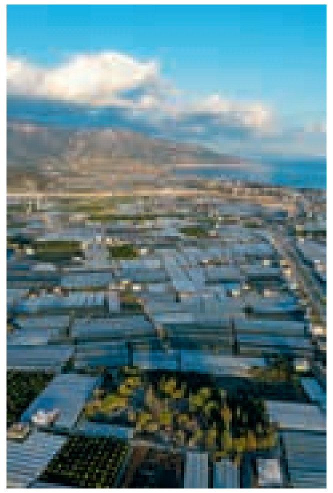
The production of food, one of the most basic needs of mankind, presents Toros

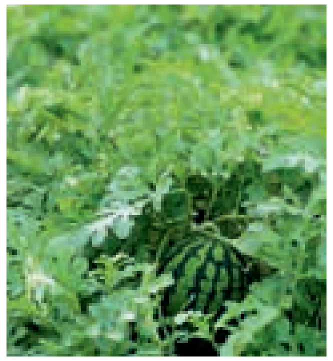
1,235

1,235
Toros Tarım's most potent delivery channel is an extensive dealership network of 1,235 sales points that reaches even the remotest parts of the country.

Toros Tarım is Turkey's biggest privately-owned concerned in the agricultural inputs sector providing farmers primarily with fertilizer but also with high quality crop seeds and seedlings.







Torosport Ceyhan Terminal is among the major international ports of the Eastern Mediterranean.

Tarım with a variety of growth opportunities thanks to the synergistic interaction of the business lines in which the company is engaged. In line with its parent Tekfen Holding's strategic decision to diversify and expand its core business activities in the period ahead, Toros Tarım is exploring alternative business lines and assessing new business ideas by means of which it can put its nearly 35 years of knowledge and experience to work for the benefit of Turkish agriculture. With its intimate knowledge of market conditions and decades-old reputation among producers as an important source not just of superior-quality inputs but also of expertise, Toros Tarım plans to strengthen its market presence in other business lines through exemplary and innovative initiatives in the area of good agricultural practices.

Toros Tarım's biggest non-agricultural business line is the provision of terminal services. The company's Ceyhan terminal (Torosport Ceyhan), which was originally built in 1981 as an adjunct of the Tekfen Group's Ceyhan production operations, was subsequently expanded so as to serve non-group customers as well. Today, Torosport Ceyhan is one of the most important international ports in the Eastern Mediterranean. Torosport Samsun, which is located at the Samsun fertilizer plant that was acquired in a privatization auction in 2005, contributes to the group's operations in this business line by virtue both of the additional capacity that it provides and of its geographical location. As part of its terminal management operations, Toros Tarım also provides piloting, tugboat, shipping agency services as well.

Free-zone management is an important avenue for the group's future growth and development. The prospects for the Adana Yumurtalık Free Zone (TAYSEB), for which the management contract was signed in 1990 and which commenced operations in 1998, look especially bright for investments in production-based, high added-value industries (mainly chemicals and petrochemicals) owing to its convenient location and facilities in Ceyhan, which is expected to become a major energy hub. Occupying 5 kms of shoreline along the Gulf of İskenderun and with 4.5 million m² of grounds, TAYSEB is not just one of the biggest free zones in the world but also the first and only one in Turkey that was set up explicitly for the conduct of heavy-industry endeavors.

In addition to these two business lines, Toros Tarım also carries out the manufacturing of the sacks used to package fertilizer as a separate operation in its own plant, which has the capacity to turn out 33 million sacks a year. The polypropylene and polyurethane sacks made by Toros Tarım meet the needs of its Ceyhan, Mersin, and Samsun plants. The company also engages in fuel wholesaling and retailing through its stations located in and around Adana.

> *Toros Tarım is exploring alternative business lines and assessing new business ideas by means of which it can put its nearly 35 years of knowledge and experience to work for the benefit of Turkish agriculture.*

> *The fertilizer industry plays a vitally important role in achieving food security as well as in dealing with other aspects of good agricultural practices such as using premium seeds, matching seed to soil conditions, and combatting diseases and pests.*

2016: An Overview

Agriculture in the World and Turkey

Owing to the reduction of arable land due to such reasons as urbanization, industrialization, and pollution even as the world's population continues to increase rapidly, the concept of "food security" has become one of the most hotly-debated issues in recent years. Besides population growth, higher income levels and the expansion in global trade are also causing average per-capita consumption of agricultural output to rise as well. Such developments are making it increasingly more urgent to come up with policies and solutions which will increase agricultural productivity in a world in which more than a billion people live with the day-to-day threat of starvation.

One of the most important solutions to the problem of increasing food security is the use of plant nutrients that will allow more product to be produced on less land. Research and experiments conducted by the Food and Agriculture Organization (FAO) in 40 countries over 25 years have shown that wheat production can be increased by an average of 60% by using the right nutrients in the right place, at the right time, and in the right way. It is for this reason that the fertilizer industry plays a vitally important role in achieving food security as well as in dealing with other aspects of good agricultural practices such as using premium seeds, matching seed to soil conditions, and combatting diseases and pests.

Worldwide consumption of fertilizer in 2016 is thought to have been around 181 million tons, about a 1% year-on decline that is attributable to the slowdown in the global economy, to low prices, and especially to a lack of seasonal rainfall in South Asia, Latin America, and Africa. In parallel with this, nitrogen, phosphorus, and potassium consumption weighed in at 108, 41, and 32 million tons corresponding to year-on declines of 1%, 1%, and 0.8% respectively.

2016 was also a year in which commodity prices were weak. Price declines were witnessed all year long in nearly every raw material such as phosphoric acid and ammonia as well as in the most-consumed plant nutrients such as diammonium phosphate (DAP), urea, ammonium nitrate (AN), and calcium ammonium nitrate (CAN). Weakness in the global economy, worries about the future, and reduced agricultural sector profitability brought on by low grain prices are all at risk of depressing demand for fertilizer in the period ahead.

According to International Grain Council (IGC) estimates, global grain production in the 2014-2015 growing season was on the order of 2,048 million tons and slipped to 2,004 million tons in the 2015-2016 season. This shortfall stems from the production of corn (maize), which normally accounts for the biggest share of overall output.

In Turkey, agricultural output in 2016 suffered from unfavourable weather conditions as well as from tensions with Russia and economic volatility; however

6 million tons

Over the last decade, fertilizer consumption in Turkey has averaged about 5.2 million tons a year: that is expected to have increased to 6 million tons in 2016.

Research and experiments conducted by the Food and Agriculture Organization (FAO) have shown that wheat production can be increased by an average of 60% by using the right nutrients in the right place, at the right time, and in the right way.

overall production was up as compared with the previous year. According to year-end projections, the twelve-month rise in the production of cereals and all other crops, which should weigh in at 65.2 million tons, will be 0.1%. However although vegetable production is likely to be up by 2.3% to 30.3 million tons and fruit production by 6.7% to 19.0 million tons, total output of cereals alone is believed to have fallen by 8.7% in 2016. Among the top three grains in the cereals category, poor weather is thought to have depressed wheat production (20.6 million tons) by 8.8% and barley production (6.7 million tons) by 16.3% while corn production (6.4 million tons) appears likely not to have changed year-on. The price of bread wheat in 2016 increased by 11% as compared to the previous year.

For the fertilizer industry, 2016 began with strong sales which reflected purchases that had been deferred from 2015 in anticipation of a VAT rate cut. The government's imposition of a ban on the sale of nitrate-based fertilizers in June (just around the time that fertilizer should have been applied to industrial crops like cotton, corn, and sunflower and to fruits and vegetables) caused unexpected and unforeseeable losses of income in the industry and made it necessary for budgets to be revised at midyear.

The uncertainties associated with the nitrate fertilizers product group that began with the June 8th ban persisted into the new year and were only partially alleviated by the Food, Agriculture and Livestock Ministry's January 23rd announcement which lifted the ban on the sale of potassium nitrate and sodium nitrate fertilizers and permitted the controlled distribution of 26% and 21% calcium ammonium nitrate (CAN) fertilizer but which continued to prohibit the sale of 33% ammonium nitrate (AN) fertilizers.

During the year, fertilizer raw material prices fell by as much as 25% on a US dollar basis. This development weakened fertilizer manufacturers' international competitive strength owing to the high cost of their existing stocks while also depressing fertilizer prices and narrowing profit margins. An unexpected surge in exchange rates towards the end of the year in Turkey also had an adverse impact on the fertilizer industry, which is largely dependent on imports for its raw material.

From the farmer's point of view of course, the reduction of the VAT rate to zero combined with low prices made fertilizer more accessible and therefore stimulated its consumption. Over the last decade, fertilizer consumption in Turkey has averaged about 5.2 million tons a year: that is expected to have increased to 6 million tons in 2016. That performance is indicative of a 9% year-on rise as compared with 2015, when 5.5 million tons of fertilizer were sold.

430
million tons

Current estimates for 2016 put the amount of cargo handled at Turkish ports at some 430 million tons.

Liquid bulk operation at Torosport Ceyhan Terminal.

Port Management in the World and Turkey

Although the global economy is gradually recovering, the recuperation is taking place unevenly. This is particularly true in developed countries, where low growth rates continue to persist even today.

In addition to the worldwide consequences of the global economic crisis such as political developments, a resurgence of protectionism in developed economies, high levels of public indebtedness and unemployment, and income inequality, there still remain many uncertainties as to what the future course of the global economy will be in the period ahead. With growth rates in developed economies still below expectations, there appears to be a significant weakening in emerging economies' growth performance as compared with previous years.

Developments in maritime trade and transport are near-perfect reflections of global economic performance and its macroeconomic indicators. In 2015, a total of 10.7 billion tons of cargo were shipped across the world's seas, a performance that corresponded to a year-on rise of 2%; the expectation for 2016 is that these figures will be 11 billion tons and 2.5% respectively. The transport of crude oil, fuels, and gas (LNG and LPG), consumption of which was bolstered by low energy prices, played a significant role in that performance.

By virtue of its location, Turkey commands an important position in the port management services industry. According to figures published by Eurostat, the official statistical portal of the European Union, Turkey ranks among the top five countries in which European countries' seagoing cargo is handled. Current estimates put the amount of cargo handled at Turkish ports at some 430 million tons, which corresponds to a year-on rise of 3%.

Torosport Ceyhan Terminal with TAYSEB Free Zone in the background.

2016 Operations

Agricultural Segment

The impact of economic, political, and social events, some of which were extraordinary, both in our country and around the world in 2016 on the agricultural and fertilizer industries led to the emergence of new conditions which made it necessary to revise the year's plans and budgets to a significant degree.

Keeping a close watch on developments, Toros Tarım quickly accommodated itself to new market conditions thanks to its experience of the business lines in which it operates and to its dynamic management structure and thereby took steps to counter the adversities. Because of the long-term confidence which it has in Turkey's economic strength and the future of its market, the company continued to pursue new undertakings and investments in 2016 as well.

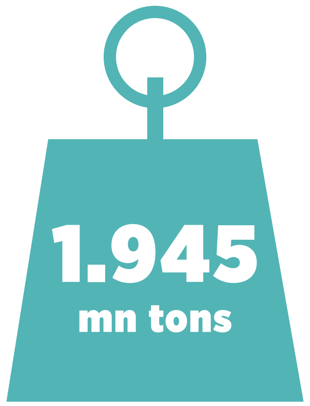
Fertilizers

Turkey's biggest fertilizer producer, Toros Tarım remained the sector's leader in 2016 just as it did the previous year. As a result of new investments brought on stream at the company's Samsun plant, total production capacity increased from 1,847 thousand tons in 2015 to 1,945 thousand tons in 2016. This increase also boosted Toros Tarım's share of overall installed production capacity in Turkey to 38%.

In 2016 the company produced 1.3 million tons of fertilizer, a performance which corresponded to an average capacity utilization rate of 69% at its Ceyhan, Mersin, and Samsun plants. This implies year-on declines of 6% and 13% in total output and production capacity respectively as compared with 2015. The principal reason for this drop was low-capacity production at the Mersin plant (which produces ammonium nitrate (AN) and calcium nitrate (CAN) fertilizers) after the government's decision to ban domestic sales of nitrate-based fertilizers on June 8th. In the face of this ban, the fertilizers made at the plant were exported to markets abroad.

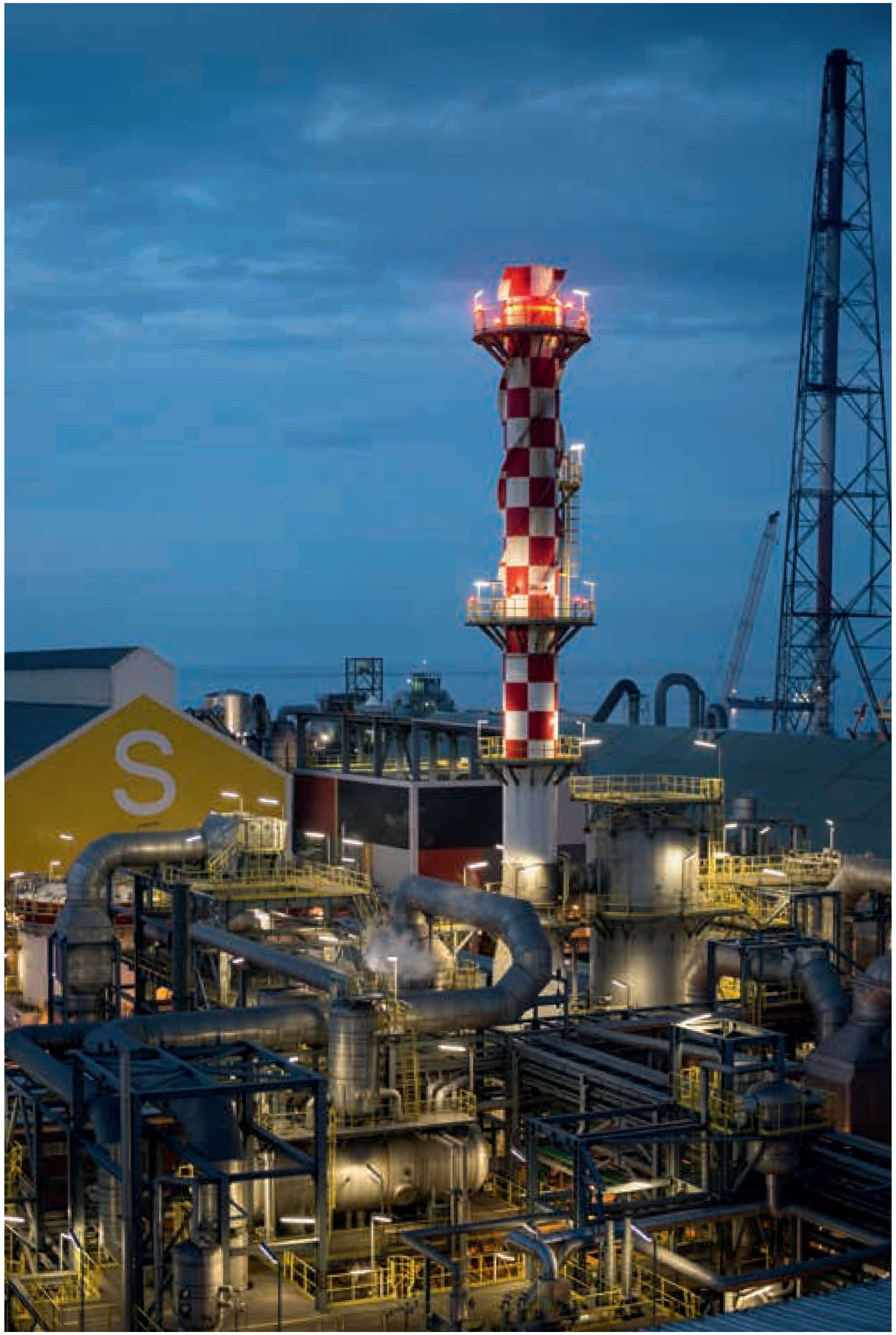
Despite the loss in revenues resulting from the ban on nitrogen fertilizer sales, total sales in 2016 were up by 12% year-on as compared with 2015 and amounted to 1,749 thousand tons. This increase is partially attributable to the postponement of some 2015 sales to 2016 in anticipation of reduction in the VAT rate in the new year.

A powerful logistical infrastructure and an extensive dealership network play as important a role in maintaining Toros Tarım's enduring market leadership as does its production strength and quality. The company's aggregate 550 thousand ton storage capacity located all over Turkey means that Toros Tarım can ship the fertilizer that it makes in a timely and uninterrupted manner no matter where it may be needed. Toros Tarım's most potent delivery channel is an extensive dealership



With 1.945 million tons of annual production capacity, Toros Tarım accounts for 38% of Turkey's overall installed production capacity.

The newly operational
phosphoric acid unit,
Toros Tarım Samsun Plant



Toros Tarım Samsun Plant
The new production facility and improvements in existing production processes undertaken at an investment cost of about US$335 million at the Samsun Plant will alleviate its dependence on imports in its raw materials procurements and achieve higher energy-efficiency.

Despite the loss in revenues resulting from the ban on nitrogen fertilizer sales, total sales in 2016 were up by 12% year-on as compared with 2015 in anticipation of reduction in the VAT rate in the new year and amounted to 1,749 thousand tons.

2016 fertilizer sales

Dealers 1,669,422 tons
Wholesalers 78,615 tons
Exports/Other 1,230 tons
Total 1,749,267 tons

network that reaches even the remotest parts of the country. The company has 1,235 dealers and authorized sellers located all over Turkey. Toros also remained the market leader in 2016 as measured by total points of sales.

As in previous years, the most important part of the company's sales in 2016 was again made through dealers and authorized sellers. As compared with 2015, sales by dealers were up by 16% and reached 1.67 million tons while wholesale increased by 39% year-on and reached 79 thousand tons. Owing to demand for urea-based fertilizers, imports of such finished products rose to 385 thousand tons while imports of specialty fertilizers fell to 12 thousand tons in the wake of the government's ban on the sale of nitrates.

A new production facility undertaken at an investment cost of about US$335 million came on stream at the Samsun plant in November 2015. By making it possible for the company itself to produce the phosphoric acid and sulfuric acid needed to make DAP and composite (NPK) fertilizers, this investment is very important not only because it alleviates both its dependence on imports in its raw materials procurements and its exposure to international market risks but also because it lowers production costs. Owing to improvements in existing production processes and to the installation of a power plant capable of converting the clean energy released by sulfuric acid reactions into electricity, both of which were part of the same investment, operations at the Samsun plant have become highly energy-efficient.

Specialty Fertilizers

Specialty fertilizers, which are completely water-soluble and which can be used along with such advanced crop-watering techniques as drip irrigation and sprinkling, is a product group that Toros Tarım pioneered in Turkey and in which it commands a substantial market presence. As the trend towards drip irrigation systems is expected to gain momentum in Turkey as a response to increasingly greater drought risk, so too is it expected that there will be a serious increase in the need for specialty fertilizers as well. For this reason, Toros Tarım sees specialty fertilizers as a product group with tremendous long-term development potential.

Total sales of specialty fertilizers in 2016 amounted to 15,109 tons, which was 19% more than in 2015. However because potassium nitrate products suffered from the government's ban on the sale of nitrate-based fertilizers on June 8th, their sale fell short of the year's targets. The loss in these sales was mitigated somewhat by the substitution of potential alternatives. This was particularly true of the potassium sulfate fertilizer SoluPotasse, sales of which increased by 66% to 3,361 tons in 2016.

Besides being a very small market compared with regular fertilizers, specialty fertilizers are also a highly import-intensive product group. Owing to financing difficulties in 2016, many importers began determining their selling prices on a day-to-day basis in order to avoid losing market share while continuing to offer payment terms of up to 300 days. Despite such difficulties as these, Toros Tarım believes that consolidation in this segment will eventually result in a market environment to which balances have been restored and it therefore remains committed to being a strong player in this product group. The company has begun exploring the establishment of a

ANATOLIA: A LAND RICH IN GENETIC RESOURCES
At present, about 70-80% of the wheat varieties that are cultivated commercially in Turkey originate outside the country whereas Anatolia is home to genetic resources that are extremely valuable in their own right. In order to protect and better exploit such resources, Toros Tarım gives priority to making use of these unique genetic resources in the conduct of its breeding activities.

production unit at the Mersin plant that will permit it to supply some of the demand for specialty fertilizer on its own.

Seeds

As part of its mission of helping Turkish farmers to increase their output and earnings by supplying them with superior-quality inputs, Toros Tarım provides growers with a range of high-yield, disease-resistant, and high market-value crop seeds. Believing that it is necessary to promote the use of certified seed in order to achieve sustainable growth in farming, Toros Tarım has been engaging in the production of certified wheat seed through contractually-bound producers since 1999.

Owing to its critical importance as a staple food crop in Turkey, wheat is cultivated on about a third of all the country's 27 million hectares of arable farmland. It is for this reason that Toros Tarım concentrates on wheat in the conduct of its crop seed activities. The company holds the production and distribution rights to three varieties of wheat–Adana99, Osmaniyem, and Karatopak–which were developed by the Eastern Mediterranean Agricultural Research Institute. The company continues its efforts in this area both to promote these seeds and encourage their use by even more farmers and to develop and add new seeds to its product line. Toros Tarım's efforts to develop new varieties of higher-yield and more viable seeds by breeding species that are compatible with the growing conditions in the parts of Turkey where wheat is traditionally cultivated are also supported by the Scientific and Technological Research Council of Turkey (TÜBİTAK). In addition and in order to facilitate the packaging and sale of the wheat seed which is produced by the company's contractual growers, Toros Tarım was authorized by the Ministry of Agriculture to carry out wheat seed laboratory analysis and certification procedures and it began doing so in 2016.

Toros Tarım continues to work in coordination with TÜBİTAK and Çukurova University on the "Breeding of Biotic and Abiotic Stress-Resistant, High Quality and High Yield Wheat Varieties for the Various Ecological Regions in Turkey" program that was initiated in 2013. The goal of this program is to develop varieties of wheat which are of better quality and produce higher yields and which are more resistant to all of the biological and non-biological stresses which have an impact on wheat cultivation in the different regions of our country. Under this project, which makes use of modern "biotech" methods such as DNA analysis in conjunction with traditional plant breeding methods, the first variety of bread wheat (called "Toros 1003"), was registered and authorized for commercial sale in 2016. In addition to being highly nutritious with 14.0-16.5% protein, 32-38% gluten, and 300-450 w energy contents, this product produces much higher yields than existing summer bread wheat varieties. Toros 1003 has received a total of six growing licenses (three summer wheat and three winter wheat). In 2017, work will begin on projects to improve other wheat varieties so that the total number of varieties bearing the "Toros" name which have been registered, offered for sale, and put into service for Turkish agriculture will reach fourteen by 2020. Work has also begun on breeding high-yield and high-quality durum wheat seed through projects under which priority is being given to exploiting the unique plant genetic resources that are to be found in Anatolia.

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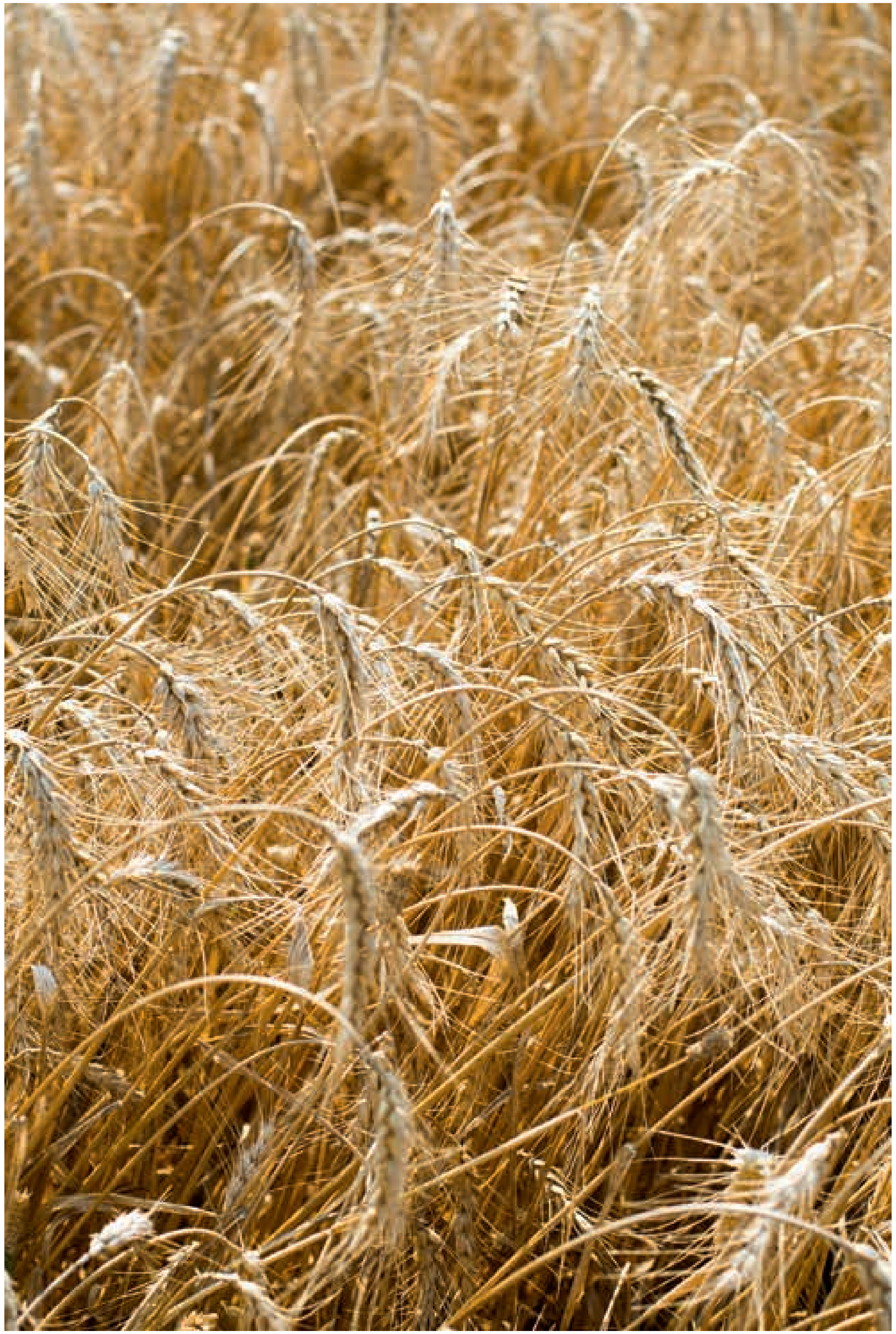


GOOD SEEDS AND PLANT PRACTICES (GSPP)
The high-quality, disease-free seedlings that HTF supplies to producers help support farmers increase their earnings by reducing their input risks. The company complies with the Good Seeds and Plant Practices (GSPP) protocol in the conduct of its greenhouse operations in the effort to combat *Clavibacter michiganensis*, a pathogen that causes serious damage especially to Turkey's tomato crop every year. As most of the seeds currently being used in Turkey do not have GSPP certification, HTF's investment in this area is an important step towards protecting farmers by engaging in seed and seedling production according to GSPP standards, a standard which has yet to achieve widespread implementation even in the world's developed countries.

Techno-agriculture

"Agripark's work in the area of plant tissue culture is currently focusing on the production of potato seed, crops of which have been suffering huge losses owing to disease."

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

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

Although potato seed production was the focal point of its techno-agriculture activities in 2016, the company underperformed its targets for the year owing to excessive losses in crop value and adverse market conditions. Banana seedling production and marketing by contrast remained profitably on course. Production trials of tea, kiwi, lavender, blackberry, and dragon fruit were conducted at the tissue-culture laboratory. Research was also conducted into the possibility of growing quinoa as a plantation crop and it has been decided to begin production in 2017.

Seedlings

"Besides its 50 decares of high-tech greenhouses in Antalya, the company's investment in 15 decares worth of new greenhouse space in Adana in 2015 began operating at full capacity in 2016."

Owing to the benefits they provide to farmers, the use of ready-to-plant seedlings has become indispensable in agriculture today. Already a standard practice in greenhouse production, these seedlings are becoming increasingly more popular in open fields as well. With annual production topping 4 billion seedlings a year, Turkey's ready-to-plant seedling sector has become a major business line.

Toros Tarım carries out its seedling operations through Hishtil-Toros Fidecilik (HTF), one of the most important names in this business. Besides its 50 decares of high-tech greenhouses in Antalya, the company's investment in 15 decares worth of new greenhouse space in Adana in 2015 began operating at full capacity in 2016, thereby boosting seedling sales by 17% year-on to 133 million units. Work has also begun on a project to add another 12 decares of new greenhouse space to the Adana facility with the ultimate goal of increasing the total amount to 40 decares. This investment is slated to be ready in the second half of 2017.

Machine-aided seedling planting
Owing to their high yield, ready-to-plant seedlings are becoming increasingly more popular in open fields as well.

An internationally recognised brand name: Torosport

Terminal Services

Terminal services, which have an important place in Toros Tarım's operations in terms of business volume and profitability, are conducted at the company's two terminals, one in Ceyhan and the other in Samsun. Foreseeing the growth in maritime trade in Ceyhan, in the 1990s a jetty originally built 1981 in order to satisfy Toros' own logistical requirements was expanded so as to serve third parties as well. Owing to its geographical location and what with its operations bolstered especially by cross-border trade with Iraq and Syria, the Torosport Ceyhan Terminal is the third biggest port in the Gulf of İskenderun.

The Torosport Ceyhan Terminal provides its customers with unloading, loading, and storage services in a wide range of product groups that include general cargo, special project freight, petroleum products and fuels, liquid chemicals and vegetable oils, bulk grain, animal feed stock, fertilizer, coal, petroleum coke, clinker, cement, and industrial ores, minerals, and mining products. The terminal consists of two separate jetties with berths for up to eight ships as well as a ro-ro jetty. The Torosport Ceyhan Terminal can accommodate liquid bulk, dry bulk, and general cargo vessels of between 40,000 and 110,000 DWT. Besides providing uninterrupted handling services 24 hours a day, the terminal also offers mooring, dolphin, piloting, towing, agency, garbage collection, solid and liquid waste collection, water supply services as well.

Despite the adverse impact which the downturn in international trade had on the demand for terminal services last year, the Torosport Ceyhan Terminal handled about as much cargo in 2016 as it did in 2015. This was due especially to a significant year-on uptick in the volume of cargo being handled that was associated with newly-commenced activities at the Adana Yumurtalık Free Zone (TAYSEB), which is located very close to the terminal. On the other hand although the demand for leasable storage was relatively lower owing to the global uncertainties besetting fuels and petroleum products in recent years and to forward/future prices falling below spot prices (backwardation), a great many of the firms involved in the trade of fuels and petroleum products originating in Northern Iraq conducted their operations through the Torosport Ceyhan Terminal. As a result of such developments, the capacity utilization rate in fuels and petroleum products was up by about 10% year-on and amounted to 70% of leasable storage capacity.

8.5mn

The total volume of cargo handled at both Torosport Terminals reached 8.5 million tons, or 8% more than was the case in 2015.

Torosport Samsun Terminal

"Investments at Torosport Ceyhan Terminal, which will augment existing platforms and increase their capacity, are being considered in 2017. These investments call for the development of existing jetties and their extension (so as to accommodate larger-tonnage vessels) and the construction of suitably-scaled storage tanks in the terminal's back lots."

In order to more effectively exploit the potential of the Torosport Ceyhan Terminal, investments that will augment existing platforms and increase their capacity are being considered in 2017. These investments, whose project and survey phases have already been initiated, call for the development of existing jetties and their extension (so as to accommodate larger-tonnage vessels) and the construction of suitably-scaled storage tanks in the terminal's back lots.

The other facility where Toros conducts its terminal operations is the Torosport Samsun Terminal which, like the Ceyhan terminal, is suitable for discharging both dry bulk and liquid chemical cargos. This terminal has two separate berths whose combined handling capacity of coal and other dry bulk cargo is 14,000 tons a day. The terminal can accommodate vessels of up to 55,000 DWT and is also equipped with pipelines that are suitable for the loading and discharging of liquid chemical products. Although the Black Sea accounts for only a small share of the terminal services market in Turkey at the present time, it is expected that the Torosport Samsun Terminal will gain increasingly greater importance in the longer term as the volume of Turkey's trade with other Black Sea countries increases.

While the total volume of cargo belonging to third parties at the Torosport Ceyhan Terminal was down by 1% year-on in 2016 and amounted to 6.5 million tons, at the Torosport Samsun Terminal it was up by 1% and weighed in at around 6.6 million tons. Excluding fuels and petroleum products, about 6 million tons of dry bulk, liquid bulk, and general cargo were handled, a figure which corresponds to a 7% increase as compared with 2015. When Toros's own cargos are also factored in, the total volume of cargo handled at both terminals reached 8.5 million tons, or 8% more than was the case in 2015. Some 91% of the cargo handled at the Torosport Ceyhan Terminal belonged to third parties whereas in Samsun, which mainly serves the needs of Toros itself, this ratio was only 9%.

The total volume of cargo (including Toros's own) handled at both terminals last year corresponded to 2% of all the cargo (about 430 million tons) that was handled in Turkey during 2016. There are about 175 ports and on-shore terminals in operation in Turkey today. The Torosport Ceyhan Terminal ranks as the country's sixth largest privately-owned facility among the country's bulk cargo and general cargo ports and third biggest among those that handle liquid chemicals.

Free Zone Management

The Adana Yumurtalık Free Zone which is in the same area as Toros Tarım's production and terminal facilities in Ceyhan, was founded in 1990 and is being managed and operated by Toros Adana Yumurtalık Serbest Bölgesi Kurucu ve İşleticisi A.Ş. (TAYSEB) under a thirty-year contract. Occupying 4,635 thousand m² of grounds and with all of its infrastructure fully completed, TAYSEB is one of Turkey's biggest free zones.

TAYSEB was also the first free zone in Turkey that was set up explicitly for the conduct of industrial endeavours. Owing to its convenient location on the Gulf of İskenderun and to its access to a wide range of transportation options, TAYSEB offers substantial advantages for industrial concerns that want to benefit from free-zone incentives. A location immediately adjacent to the Ceyhan Specialized Energy Industry Zone (CEİB), which is set to become the site of major investments in energy in the future, is yet another feature that enhances TAYSEB's appeal.

Owing especially to a surge in petrochemical and chemical industry activities in recent years, TAYSEB has become a preferred investment and production centre to which both sectors are giving priority. There are currently twelve firms in the zone that are engaged in activities associated with the production, storage, importation, exportation, and trade of chemicals. Also on the horizon are a number of big-ticket investments involving the production of chemicals which currently must be imported. In the near and medium terms therefore, TAYSEB is expected to become a production centre for the strategic chemicals that Turkey needs.

TAYSEB also provides its tenants with terminal services at the Torosport Ceyhan Terminal. Major industrial concerns located in the zone are allowed to build jetties of their own. One such example is Sönmez Çimento, the first cement-maker in Turkey to set up an operation in a free zone, which built a terminal slated to become operational in 2017. There are also plans and projects in the works to construct facilities and drydocks capable of building as well as repairing and maintaining high-tonnage vessels at TAYSEB. Two of the investors involved in such projects have already submitted and had their environmental impact assessment (EIA) projects approved.

TAYSEB
On the short to middle-term, TAYSEB is expected to become a production centre for the strategic chemicals that Turkey needs.

602 million US$
The value of trade passing through TAYSEB increased by 6% to US$602 million in 2016.

Under a series of amendments in the Free Zones Act that parliament is expected to approve in early 2017, Turkey's free zones will enjoy the additional support of a large number of new incentives. For this reason, the terms of the existing management and operational contracts of free zones that are due to expire are now in the process of being extended against pledges that various investments that the zones are in need of be carried out. Accordingly, the licenses of the Mersin Free Zone (MESBAŞ, in which TAYSEB controls a 9.56% stake) and of the Antalya Free Zone (ASBAŞ, in which it controls a 10% stake), both of which were to have expired at the end of 2016, have been extended for nineteen years. Discussions have been initiated to extend TAYSEB's operating license, which is due to expire in 2020, for another ten years so that the investments that the Adana Yumurtalık Free Zone Authority wants can be carried out. Investments within the zone aiming at lowering operational costs and thus boost competitive advantages especially through energy and natural gas supply, will unquestionably bolster TAYSEB's appeal.

Looking at figures reported by the 18 free zones currently in operation in Turkey, we see that the total volume of trade passing through them in 2016 was worth US$19 billion, or 6% less than the US$20.7 billion that they registered in 2015. Despite this overall contraction however, the value of trade passing through TAYSEB increased by 6% from US$570 million in 2015 to US$602 million in 2016.

Social Responsibility

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

"Toros Farmer":
A Smart Farming & Fertilizing App

In 2016 Toros Tarım developed a brand-new app called "Toros Farmer" that farmers can install on their computers, tablets, and smartphones. Toros Farmer was designed to be an agricultural decision-making support app that helps farmers make the best fertilizer-related decisions by means of farmer- and field-specific fertilization suggestions and through advice as to the best times and the best methods based on field experience and calendar and meteorological data. Toros Farmer also provides farmers with guidance on how to increase their production by making use of their limited resources in the best possible way. The app helps them to prevent waste and to increase yields by offering fertilization suggestions that are based on a field's geographical coordinates, current weather, and soil and plant properties.

Made available to all farmers whether they are Toros customers or not, the Toros Farmer app's simple and straightforward design is intended to make it useful to as broad an audience as possible. A farmer using the app can keep track of day-by-day weather forecasts for a field and also be warned about impending frost, hail, and storm risks so that he can take whatever precautions are needed to deal with such contingencies. The goal of the Toros Farmer app is to increase yields through more knowledgeable farming methods while also ensuring that farmers get the best possible return on their investment in fertilizer.

As a smart fertilizing app that is based on soil, weather, and plant data, Toros Farmer is not only the first of its kind in Turkey but also in many ways unique among similar apps used in other countries. Toros Farmer is a ground-breaking initiative in the area of "keeping track of weather and soil information for proper fertilization", an issue to which the European Union is currently drawing attention and which is also on the Turkish agricultural ministry's agenda. The app will also be of assistance in taking measures to mitigate climate change. With its farmer-friendly features and uniquely creative blend of technology and farming, Toros Farmer placed first in the "Agricultural Informatics" category of the 2016 Growtech Eurasia Innovation Awards.

Sponsorships and Support

Believing that agriculture-related issues should be resolved by addressing them scientifically and by dealing with them through the broad-based participation of those involved, Toros Tarım supported a large number of scientific meetings and conferences during 2016. The principal events which the company sponsored last year were the 28th National Chemistry Congress, the 2nd National Plant Physiology Symposium, the 7th National Plant Nutrition and Fertilizer Congress, the International Agricultural Boron Symposium, and the 1st Fertilizer Industry Evaluation Workshop.

As is the case every year, Toros Tarım once again met the maintenance, repair, and general needs of the Toros Tarım Anadolu High School in Ceyhan and of the Toros Tarım Primary School in the township's Kurtpınarı district. In addition last year, the company provided fertilizer to the Samsunspor Club for use on its pitches and also began to supply fertilizer to the Bornova Olive Research Station for a four-year period under a project whose aim is to prepare "fertigation" programs for Gemlik olive cultivars and to determine their impact on some of the quality parameters of table olives and olive oil.

"Toros Farmer", an agricultural decision-making support app won first place in the "Agricultural Informatics" category of the 2016 Growtech Eurasia Innovation Awards.

The primary aim of Toros Tarım is to stand by Turkish farmers and make the necessary contributions to increase their living standards.

Topkapı Project, İstanbul

Tekfen Real Estate

Profile

The Tekfen Real Estate Group was founded in 2000 in order to undertake high-quality and innovative projects in the real estate industry. The group is active in the areas of real estate investment, project development, construction management, and facility management.

Focusing on the creation of projects that are outstanding by virtue of their insightfully selected location, concept, quality, and design, Tekfen Real Estate authors projects which combine functionality and design, blend into the urban texture, add value to their city, are conceptually distinctive, and improve the quality of their users' lives. The original projects which the group has developed serve as references for the real estate industry as a whole.

True to its "People First" commitment, Tekfen Real Estate gives importance to the construction of living spaces that combine functionality and design and therefore works with the best architects. This approach ensures that all of the projects in its portfolio garner as much attention for the originality of their approach and line as for their functionality and build quality. This is precisely why projects authored by the Tekfen Real Estate Group have earned it so many distinguished awards.

In order to achieve customer satisfaction with every detail, Tekfen Real Estate approaches every project's development, design, construction management, and facility management issues as a seamless whole and therefore provides integrated service in all of these areas. Within the group itself, Tekfen Real Estate Development & Investment is responsible for project development and management services while Tekfen Tourism & Facilities Management (Tekfen Services) handles facility management services.

The group regards the most efficient use of resources as one of its primary goals. Since the day it was founded, Tekfen Real Estate has been concentrating on sustainability and energy efficiency in all of the projects that it has undertaken. As a founding member of ÇEDBİK (the Turkish Green Building Council), Tekfen Real Estate authored the first green building projects in Turkey. The group conforms to Leadership in Energy and Environmental Design (LEED) criteria, developed by the US Green Building Council (USGBC) as the basis for all of its projects. HEP İstanbul, construction work on which continued in 2016, is the first residential project in İstanbul's Esenyurt district to qualify for LEED certification.

Tekfen Tourism & Facilities Management is responsible for the management of the facilities whose projects Tekfen Real Estate Group carries out. Conducting its operations under the name "Tekfen Services", this company provides maintenance and repair, cleaning, and security services for the buildings under its management while also operating their parking, conference hall, restaurant, and fitness centre facilities. Tekfen Services also operates S Café & Brasserie, located in Akmerkez in İstanbul.

During 2016, a reorganization was carried out among Tekfen Group Companies in order to create a structure which would be more productive and conducive to new undertakings and would increase the share of real estate development operations in the group's total turnover. As part of this reorganization, a new vice-president in charge of the Tekfen Real Estate Group was appointed at Tekfen Holding.

Prioritising on sustainability and energy efficiency, Tekfen Real Estate conforms to Leadership in Energy and Environmental Design (LEED) criteria, developed by the US Green Building Council (USGBC) as the basis for all of its projects.

"THE ONE AWARDS" In the 2016 series of The ONE Awards conducted jointly by Marketing Türkiye, a leading marketing trade magazine, and Akademetre, a market and consumer research firm, Tekfen Real Estate ranked among the top five brands to have increased their reputation in the Turkish real estate industry.

2016: An Overview

After four consecutive years of uninterrupted growth, the Turkish economy was adversely affected first by a double round of parliamentary elections in 2015 and then, more seriously, by a failed antidemocratic coup, by regional security risks, and by global economic developments in general. The outlook for 2017 is that the domestic economy will continue to be hampered by an upcoming constitutional referendum as well as by heightened geopolitical risks owing to developments in the country's near abroad and terrorist attacks.

While paralleling the world economy in 2016, the economic and geopolitical problems experienced in Turkey progressively had an impact on the country's real estate sector as well. In order to head off this negative trend and to mobilize the sector, the cash-downpayment requirement on home-finance loans was reduced from 25% to 20% while the VAT rate charged on homes measuring more than 150 m² was lowered. Responding to government calls to reduce interest rates to below 10% a year, banks began to do so in August with the result that the average interest charged on bank-supplied home-finance loans fell to as low as 0.90% a month. These developments together with private-sector price-cutting and sales campaigns brought vigor to the sector by fall.

Overall sales of dwellings in 2016 were up by 4% year-on and reached 1,341,000 units. One factor contributing to this rise was the release of pent-up demand for housing (which had been accumulating since the early months of the year) that was triggered by the August reduction in interest rates. The three provinces with the biggest shares of total housing unit sales were İstanbul (17.3%), Ankara (10.8%), and İzmir (6.1%). While overall sales of housing in 2016 were 4% higher than in the twelve months to end-2015, the rises in mortgage-based sales as opposed to other sales were 3.5% and 4.3% respectively.

According to the Housing Price Index published by the Turkish Central Bank, house prices in November 2016 were 12.26% and 4.92% higher on a nominal and real basis respectively than they were in November 2015.

Turning now to the İstanbul office market, the slowdown observed throughout 2015 continued in 2016 as well with average rentals of Class-A office space in the city's Central Business Area about 6% lower on a quarter-to-quarter basis. While the first-quarter Class-A office space vacancy rate on the Asian side of the city fell from 22.5% to 20.7% by the third quarter, on the European side it rose from 26.5% to 28.7%. Owing to a marked decline in rentals especially in the Central Business Area and in Maslak, the downward trend on the European side was much more evident than on the Asian and this exerted some modest upward pressure on rents in that part of the city, where office space tends to be relatively cheaper.

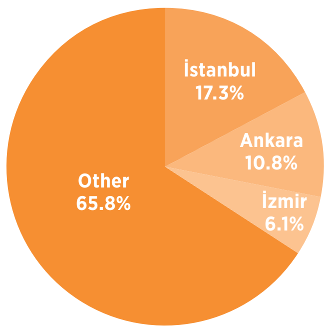
In 2016, the total leasable space in all 353 of Turkey's shopping malls reached 10.8 million m². The outlook is that shopping mall development projects are going to continue strongly and that the total stock of leasable space will reach 13 million m² by 2019. As of 2016, no fewer than 113 of Turkey's shopping malls were located in İstanbul, where 18.5% of the country's people lives and 32% of its total leasable shopping mall space is to be found.

1,341,000

A total of 1,341,000 housing units were sold in Turkey in 2016.

Operations in 2016

People first



Breakdown of housing sales according to major cities

Real Estate Development

For the Tekfen Real Estate Group, 2016 was a productive year in which its strategic goals were reviewed and its organizational structure was revised in line with redefined objectives. While continuing to work on its existing projects all year long, the group also engaged in project-development activities based on markets' needs and in line with Tekfen standards with the aim to raise the company's profitability and ultimately its business volume.

HEP İstanbul

Occupying a site of about 57,000 m², the 253,000 m² HEP İstanbul project was launched in October 2014 with the slogan "The Home of My Life". HEP İstanbul is located at the intersection of Avcılar, Beylikdüzü, and Esenyurt, three of İstanbul's most rapidly-developing townships, while its TRY600 million project value makes it the biggest project ever undertaken by Tekfen Real Estate. HEP İstanbul was designed by CM Mimarlık. As of end-2016, contracts had been signed for the sale of 987 apartments (totaling 109,803 m²) while finalized sales of 69% of the units totaled TRY306 million (not including VAT) in value.

HEP İstanbul consists of 11 high-rise blocks and 14 rows of low-rise buildings in which there are a total of 1,424 dwelling units and 2,600 m² of commercial space. Because the apartments come in a variety of layout options ranging from one to four bedrooms and in size from 70 to 240 m², they are capable of responding to every expectation. One of the strongest features of the project is its extensive shared living space and landscaping. The project has two separate social facilities whose combined indoor space of 2,600 m² has been designed to appeal to different age groups while playgrounds, 2 kms of walking trails, 1 km of bike paths, indoor and outdoor swimming pools, mini-football pitches, and basketball and tennis courts provide opportunities for year-round indoor and outdoor activities. No less than 74% of HEP İstanbul's grounds have been landscaped and planted so that there will be greenery in all four seasons of the year.

HEP İstanbul was designed with the goal of providing well-planned, thoughtfully-detailed, superior-quality, and eco-friendly living spaces to middle-income buyers at affordable prices. As with previous Tekfen Real Estate projects, HEP İstanbul was conceived and executed so as to qualify for LEED Green Building certification. Deliveries of first-phase units, construction of which began in January 2015, commenced in January 2017 and all deliveries will be completed by midyear.

Topkapı Housing Project

Situated in İstanbul at a location that is conveniently accessible from elsewhere in the city, the Topkapı Housing Project involves the rehabilitation of a former industrial property and its conversion into dwelling units. The project site is located on the D100 (former E-5) highway, one of İstanbul's main traffic arteries, and is very close to the city's metro line. Topkapı Housing is being targeted at buyers who enjoy living in a well-designed, superior-quality urban environment. Work on the project is slated to commence in the second half of 2017. There will be about 350 apartments with about 76 thousand m² of construction space located on 14 thousand m² of land.

Developed with the aim of reclaiming an industrial cityscape and restoring it to the city's use as a living space, the goals of

Topkapı Housing are to serve as a model for other high-quality so-called "urban transformation" projects in Turkey and also, as was the case of earlier Kâğıthane OfisPark, to modernize the structural and lifestyle character of an urban setting by spearheading its change. HPP Architects, a German firm which is also one of Europe's leading architectural partnerships and has undertaken more than a thousand projects in countries around the world, submitted the winning design in the architectural concept contest that was held in line with Tekfen's ambitious goal.

The heart of the project consists of low-rise blocks, whose ground floors are commercial spaces, which are located around a broad atrium that serves as the focal point of social interaction. The project also provides an example of Tekfen's approach to sustainability and eco-friendly attitudes: some of the rare species of the trees growing on the grounds of the old factory building were carefully removed using special equipment and replanted on the site of the HEP İstanbul project, where they will remain until the Topkapı Housing project has been completed and they can be restored to its central courtyard.

Topkapı Housing Project

The İzmir Mixed-Use Project is to be undertaken as a joint venture of Tekfen Real Estate and Rönesans Real Estate Investment. It is located at the intersection of Bayraklı, Konak, and Bornova, three of İzmir's most important residential townships. Consisting of residences, offices, and a shopping mall occupying about 43,000 m^2 of grounds, the 270,000 m^2 project will have 140,000 m^2 of sellable/leasable space, which ranks it among the biggest real estate development projects ever undertaken in the province. Designed by Emre Arolat Architects to be a distinguishing landmark in the city's skyline, the İzmir Mixed-Use Project is certain to become an important centre of attraction for its surroundings.

Facility Management

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

Developed with the aim of reclaiming an industrial cityscape and restoring it to the city's use as a living space, the goals of Topkapı Housing are to serve as a model for other high-quality so-called "urban transformation" projects in Turkey and also, as was the case of earlier Kâğıthane OfisPark, to modernize the structural and lifestyle character of an urban setting by spearheading its change.

HEP İstanbul Project, Esenyurt

Tekfen Services' goal is to achieve absolute customer satisfaction in a rapidly growing market but in which the importance of after-sales services is not sufficiently appreciated.

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

One of the properties in Tekfen Services' management portfolio is Tekfen Tower, which originally opened in 2003. The building underwent a partial renovation in 2016 during which its interior decoration and its low-voltage security systems were renewed. Despite the tough market conditions that prevailed last year, Tekfen Tower's nearly 90% occupancy rate in its leasable space is evidence of the sustainable confidence in the building and its management. Recently-concluded new leases will increase the occupancy rate to 100% as of May 2017.

Tekfen Services regards improving energy conservation in the properties under its management as one of its highest-priority issues. Work on projects initiated under the company's energy-efficiency drive that was launched in 2015 continued in 2016. The company has also been awarded "Energy ID Card" certification, which becomes mandatory for all buildings beginning in 2017. With the introduction of LED-based systems to replace the existing interior, exterior, canopy, and grounds lighting systems of the office and residential properties under the company's management, both the quality of the properties' lighting has been improved and the changeover to modern energy-conserving and eco-friendly fixtures is being achieved without sacrificing the buildings' decorative or architectural values. Thanks to these replacements and improvements, savings on the order of 145,000 kwh/month have been achieved so far. Tekfen Services continues to enhance its facility-management experience and superior service quality through both renewals and improvements in its energy systems and technical operations.

Tekfen Philhar-mini concerts: Tekfen's 60th anniversary gift to the children.

Corporate Social Responsibility

Since the day it was founded, Tekfen has made the conduct of socially, culturally, and environmentally beneficial activities an essential element of its corporate culture. Carrying out such activities in line with its approach to sustainability and using some of its resources in projects that are mindful of public interests, Tekfen engages in a variety of corporate social responsibility projects under the headings of “Education”, “Culture & Art”, and “Sustainable Development”.

In order to further advance its contributions to social and cultural wellbeing and to help build a liveable future that is in harmony with nature, Tekfen established the Tekfen Foundation for Education, Health, Culture, Art, and Protection of Natural Resources (Tekfen Foundation) in 1999. Statutorily recognized as a “public service corporation” in 2004, the foundation’s efforts are mainly in the areas of education and culture & art.

Members of the Tekfen Group also allocate resources for social responsibility projects that are in line with their own particular goals and strategies while all of them regard conducting their operations in harmony with society and the natural environment as one of their fundamental principles. During 2016, Tekfen Group companies donated a total of TRY7,343,730 to socially beneficial projects.

Education

Scholarships for high-achieving youth

Every year Tekfen Foundation provides unconditional educational grants to successful but financially needy students studying in Turkey. To date, nearly 2,000 students have graduated with the financial support of Tekfen Foundation, which provides scholarships to 500 students every year. Furthermore the foundation also provides its scholarship recipients with internship opportunities and with the mentoring support of their potential future colleagues so that they may embark upon their careers as well-equipped graduates. Forty-six Tekfen Foundation scholarship recipients were employed as interns at Tekfen Group Companies in 2016.

Tekfen Foundation likewise enables promising, young musicians to further their education abroad. The young cellist Nil Kocamangil for example is a recipient of such a scholarship.

For the third year in a row, Tekfen Foundation also took part in the Turkish Ministry of European Union Affairs’ program to send successful students to attend the master’s-degree program in EU Affairs at the College of Europe by covering the educational expenses of one such student during the 2015-2016 academic year.

Hand-in-hand with autistic children

In order to support efforts to address the specialized education and training needs of children with autism, Tekfen Foundation collaborated with the Tohum Autism Foundation in the opening of the Tekfen Foundation Special Education Centre in Adana-Ceyhan in 2014. Since then, Tekfen Foundation has continued to support the school and its students by every possible means. In 2016 on the occasion of World Autism Awareness Day it sponsored a visit to the centre by Professor Binyamin Birkan, the Tohum Autism Foundation’s director of education, who conducted a one-day course for the centre’s instructors. The sessions, the subjects of which were the early diagnosis of children who may suffer from autism spectrum disorder and how to help them to become active members of society, were also attended by officials of the county Directorate of National Education.

500

Tekfen Foundation provides scholarships to 500 students every year.

“Backed by the Tekfen Foundation, the excavation of the ancient Assyrian city of Tušhan at Ziyaret Tepe was completed in 2014. A book presenting a comprehensive exposition of the findings and results of nearly two decades of work at Ziyaret Tepe is currently being prepared with Tekfen Foundation’s support.”

A new school for Esenyurt

As a proactive and responsible corporate citizen, Tekfen adheres to the principle of carrying out a variety of projects that will contribute to social wellbeing and progress in the areas where it is engaged in operations. In line with this, Tekfen Holding is currently building in the Esenyurt district of İstanbul a 24-classroom primary school in conjunction with the HEP İstanbul housing project that is in progress there. When completed, this school will be turned over to the Ministry of Education.

Supporting technical universities

Tekfen Holding supported the Eymir Cultural Foundation of Middle East Technical University (METU), an institution that has important potential as a source of human resources for Tekfen Group Companies, in the renovation of the METU Graduates’ Hall in İstanbul. The company similarly supported the renovation of the graduates’ hall on the Ayazağa campus of the İstanbul Technical University.

Culture & Arts

Tekfen Philharmonic:
The Sound of Three Seas

Originally founded in 1992 as a chamber orchestra, the Tekfen Philharmonic Orchestra has been giving concert without interruption ever since. The orchestra is an important cultural initiative that seeks to complement its avowed mission of serving as an “ambassador of peace” by bringing together musicians from 23 countries from the Black Sea, Caspian Sea, and Eastern Mediterranean regions.

Tekfen Philharmonic gave its first 2016 concert on the occasion of the 44th İstanbul Music Festival at the UNIQ Open-Air Stage on June 19th. Entitled “Songs to the Full Moon”, the concert was conducted by Aziz Shokhakimov, a wunderkind conductor of classical music hailing from Uzbekistan. The orchestra accompanied performances by the Georgian soprano Teona Dvali, the Russian tenor Andrej Dunaev, and a last-minute and unexpected addition to the programme, the Turkish tenor Murat Karahan.

To mark Tekfen's 60th anniversary, Tekfen Philharmonic entertained music-lovers with a special program that was included in its fall concert schedule. During the two performances of the program, the first on November 2nd at the Ankara Presidential Symphony Orchestra Concert Hall and the second on November 3rd at İstanbul Zorlu Performance Arts Centre, artists representing the Black Sea, the Aegean, and Mediterranean Sea, from which Tekfen's three founding partners originate, showed off their talents. The Black Sea was represented by Russian domra artist Inna Akulinina, the Aegean Sea by Greek music diva Alkistis Protopsalti, and the Mediterranean by Lebanese jazz musician and composer Rabih Abou Khalil. Under the direction of Uzbek conductor Aziz Shokhakimov, Tekfen Philharmonic also accompanied masterful performances by three Turkish musicians, Göksel Baktagir, Yurdal Tokcan, and Ercan Irmak.

In order to inculcate a love of classical music among youngsters, Tekfen Philharmonic gave a third concert as "Tekfen Philhar-Mini" at the Zorlu Performance Arts Centre on November 6th with a program of works chosen to appeal to children. Narrated by award-winning stage and screen artist Serra Yılmaz and performed by director Yiğit Sertdemir, one of the founders of the "After-Six Theater", and his team, the young audience was taken on an unforgettable journey through the world of classical music by an ensemble of clowns and gigantic colourful puppets.

Tekfen Holding at the 20th İstanbul Theater Festival
As a member of the board of trustees of the İstanbul Foundation for Culture and Arts, Tekfen Holding has been supporting the foundation's series of İstanbul festivals for decades. In 2016, the company sponsored Anton Chekov's *Three Sisters* play staged during the 20th İstanbul Theater Festival.

Ziyaret Tepe
Besides its involvement in educational and artistic activities, Tekfen Foundation also supports projects to protect the cultural heritage. One such project is the archeological excavation of the ruins of the ancient Assyrian city of Tušhan at the Ziyaret Tepe mound in southeastern Turkey, which were completed in 2014. A book presenting a comprehensive and detailed exposition of the findings and results of nearly two decades of work at Ziyaret Tepe is currently being prepared with Tekfen Foundation's support. The book was made ready for printing during 2016.

Sustainable Development

Tekfen Foundation Microcredit Festival
In the aftermath of the mining disaster which occurred on 13 May 2014 in the town of Soma in western Turkey and which resulted in the death of 301 miners, Tekfen Foundation supported the establishment of a microcredit branch in Soma under the auspices of the Turkey Grameen Microfinance Program. The mission of the Tekfen Foundation Microcredit Branch is to provide microloans to local women as seed capital with which to start income-earning businesses of their own. To date, 444 women have benefitted from this programme.

In order to make the possibilities afforded by microcredit known to even more women and to encourage them to expand their horizons, the Tekfen Foundation Microcredit Branch organized a two-day "Microcredit Festival" in April 2016 that focused on ways that women could support their families through their own efforts. During the festival, which was also backed by the Municipality of Soma and the sub-governor's office, local women sold handicrafts and homemade delicacies in a market set up in front of the government house. They also listened while other women who had used microloans to set up successful businesses talked about their own experiences and took part in a series of trainings that focused on spotting potential business opportunities.

444

To date, 444 women have benefitted from the Microfinance Programme through the Tekfen Foundation Microcredit Branch of Soma.

Tekfen Group Companies allocate resources for social responsibility projects that are in line with their own particular goals and strategies while all of them regard conducting their operations in harmony with society and the natural environment as one of their fundamental principles.

In order to inculcate a love of classical music among youngsters, Tekfen Philharmonic gave a concert as "Tekfen Philhar-Mini" at the Zorlu Performance Arts Centre on November 6th.







Corporate Governance

Board of Directors Members' CVs

Murat Gigin
Chairman of the Board and CEO

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

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

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

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

Cansevil Akçağlılar
Vice Chairwoman and CEO

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

Ali Nihat Gökyiğit
Founding Honorary Chairman and Board Member

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

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

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

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

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

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

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 gained his PhD from Istanbul University School of Economics in 1972. In 1977, he became Associate Professor at Istanbul University School of Management.

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

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

Dr. M. Ercan Kumcu
Board Member

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

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

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

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 gained his master's degree in the same field at the University of Miami. The same year, 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. Over 46 years, he has served on the boards of several Group companies. He held the positions of General Director of Tekfen Construction and Toros Tarım and, between 2000 and 2013, served as Present and CEO of Tekfen Group of Companies. He is currently Chief Advisor for Tekfen Holding and on the boards of several Group companies.

He worked for many years for the Turkish Fertilizer Industry Association and the International Fertilizer Industry Association, including stints as the chairman of each. Öner also served as Chairman of the Turkish-Spanish and Turkish-Portuguese Business Councils, under the Foreign Economic Relations Board (DEİK). He was honoured with the Spanish Royal Order of Merit in 2004 for his work in developing economic relations between Turkey and Spain. In 2011, he was bestowed the Order of Wissam Alaoui by the King of Morocco.

Sinan K. Uzan
Board Member

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

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

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 PhD in Economics in 1965 from the London School of Economics (LSE).

Gönensay was a faculty member in the Departments of Economics at LSE between 1964 and 1967 and Boğaziçi University between 1967 and 1992. He was Dean of the Faculty of Economics and Administrative Sciences at Boğaziçi University between 1971 and 1976, and Economic Advisor, along with Prof. Sir Alan Walters, to the then British Prime Minister between 1980 and 1983. He served as Ambassador-at-Large and Chief Advisor to the Prime Minister in 1992, Ambassador-at-Large and Chief Advisor to the President of Turkey in 1993, and Ambassador-at-Large and Chief Advisor to the Prime Minister of Turkey in issues of the Economy and Oil Pipeline Policies Coordination between 1994 and 1995. He was elected to Parliament in 1995 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 major companies and banks in Turkey, such as Koç Holding, Enka Holding, Chemical Mitsui Bank and Caspian Energy Inc.

An erstwhile columnist for various newspapers in Turkey, Gönensay has many 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. He has been Professor of Economics since 2004 at the Faculty of Economics and Administrative Sciences at Işık University.

Emre Gönensay has been an Independent Member of the Board of Directors of Tekfen Holding since 2011.

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 gained his master's degree from Cambridge University and did post-doctoral research at Yale University. Kurtoğlu retired from his position as Professor of Economics at the Faculty of Economics at Istanbul University in 1995. Between 1997 and 2006, he was a faculty member at Galatasaray University.

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

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

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

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

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

Çiğdem Tüzün
Independent Board Member

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

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

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

Zekeriya Yıldırım
Independent Board Member

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

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

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

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

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

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

Senior Management CVs

Osman Cengiz Birgili
President, Tekfen Group of Companies

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

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

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

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

Associate Prof. Osman Reha Yolalan
Vice President – Corporate Affairs

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

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

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

Ümit Özdemir
Tekfen Holding Vice-President, Contracting Group

Born in Niğde in **1948**, Ümit Özdemir graduated from Lycée de Galatasaray in 1969, received his BS from the İstanbul Technical University (İTÜ), Department of Civil Engineering in 1973, and his MS from İTÜ, Department of Ground Mechanics and Foundation Engineering in 1975.

Ümit Özdemir joined Tekfen Construction in 1975 as project engineer and served on various projects until 1988, when he was appointed Vice-President in charge of operations and served on numerous important projects, the Tarsus-Adana-Gaziantep Highway Project being one of them. Özdemir was Senior VP between 1998 and 2000, in which year he was appointed as President of Tekfen Construction, holding that post for 13 years. Between 2013 and 2016, he was Chairman of the Board of the Tekfen Contracting Group companies; Tekfen İnşaat ve Tesisat A.Ş., Tekfen Mühendislik A.Ş., Tekfen İmalat ve Mühendislik A.Ş., GATE İnşaat Taahhüt Sanayi ve Ticaret A.Ş. and Tekfen-TML Joint Venture.

On 8 April 2016, Özdemir was appointed Tekfen Holding Vice-President in charge of the Contracting Group. He simultaneously serves as Vice-Chairman of the Board at Toros Terminal.

Hakan Göral
Tekfen Holding Deputy Vice-President, Agri-Industry Group

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

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

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

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

Zeynep Hüveyda Akdilli Oral
Tekfen Holding Vice-President, Real Estate Development Group

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

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

Ahmet Okçular
Tekfen Holding Deputy Vice-President, Chief Financial Coordinator

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

Ahmet Okçular began his professional career as an Associate in the Corporate Finance Department of Finans

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

Ahmet Okçular was appointed Deputy Vice-President – Chief Financial Coordinator of Tekfen Holding on 8 April 2016. Okçular has also assumed the position of Deputy Chairman of the Board of Directors of Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş.

Cahit Oklap

Tekfen Holding Vice-President, Strategy, Business Development and Investments

Born in Geylan, Kosovo (former Yugoslavia) in **1950**, Cahit Oklap graduated from Denizli High School. He then received his BS from Middle East Technical University (METU), Department of Chemical Engineering in 1974, and his MS also from METU, Department of Industrial Engineering in 1979. He quit his post of research assistant, a job he has been assuming since his student years at METU to start his professional career as a Planning Engineer during the construction of the PETKİM Aliağa Complex in September 1979.

Cahit Oklap joined Tekfen Construction in September 1983, and for many years has represented the company in numerous joint ventures and consortia with foreign partners particularly with regards to pipeline and highway projects. Oklap was appointed General Manager of HMB (Hallesche Mitteldeutsche Bau AG), Tekfen Holding's subsidiary in Germany in 1995. While keeping this title, Oklap was appointed Deputy General Manager of Tekfen Construction in charge of its operations in Kazakhstan and Germany in 2008.

On April 8, 2016, Cahit Oklap was appointed Vice President of Tekfen Holding, in charge of Strategy, Business Development, and Investments. He simultaneously holds the titles of Chairman of the Board of GATE, Deputy Chairman of the Boards of Tekfen Construction and Toros Tarım, Member of the Board of Azfen and General Manager of HMB.

Tekfen Group Companies

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

Tekfen Holding

(TRY370,000,000)

- **TEKFEN SERVICES** (TRY50,000) 100%
- **AKMERKEZ LOKANTACILIK** (TRY100,000) 30.50%
- **ÜÇGEN BAKIM VE YÖNETİM** (TRY50,000) 27.45%
- **TEKFEN ENDÜSTRİ** (TRY28,600,000) 100%
- **BELPA** (TRY100,000) 95.50%
- **TÜMTEKS**
  TSKB A.Ş.
  AKÇANSA
  TURCAS
  SINAİ VE MALİ YAT.
  TOREN
  GAZ DEPO
- **TEKFEN EMLAK GEL.** (TRY50,000,000) 100%
  - **TEKFEN RÖNESANS ADİ ORTAKLIĞI** (TRY50,000) 50%
- **AKMERKEZ GMYO.** (TRY37,264,000) 10.79%
- **TEKFEN GMY** (TRY13,500,000) 99.98%
  - **FLORYA GMY A.Ş.** (TRY53,471,724) 50%
- **TEKFEN SİGORTA** (TRY1,610,000) 100%
- **TEKFEN TEKNOLOJİ YATIRIM VE TİC. A.Ş.** (TRY7,500,000) 100%
  - **TEKFEN VENTURE MANAGEMENT LLC** 100%
- **TEKFEN INT. FIN & INV S.A.** ($131,300,000) 100%
  - **TST INT'L TRAD. LTD.** ($10,000) 100%
  - **PETROFERTIL TRAD.** ($10,000) 100%
  - **TST INT'L** (GBP10,000) 100%
  - **INDUST. SUPPLY** ($10.000) 100%
  - **PETROFERTIL SHIP.** ($10,000) 100%
  - **TEKFEN VENTURES L.P.** ($50,000,000) 100%
  - **TEKFEN CONSTR.** ($10.003) 100%
  - **CENUB TİKİNTİ** (AZN1,323,694) 51%
  - **TEKFEN INT'L** (GBP7,500) 100%
  - **HMB** (€35,000,000) 100%
  - **ANTALYA STÜD.** (TRY5,250,000) 100%
- **TOROS TARIM** (TRY700,000,000) 99,98%
  - **TOROS GEMİ** (TRY650,000) 100%
  - **HISHTIL-TOROS** (TRY9,733,052) 50%
  - **TOROS TERMINAL** (TRY50,000) 100%
  - **TAYSEB** (TRY2,700,000) 100%
  - **ASBAŞ** (TRY495,000) 10%
  - **MESBAŞ** (TRY5,402,160) 9.56%
  - **BLACK SEA** (TRY2.100.000) 30%
- **TEKFEN İNŞAAT** (TRY100,000,000) 99.99%
  - **TEKFEN MÜHENDİSLİK** (TRY1.000.000) 100%
  - **TEKFEN İMALAT** (TRY30.000.000) 99.94%
  - **GATE İNŞAAT** (TRY50.000) 50%
  - **GAMA TEKFEN TOKAR** 35%
  - **DOĞUŞ-TEKFEN ADİ ORTAKLIĞI** 50%
  - **AZFEN** (AZN276,885) 40%
  - **NCC BV** (€20,000) 50%
  - **TEKFEN TUBİN ÖZDEMİR** 70.65%
  - **TUBİN TEKFEN ÖZDEMİR** 25%
  - **TEKFEN TML** 66.66%

2016 Corporate Governance Compliance Report

Section 1
Corporate Governance Compliance Statement

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

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

Section 2
Shareholders

2.1. Investor Relations Department

Investor Relations and Corporate Governance 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. Osman 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 2016 department operations report was submitted to the Board of Directors on 2 February 2017.

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 2016
Foreign institutional investors hold some of the publicly traded portion of the Company's capital. Consequently, many existing and prospective foreign institutional investors and brokerage companies' analysts who render services to such investors request visits to the Company. The department strives to meet these requests by facilitating the active participation of the Company's senior management. In this context, in 2016 in addition to conferences attended, the Department conducted one-on-

one meetings with 44 investors, and held nine teleconferences. In addition, the Department participated in five conferences in Turkey and abroad and eight roadshows organized abroad and conducted individual talks with 105 representatives of institutional investors during these meetings, which lasted a total of 23 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 2015 financial reports were presented to the public on 3 March 2016 and the Ordinary General Assembly was held on 31 March 2016 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 31 March 2016, 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, 254,830,373.8125 shares (68.87% 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 TRY638,275.44) made in 2015 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 31 March 2016, it was resolved to payout dividends of TRY60,080,600, representing 35% of distributable net profit, to our shareholders, and to distribute them on 13 May 2016.

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 2016 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 2015–2016 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, 46 Tekfen Foundation scholarship recipients had the opportunity of internships at Tekfen Group Companies in 2016.

Tekfen Foundation likewise enables promising, young musicians to further their education abroad. The young cellist Nil Kocamangil for example is a recipient of such a scholarship.

For the third year in a row, Tekfen Foundation also took part in the Turkish Ministry of European Union Affairs' program to send successful students to attend the master's-degree program in EU Affairs at the College of Europe by covering the educational expenses of one such student during the 2015-2016 academic year.

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." Tekfen Philharmonic gave a concert in June at the 44th İstanbul Music Festival under the conductorship of Aziz Shokhakimov, accompanying performances by the Georgian soprano Teona Dvali and the Russian tenor Andrej Dunaev. To mark Tekfen's 60th anniversary, Tekfen Philharmonic entertained music lovers with a gala concert programme, the first on November 2nd at the Ankara Presidential Symphony Orchestra Concert Hall and the second on November 3rd at İstanbul Zorlu Performance Arts Centre.

On November 6, Tekfen Philharmonic gave a third for the children as "Tekfen Philhar-Mini" at the Zorlu Performance Arts Centre.

Sustainable Development

In the aftermath of the mining disaster which occurred on 13 May 2014 in the town of Soma in western Turkey and which resulted in the death of 301 miners, Tekfen Foundation supported the establishment of a microcredit branch in Soma under the auspices of the Turkey Grameen Microfinance Program. The mission of the Tekfen Foundation Microcredit Branch is to provide microloans to local women as seed capital with which to start income-earning businesses of their own. To date, 444 women have benefitted from this programme.

In order to make the possibilities afforded by microcredit known to even more women and to encourage them to expand their horizons, the Tekfen Foundation Microcredit Branch organized a two-day "Microcredit Festival" in April 2016 that focused on ways that women could support their families through their own efforts. During the festival, which was also backed by the Municipality of Soma and the sub-governor's office, local women sold handicrafts and homemade delicacies in a market set up in front of the government house. They also listened while other women who had used microloans to set up successful businesses talked about their own experiences and took part in a series of trainings that focused on spotting potential business opportunities.

Tekfen Holding

Since 2012, Tekfen Holding has been a member of the 'Friend of AKUT' programme, to support one of Turkey's most prominent NGO, specialising in search and rescue.

As a member of the board of trustees of the İstanbul Foundation for Culture and Arts, Tekfen Holding has been supporting the foundation's series of İstanbul festivals for decades. In 2016, the company sponsored Anton Chekov's Three Sisters play staged during the 20th İstanbul Theater Festival.

Tekfen Holding supported the Eymir Cultural Foundation of Middle East Technical University (METU), an institution that has important potential as a source of human resources for Tekfen Group Companies, in the renovation of the METU Graduates' Hall in İstanbul. The company similarly supported the renovation of the graduates' hall on the Ayazağa campus of the İstanbul Technical University.

As part of Tekfen's 60th anniversary celebrations, Tekfen Holding gave financial support to Tekfen Foundation for the realisation of Tekfen Philharmonic's gala concerts.

Toros Tarım

Toros Tarım carries out CSR projects whose primary aim is to stand by Turkish farmers and increase their living standards.

One such project developed by Toros Tarım making extensive usage of technology is a brand-new app called "Toros Farmer" that farmers can install on their computers, tablets, and smartphones. Toros Farmer was designed to be an agricultural decision-making support app that helps farmers make the best fertilizer-related decisions by means of farmer- and field-specific fertilization suggestions and through advice as to the best times and the best methods based on field experience and calendar and meteorological data.

In 2016, the company provided fertilizer to the Samsunspor Club for use on its pitches and also began to supply fertilizer to the Bornova Olive Research Station for a four-year period under a project whose aim is to prepare "fertigation" programs for Gemlik olive cultivars and to determine their impact on some of the quality parameters of table olives and olive oil.

As is the case every year, Toros Tarım once again met the maintenance, repair, and general needs of the Toros Tarım Anatolian High School in Ceyhan and of the Toros Tarım Primary School in the township's Kurtpınarı district.

Section V
Board of Directors

5.1. Structure of the Board

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

A Board of Directors consisting of 11 members, each to serve for one year, was decided upon at the Annual Ordinary General Assembly held on 31 March 2016.

Four independent members serve on our Board of Directors. Zekeriya Yıldırım, Emre Gönensay, A. Çelik Kurtoğlu and Çiğdem Tüzün met the requirements for independence set forth in the Corporate Governance Committee report dated 3 March 2016 and their candidacy was announced. They were elected as independent board members at the General Assembly Meeting held on 31 March 2016. 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 31 March 2016, Ali Nihat Gökyiğit, Cansevil Akçağlılar, Sinan K. Uzan, Murat Gigin, Ahmet İpekçi, 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 responsibilities, including its authority to represent the Company, to a committee made up of its own members or to managing director(s) or general manager(s), as well as directors who are not shareholders.

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

In this regard, Murat Gigin was appointed Chairman and Managing Director of the Board of Directors and Cansevil Akçağlılar was appointed as Vice-Chairman and Managing Director for 2016.

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

Name	Position
Murat Gigin	Chairman & CEO
Cansevil Akçağlılar	Vice Chairwoman and Executive Director
Sinan K. Uzan	Member
Ali Nihat Gökyiğit	Founding Honorary Chairman & Member
Dr. Mehmet Ercan Kumcu	Member
Assoc. Prof. Ahmet İpekçi	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.

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 25 meetings held in 2016 made 57 decisions; average attendance at the meetings and in the decisions during the year was 96%.

All Board decisions but one were passed unanimously, and one dissenting view was 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,

Positions of Board Members in group and non-group companies

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

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. Sinan K. Uzan 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 31 March 2016 it was resolved to pay a gross fee of TRY25,000 per month to Executive Directors and TRY12,500 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 2016, the remuneration provided to Senior Managers, which consists of President and six Vice-Presidents of Group Companies, and to eleven members of the Board of Directors is as follows:

Remuneration	Total (TRY)
Board Members	1,852,500
Senior Managers	6,706,555

The above mentioned total remuneration allocated to the Members of the Board consists only of their sessional allowances. Remuneration otherwise paid to some of the Board members for consultancy and/or Board membership in some Group companies amounts to TRY2,214,370.

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

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

Legal Issues, Government Incentives and Subsidies

Legal Issues

As of 31 December 2016, the aggregate value of lawsuits filed against the group amounted to TRL 106,822,000 (TRL 122,083,000 as of 31 December 2015). (This figure does not include the group's Libyan arbitration plea.) As of the same date and on the advice of our attorneys, TRL 9,998,000 (TRL 64,904,000 as of 31 December 2015) was set aside as a provision to cover those suits in which there is deemed to be a high probability of an unfavourable outcome and potential outflow of resources. In the legal opinion of our attorneys, there is no risk of having to make any payments in lawsuits against which provisions have not been set aside.

Libyan Arbitration Suits

In February 2011 the group was obliged to indefinitely suspend the operations of Tekfen TML JV, a joint venture in which the group indirectly controls a 67% stake, and to evacuate its worksites owing to civil unrest and to adverse developments in Libya. The group decided to bring a suit for arbitration before the International Court of Arbitration in order to recover all the rights, receivables, and assets to which it is entitled under that project. In line with this decision, a plea to initiate commercial arbitration was filed with the International Court of Arbitration of the International Chamber of Commerce (ICC) against the project's employers: Libyan Man-Made River Authority (MMRA) and the Libyan state.

A second plea for arbitration has been filed against the Libyan state through the ICC on the basis of a treaty between Libya and Turkey concerning the reciprocal promotion and protection of investments in the two countries.

MMRA, the Libyan employer, has also filed a suit against Tekfen TML JV through the ICC. It is the legal opinion of our attorneys that this suit poses no risks whatsoever of the group's having to make any payments. The total value of all bonds which are concerned with these activities in Libya and which have been submitted to various authorities is TRL 119,000.

Government Incentives and Subsidies

During 2016, two members of the Tekfen Holding's Agri-Industry Group – Toros Agri-Industry and Hishtil-Toros Fidecilik – were the beneficiaries of the following government incentives and subsidies:

Domestic-Certified Seed Production Support

Toros Tarım benefits from certified-seed production support for its certified wheat and potato seeds in the amounts indicated in Communiqué on domestic-certified seed production assistance published in the government gazette. Wheat seed and potato seed support subsidies as of 31 December 2016 amounted to TRL 911 thousand and TRL 219 thousand respectively with the total of such subsidies amounting to TRL 1,131 thousand.

Agribusiness Credit

The total amount of interest-free credit received from Ziraat Bank by Hishtil-Toros Fidecilik in its capacity as a seedling producer was TRL 8 million as of 31 December 2016.

Investment Incentives and Subsidies

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

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

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

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

Effective 1 June 2015 the company was awarded a 2nd District Investment Incentives Certificate from the Ministry of Economy for a crane investment. Under this certificate the company is entitled to a subsidy for the employer's share of social security premiums, to VAT and customs duty exemptions, and to a 55% reduction in tax due on income from the investment based on an investment support ratio of 20%.

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

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

TÜBİTAK Incentive

The TÜBİTAK-Technology and Innovation Grant Program Directive (TEYDEB) conducts programs that support private institutions' 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,

The Tekfen Group celebrated its 60th year in business in 2016. Looking at the history of the Turkish economy, one sees very few privately-owned undertakings which are as deeply-rooted or institutionalized as our own. While we can take both pleasure and pride in having achieved such a success, we must never suppose that we have gone "far enough" because we know that the farther we advance the bigger the contribution we will make to our country's and our nation's progress.

It is with these thoughts in mind that we are constantly looking for ways to be more effective and more profitable in the conduct of our operations in our three principal business lines: Contracting, Agri-Industry, and Real Estate. Likewise it is for this purpose that we are exploring the possibilities of horizontal and vertical integration and of expanding our management team.

At the same time we are also striving to keep abreast of changing trends in our own country and even throughout the world, to understand the new economy, and to focus on identifying new needs. We are comprehensively assessing possibilities to add new business lines to our existing and customary ones.

All of these efforts and activities will help us to lay out a new roadmap and to identify new strategies. In that respect we regard the period immediately ahead as one of profitability-driven growth for the Tekfen Group. Yet another of our goals is to make Tekfen one of the top ten most valuable brands in Turkey as well as one of the top five employers that the country's young people want to work for.

When setting those goals and acting upon them we are never excessive or improvident in our approach. We keep track both of the macro-risks that might arise from political, economic, social, and technological issues and of the micro-risks that might emerge in areas in which we are already active or plan to be active. We make decisions that are mindful of balancing risk and return. Indeed we regard the fact that the lion's share of our consolidated revenues comes from the Contracting and Agri-Industrial groups as a risk in and of itself and we therefore see operational diversification as a risk management tool.

Finally let me note that the Tekfen Group closed its 2016 books with a turnover of TRY4,737 million and a profit of TRY330 million, both on a consolidated basis. It is with pride that I can say that these figures are well above what they were last year.

I have complete faith in the Tekfen Group's ability to go on contributing to and creating added value for all of its stakeholders – shareholders, employers, customers, employees, suppliers, and community alike – for many more years and generations to come.

Murat Gigin
Chairman of the Board and CEO

SUMMARY BALANCE SHEET (thousand TRY)	31 December 2015	31 December 2016
Current Assets	3,713,282	4,533,781
Non-Current Assets	1,912,773	2,135,028
Total Assets	**5,626,055**	**6,668,809**
Current Liabilities	2,889,548	3,896,563
Non-Current Liabilities	651,372	392,789
Equity Attributable to Owners of the Parent	2,057,358	2,349,681
Minority Interest	27,777	29,776
Total Shareholders' Equity and Liabilities	**5,626,055**	**6,668,809**

SUMMARY INCOME STATEMENT (thousand TRY)	1 January – 31 December 2015	1 January – 31 December 2016
Revenue	3,888,172	4,737,397
Gross Profit	408,874	653,545
Operating Profit	116,523	313,293
Profit Before Taxation	259,560	438,938
Net Profit / (Loss) for the Year	193,036	330,323

IMPORTANT RATIOS	31 December 2015	31 December 2016
Liquidity		
Current Ratio	1.29	1.16
Liability and Indebtness		
Total Liabilities / Equity Attributable to Owners of the Parent	1.72	1.83
Current Liabilities / Total Liabilities	0.82	0.91

	1 January – 31 December 2015	1 January – 31 December 2016
Profitability		
Gross Profit Margin	10.52%	13.80%
EBITDA Margin	7.57%	11.16%
Net Profit for the Year	4.96%	6.97%

Proposal for Profit Distribution

In 2016 the company showed a net profit of TRY324,411,000 (TRY164,001,757.56 according to the statutory books of account) excluding non-controlling interests pursuant to Capital Markets Board (CMB) regulations and accounting standards.

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

That nothing be set aside as a first statutory reserve inasmuch as the company's statutory reserves already correspond to 20% of its paid-in capital;

That of the amount of TRY331,754,730 which is the basis for calculating ("the Base") a first dividend pursuant to CMB communiqué II-19.1, the amount of TRY99,526,419 be set aside as a first dividend in satisfaction of the requirement, of article 27 of the company's articles of association, that at least 30% of that amount is to be paid as a dividend;

That the amount of TRY6,754,537.43, which corresponds to 3% of the Base, be set aside as the dividend to which the Tekfen Foundation for Education, Health, Culture, Art and Protection of Natural Resources, is mandatorily entitled;

That the aggregate amount of TRY2 million be paid to those members of the company's board of directors who are not independent directors;

That TRY14,019,181 of the remainder be set aside as a second dividend to be paid to shareholders;

That TRY202,118,862.57 of the remaining Base be retained in the company as an extraordinary reserve;

That, after the net current profit for 2016 has been apportioned as set forth above, the amount of TRY41,709,620.13 as calculated in accordance with the requirements of the Turkish Commercial Code and tax laws and left over after that apportionment be set aside as an extraordinary reserve;

That the dividends set forth above be paid to their respective beneficiaries in cash and that 29 March 2017 be set as the dividend payment date.

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

Murat Gigin
Chairman of the Board and CEO

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Mersis Numarası : 0291001084600012
Şirket Merkezi : Eski Büyükdere Cad. No: 14
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Turkey

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

To the Board of Directors of
Tekfen Holding Anonim Şirketi

We have audited the annual report of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as "the Group")for the accounting period ended 31 December 2016.

Responsibility of the Board of Directors for the Annual Report

Pursuant to article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the provisions of the Communiqué on the Principles of Financial Reporting In Capital Markets (series II-14.1) ("the Communiqué") of the Capital Markets Board ("CMB") of Turkey, the Group management is responsible for the preparation and fair presentation of the annual report consistent with the consolidated 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 Group'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 Group's consolidated financial statements on which the auditor's report dated 23 February 2017 has been issued.

Our independent audit has been performed in accordance with the Independent Auditing Standards as endorsed by CMB and Independent Auditing Standards which are part of 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 consolidated 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 in 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 consolidated financial statements in all material respects.

Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

Pursuant to paragraph 3 of article 402 of the TCC 6102, within the framework of the ISA 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

Istanbul,
23 February 2017

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

Erdal Aslan, YMM
Partner

BDO

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

To the Board of Directors of
Tekfen Holding Anonim Şirketi

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

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

Information on the Early Risk Identification System and its Committee

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

Conclusion

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

İstanbul,
23 February 2017

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

Erdal Aslan, YMM
Partner

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS WITH THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

(Translated into English from the report originally issued Turkish)

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34398 Maslak/İstanbul
Turkey

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 2016, 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 Consolidated 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.

Opinion

In our opinion, 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 2016, and their financial performance and cash flows for the year then ended in accordance with the TAS.

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 23 February 2017.

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 2016 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,
23 February 2017

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

Erdal Aslan, YMM
Partner

CONTENT PAGE

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

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

ASSETS	Notes	Audited 31 December 2016	Audited 31 December 2015
Current Assets		**4.533.781**	**3.713.282**
Cash and cash equivalents	5	1.483.429	1.032.202
Financial investments	6	108.121	-
Trade receivables	8	1.075.322	959.646
- Related party receivables		*20.680*	*26.677*
- Trade receivables		*1.054.642*	*932.969*
Other receivables	9	61.083	5.707
- Related party receivables		*53.922*	*2.944*
- Other receivables		*7.161*	*2.763*
Receivables from ongoing construction contracts	11	391.944	451.340
Derivative instruments	33	2.245	-
Inventories	10	968.741	891.446
Prepaid expenses	16	91.213	62.672
- Prepaid expenses		*91.213*	*62.672*
Assets related with current tax	30	48.324	43.658
Other current assets	21	279.178	242.760
- Other current assets		*279.178*	*242.760*
		4.509.600	3.689.431
Assets classified as held for sale	29	24.181	23.851
Non-Current Assets		**2.135.028**	**1.912.773**
Financial investments	6	175.435	70.770
Trade receivables	8	152.542	128.607
- Trade receivables		*152.542*	*128.607*
Other receivables	9	3.823	2.957
- Other receivables		*3.823*	*2.957*
Investments valued by equity method	12	118.445	147.848
Investment property	13	82.559	88.830
Property, plant and equipment	14	1.487.673	1.379.244
Intangible assets	15	16.678	14.604
Prepaid expenses	16	6.348	11.273
- Prepaid expenses		*6.348*	*11.273*
Deferred tax assets	30	50.999	41.814
Other non-current assets	21	40.526	26.826
- Other non-current assets		*40.526*	*26.826*
TOTAL ASSETS		**6.668.809**	**5.626.055**

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 2016

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

LIABILITIES	Notes	Audited 31 December 2016	Audited 31 December 2015
Current Liabilities		**3.896.563**	**2.889.548**
Short-term financial debts	7	920.641	615.133
Short-term portion of long-term financial debts	7	88.774	327.707
Trade payables	8	1.528.823	1.211.747
- Related party payables		*10.919*	*490*
- Trade payables		*1.517.904*	*1.211.257*
Payables related to employee benefits	20	70.449	36.496
Other payables	9	73.815	25.363
- Other payables		*73.815*	*25.363*
Ongoing construction progress payments	11	384.782	162.300
Derivative instruments	33	131	-
Deferred revenue	16	685.253	361.164
- Deferred revenue		*685.253*	*361.164*
Current tax liability	30	57.062	48.486
Short-term provisions		82.935	97.687
- Short-term provisions attributable to employee benefits	20	*72.905*	*32.411*
- Other short-term provisions	18	*10.030*	*65.276*
Other short-term liabilities	21	3.898	3.465
- Other short-term liabilities		*3.898*	*3.465*
Non-Current Liabilities		**392.789**	**651.372**
Long-term financial debts	7	251.550	272.070
Trade payables	8	44.033	2.269
- Trade payables		*44.033*	*2.269*
Other payables	9	28.517	18.385
- Other payables		*28.517*	*18.385*
Government incentives and grants	17	1.194	1.093
Deferred revenue	16	-	247.921
- Deferred revenue		*-*	*247.921*
Long-term provisions		40.135	61.052
- Long-term provisions attributable to employee benefits	20	*40.054*	*60.977*
- Other long-term provisions	18	*81*	*75*
Deferred tax liabilities	30	27.360	48.582
TOTAL LIABILITIES		**4.289.352**	**3.540.920**
EQUITY		**2.379.457**	**2.085.135**
Equity Attributable To Owners Of The Parent	22	**2.349.681**	**2.057.358**
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		1.369	(376)
- Gain (loss) on revaluation and remeasurement		*1.369*	*(376)*
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		199.373	160.229
- Currency translation reserve		*125.977*	*108.234*
- Hedging reserve		*1.621*	*-*
- Gain (loss) on revaluation and reclassification		*71.775*	*51.995*
Restricted profit reserves		194.145	176.413
Retained earnings		955.924	861.167
Net profit for the period		324.411	185.466
Non-controlling Interests		**29.776**	**27.777**
TOTAL LIABILITIES AND EQUITY		**6.668.809**	**5.626.055**

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 2016

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

	Notes	Audited 1 January- 31 December 2016	Audited 1 January- 31 December 2015
Revenue	23	4.737.397	3.888.172
Cost of revenue (-)	23	(4.083.852)	(3.479.298)
GROSS PROFIT		**653.545**	**408.874**
General administrative expenses (-)	24	(171.635)	(143.977)
Marketing expenses (-)	24	(123.712)	(123.072)
Research and development expenses (-)	24	(1.256)	-
Other operating income	26	269.673	293.167
Other operating expenses (-)	26	(370.560)	(370.431)
Share on profit of investments valued using equity method	12	57.238	51.962
OPERATING PROFIT		**313.293**	**116.523**
Investment income	27	13.375	18.761
Investment expense (-)	27	(140)	(2.168)
PROFIT BEFORE FINANCIAL INCOME (EXPENSE)		**326.528**	**133.116**
Financial income	28	307.701	255.422
Financial expense (-)	28	(195.291)	(128.978)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		**438.938**	**259.560**
Tax Expense From Continuing Operations	30	**(108.615)**	**(66.524)**
Tax expense for the period (-)		(144.562)	(80.971)
Deferred tax income		35.947	14.447
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		**330.323**	**193.036**
Distribution of Profit For The Period			
Non-controlling interests		5.912	7.570
Owners of the parent		324.411	185.466
Earnings Per Share	31	0,877	0,501

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 2016

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

	Notes	Audited 1 January- 31 December 2016	Audited 1 January- 31 December 2015
PROFIT FOR THE PERIOD		**330.323**	**193.036**
OTHER COMPREHENSIVE INCOME (EXPENSE):			
Items that will not be reclassified to profit or loss		**1.745**	**282**
Gain on revaluation of defined retirement benefit plans	22	2.181	353
Taxes based on other comprehensive income that will not be reclassified to profit or loss		(436)	(71)
- Deferred tax expense (-)		*(436)*	*(71)*
Items that will be reclassified to profit or loss		**35.431**	**(69.997)**
Currency translation reserve differences	22	14.030	(71.932)
Gain on revaluation of available for sale financial assets	6	20.821	2.037
Gains on cash flow hedging		2.026	-
Taxes based on other comprehensive income that will be reclassified to profit or loss		(1.446)	(102)
- Deferred tax expense (-)		*(1.446)*	*(102)*
OTHER COMPREHENSIVE INCOME (EXPENSE)		**37.176**	**(69.715)**
TOTAL COMPREHENSIVE INCOME		**367.499**	**123.321**
Distribution of Total Comprehensive Income (Loss)			
Non-controlling interests		2.199	(9.122)
Owners of the parent		365.300	132.443

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 2016

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

				Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss				Retained Earnings				
Audited	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Gains on hedging	Gain on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period	Equity attributable to owners of the parent	Non-controlling interests	Equity
Opening balance as of 1 January 2015	370.000	3.475	300.984	(658)	163.474	-	50.060	140.185	875.736	55.909	1.959.165	36.899	1.996.064
Transfers	-	-	-	-	-	-	-	36.228	19.681	(55.909)	-	-	-
Total comprehensive income (loss)	-	-	-	282	(55.240)	-	1.935	-	-	185.466	132.443	(9.122)	123.321
- Profit for the period	-	-	-	-	-	-	-	-	-	*185.466*	*185.466*	*7.570*	*193.036*
- Other comprehensive income (loss)	-	-	-	*282*	*(55.240)*	-	*1.935*	-	-	-	*(53.023)*	*(16.692)*	*(69.715)*
Dividends	-	-	-	-	-	-	-	-	(41.049)	-	(41.049)	-	(41.049)
Other changes	-	-	-	-	-	-	-	-	6.799	-	6.799	-	6.799
Closing balance as of 31 December 2015	370.000	3.475	300.984	(376)	108.234	-	51.995	176.413	861.167	185.466	2.057.358	27.777	2.085.135
Audited													
Opening balance as of 1 January 2016	370.000	3.475	300.984	(376)	108.234	-	51.995	176.413	861.167	185.466	2.057.358	27.777	2.085.135
Transfers	-	-	-	-	-	-	-	17.732	167.734	(185.466)	-	-	-
Total comprehensive income	-	-	-	1.745	17.743	1.621	19.780	-	-	324.411	365.300	2.199	367.499
- Profit for the period	-	-	-	-	-	-	-	-	-	*324.411*	*324.411*	*5.912*	*330.323*
- Other comprehensive income (loss)	-	-	-	*1.745*	*17.743*	*1.621*	*19.780*	-	-	-	*40.889*	*(3.713)*	*37.176*
Dividends	-	-	-	-	-	-	-	-	(63.666)	-	(63.666)	-	(63.666)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	91	-	91	(200)	(109)
Other changes	-	-	-	-	-	-	-	-	(9.402)	-	(9.402)	-	(9.402)
Closing balance as of 31 December 2016	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457

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 2016	Audited 1 January- 31 December 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		**686.422**	**194.721**
Profit for the Period		330.323	193.036
Adjustments to Reconcile Net Profit		183.657	103.133
- Depreciation and Amortization	13,14,15	114.396	100.607
- Impairment/Reversed Provision	10,14,29	2	(100)
- Provision Adjustments	8,18,20	66.400	65.687
- Dividend Income	27	(8.972)	(7.921)
- Interest Expense and Income Adjustments	28	(35.195)	(60.097)
- Gain / Loss on Fair Valuation	6,33	(90)	15
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	12	(57.238)	(51.962)
- Allowance for Taxation	30	108.615	66.524
- Adjustments for Gain/Loss on Sale of Fixed Assets	27	(2.906)	(9.620)
- Adjustments for Gain/Loss on Sales of Assets Held for Sale	27	(1.355)	-
Movements in Working Capital		401.799	(22.141)
- Changes in Trade Receivables	8	(129.632)	(277.497)
- Changes in Other Assets		(81.609)	(16.886)
- Changes in Receivables from Ongoing Construction Contracts	11	59.396	(42.254)
- Changes in Inventories	10	(51.967)	(154.984)
- Changes in Trade Payables	8	358.840	30.266
- Changes in Ongoing Construction Progress Payments	11	222.482	107.297
- Changes in Other Liabilities		132.410	290.506
- Other Changes in Working Capital	6	(108.121)	41.411
Cash Generated by Operating Activities		915.779	274.028
Interest Paid		(46.718)	(38.956)
Interest Received		68.427	87.888
Provision Paid Related to Employee Benefits	20	(46.722)	(54.875)
Other Provision Paid	18	(63.693)	(4.360)
Tax Paid / Return	30	(140.651)	(69.004)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(163.651)**	**(200.879)**
Proceeds from Disposal of Subsidiary Resulting in Loss of Control	29	2.716	-
Acquisition of Non-controlling Interests' Shares		(109)	-
Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures		-	(900)
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	6	(56.414)	-
Proceeds from Sales of Tangible and Intangible Assets	14,15	4.682	16.736
Acquisition of Tangible and Intangible Assets	14,15	(155.671)	(237.840)
Acquisition of Investment Properties	13	(770)	(1.737)
Proceeds from Sales of Assets Held for Sale		1.005	-
Advances and Debts Given	16	2.611	3.730
Dividend Received	12,27	38.299	19.132
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(207.581)**	**(120.409)**
Proceeds from Borrowings		911.879	1.084.389
Repayments of Borrowings		(1.047.341)	(1.137.508)
Payments of Financial Lease Obligations		(8.453)	(26.241)
Dividend paid	22	(63.666)	(41.049)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		**315.190**	**(126.567)**
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		136.037	111.320
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**451.227**	**(15.247)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.032.202	1.047.449
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	**1.483.429**	**1.032.202**

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 notes to the consolidated financial statements.

As of 31 December 2016, the Group has employees 14.295 (31 December 2015: 13.234) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

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

As of 31 December 2016 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 % 2016	2015	Business Segment
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	100	100	Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	100	100	Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Manufacturing	Turkey	100	100	Contracting
Cenub Tikinti Servis ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft "HMB"	Trading	Germany	100	100	Contracting
Tekfen International Limited "Tekfen International Ltd"	Investment	United Kingdom	100	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. "Tekfen Construction"	Construction	Ireland	100	100	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Agriculture-Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. "Toros Terminal"	Service	Turkey	100	100	Agriculture
Türk Arap Gübre A.Ş. "Türk Arap Gübre" (*)	Manufacturing	Turkey	-	100	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. "Toros Tarımsal" (*)	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

(*) Türk Arap Gübre and Toros Tarımsal have been combined with Toros Tarım.

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 (cont'd)

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2016	2015	Business Segment
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Real Estate
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. "Tekfen Emlak"	Real Estate	Turkey	100	100	Real Estate
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul"	Investment	Turkey	100	100	Other
Belpa Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. "Belpa"	Trading	Turkey	96	94	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Other
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Other
Papfen Limited Liability Company "Papfen" (*)	Textile	Uzbekistan	-	100	Other
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Other
Antalya Stüdyoları A.Ş. "Antalya Stüdyoları"	Studio Management	Turkey	100	100	Other
Tekfen Teknoloji Yatırım ve Ticaret A.Ş. "Tekfen Teknoloji"	Investment	Turkey	100	-	Other
Tekfen Ventures L.P. "Tekfen Ventures"	Investment	USA	100	-	Other
Tekfen Venture Management LLC "Venture Management"	Management Service	USA	100	-	Other
Petrofertil Shipping S.A. "Petrofertil Shipping"	Service	Panama	100	100	Agriculture/ Contracting/ Other

(*) All shares of Papfen Limited Liability Company were transferred on 23 May 2016.

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2016	2015	Business Segment
Blacksea Gübre Ticaret A.Ş. "Black Sea"	Fertizilier Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik"	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesi "Azfen"	Construction	Azerbaijan	40	40	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. "Florya Gayrimenkul"	Real Estate	Turkey	50	50	Real Estate

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

As of 31 December 2016, branches included in the Group's consolidation are as follows:

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

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

Contracting Group

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

Agricultural Group

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

Real Estate Group

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

Other Operations

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

Approval of consolidated financial statements

Consolidated financial statements are approved by the Board of Directors and have been granted authorization to be published on the date of 23 February 2017. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

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

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

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

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

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

Functional and Reporting Currency

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

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

The exchange rates used in the consolidation process as of 31 December 2016 is; 1 USD= 3,5192 TRY, 1 EUR= 3,7099 TRY, 1 MAD= 0,3481 TRY, 1 SAR= 0,9385 TRY, 1 QAR= 0,9642 TRY (As of 31 December 2015; 1 USD= 2,9076 TRY, 1 EUR= 3,1776 TRY, 1 MAD= 0,2951 TRY, 1 SAR= 0,7754 TRY, 1 QAR= 0,7966 TRY)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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

Consolidation Principles

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation (cont'd)

Consolidation Principles (cont'd)

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

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

Investments in associates and joint ventures

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

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

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

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

Interests in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joints operations of the Group as of 31 December 2016 are as follows:

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

2.1 The Basis of Presentation (cont'd)

Investments in associates and joint ventures (cont'd)

Joint Operations	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2016	2015	Business Segment
Gate İnşaat Taahhüt San. ve Tic. A.Ş. "Gate J.V." (*)	Construction	Turkey	50	50	Contracting
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V."	Construction	Turkey	25	25	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Contracting
Tekfen Impresit J.V. "Impresit" (**)	Construction	Turkey	-	100	Contracting
North Caspian Constr. B.V. "NCC J.V." (*)	Construction	Netherlands	50	50	Contracting
Doğuş - Tekfen Adi Ortaklığı "Doğuş - Tekfen"	Construction	Turkey	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 within the year. (Note 3)

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

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

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

2.2 Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

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

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards

New and revised standards and interpretations are presented below:

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

None.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2016, but not affecting the consolidated financial statements of the Group:

- TAS 16 and TAS 38 (amendments), "Clarification of Acceptable Methods of Depreciation and Amortization", will be effective for annual periods beginning 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 after 31 December 2015.
- TFRS 11 and TFRS 1 (amendments), "Accounting for Acquisition of Interests in Joint Operations", will be effective for annual periods beginning after 31 December 2015.
- Annual Improvements to 2011-2013 Cycle (TFRS 1), will be effective for annual periods beginning after 1 January 2016.
- TAS 1 (amendments), "Disclosure Initiative", will be effective for annual periods beginning after 1 January 2016.
- Annual Improvements to 2012-2014 Cycle (TFRS 5, TFRS 7, TAS 34, TAS 19), will be effective for annual periods beginning after 1 January 2016.
- TAS 27 (amendments), "Equity Method in Separate Financial Statements", will be effective for annual periods beginning after 1 January 2016.
- TFRS 10 and TAS 28 (amendments), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", will be effective for annual periods beginning after 1 January 2016.
- TFRS 10, TFRS 12 and TAS 28 (amendments), "Investment Entities: Applying the Consolidation Exception", will be effective for annual periods beginning after 1 January 2016.
- TFRS 14, "Regulatory Deferral Accounts", will be effective for annual periods beginning after 1 January 2016.

(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", TFRS 9 and TFRS 7 (amendments), "Mandatory Effective Date of TFRS 9 and Transition Disclosures", mandatory effective date of TFRS 9 has been postponed and it will not be earlier than 1 January 2018.
- TFRS 15, "Revenue from Contracts with Customers" will be effective for annual periods beginning after 1 January 2018.

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

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

2.5 Summary of Significant Accounting Policies

Revenue

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

Sale of goods:

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

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

Rental income:

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

Construction Contracts:

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

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

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

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

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

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

Retention Receivables from Contractors

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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.

Intangible Assets

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Impairment of Assets

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

Borrowing Costs

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

Financial Instruments

Financial assets

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "held-to-maturity financial assets", "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.

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.

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)

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Derivative financial instruments and hedge accounting

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

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

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

Foreign Currency Transactions

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Arising translation differences are recognized in other comprehensive income and transferred to accumulated other comprehensive income (loss) that will be reclassified in profit or loss under equity. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Earnings Per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After the Reporting Period

Events after the reporting period comprise of events which occur between the reporting date and the date on which the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or after public disclosure of any other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Onerous contracts

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

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

Warranties

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

Reporting of Financial Information According to Segments

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Government Grants and Incentives

Government incentives are not recognized in the financial statements unless there is a reasonable assurance that Group will comply with the conditions attaching to them and the incentives will be received.

Government incentives are accounted systematically in profit or loss where they are matched with the relevant costs recorded as expenses during the period. Government incentives as a financial instrument should be associated with the balance sheet as unearned revenue to offset the related expense item instead of being recognized in profit or loss and have to be accounted systematically in profit or loss depending on useful lives of the related assets.

Government incentives that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Investment Property

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Corporate Income Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return, therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense represents the sum of the period tax expense and deferred tax income / (expense).

Controlled foreign corporation income:

Turkish CFC regime was introduced in 2006 by Turkish Corporate Income Tax Act. Due to CFC regulations, Turkish Corporate income tax payer which manages their investments via foreign subsidiaries will need to declare and pay corporate income tax in Turkey under certain conditions regardless of whether or not the income generated through foreign subsidiaries is transferred to Turkey. In other words to gain the profit is forced to be free from the distribution of the generated profit. Corporations which are established in foreign companies directly or indirectly controlled by a Turkish individual or corporation which holds (separately or together) at least 50% of their capital, dividend or voting rights which will be deemed as CFC. The other conditions of CFC are; 25% or more of the income of the foreign subsidiary should be passive income (such as rent, dividend, interest), the foreign subsidiary should be subject to less than 10% effective tax burden over its corporate income and the gross revenue of foreign company should exceed the foreign currency equivalent of TRY 100.000.

If the CFC earnings, which are declared in Turkey and related taxes are paid, will be brought up to scene as dividend in the forthcoming periods; they will not be included into taxable income to prevent double taxation.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted for each entity included in the consolidation by the balance sheet date.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Corporate Income Tax (cont'd)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss except when they are directly related to a transaction which is accounted under equity. Otherwise they are recognized in equity, along with the related transaction.

Assets Held For Sale

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

Employee Benefits

Termination and retirement benefits:

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

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

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Redeemed Shares

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

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

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

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

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

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

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually arise from the fact that certain income and expense items are recognized in different reporting periods for TAS and tax purposes. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group recognizes deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

Income tax

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

Change in contract fee

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

Percentage of completion

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed.

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

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

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions (cont'd)

Construction costing estimates

The Group calculates the remaining costs to complete on construction projects through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimate as of the balance sheet dates. Any unanticipated escalation in the subsequent periods will require the reassessment of the remaining costs.

Non-current retention receivables

Non-current retention receivable and payable are stated at their fair value each period end by discounting the Group's effective deposit and borrowing rates respectively, which management considers to be the appropriate discount rates for these assets and liabilities.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows (Note 33).

3. JOINT OPERATIONS

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

Financial information related to these joint operations is as follows:

	31 December 2016	31 December 2015
Current assets	75.502	40.822
Non-current assets	6.066	19.967
Current liabilities	238.266	270.943
Non-current liabilities	1.439	8.470
Shareholders' equity	(158.137)	(218.624)

	1 January- 31 December 2016	1 January- 31 December 2015
Revenue	24.531	23.395
Cost of revenue (-)	(29.514)	(61.686)
Loss for the period	(10.702)	(61.386)

Since the operations of Tekfen Impresit, a joint arrangement of the Group, ended, it has been liquidated within the year and has transferred its accumulated profit amount of 98.289 to Tekfen İnşaat, a subsidiary of the Group.

4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.823.581	1.851.309	32.714	29.793	4.737.397
Cost of revenue (-)	(2.577.125)	(1.469.063)	(29.761)	(7.903)	(4.083.852)
GROSS PROFIT	**246.456**	**382.246**	**2.953**	**21.890**	**653.545**
General administrative expenses (-)	(98.372)	(28.245)	(8.651)	(36.367)	(171.635)
Marketing expenses (-)	(1.780)	(116.023)	(5.909)	-	(123.712)
Research and development expenses (-)	-	-	-	(1.256)	(1.256)
Other operating income	158.190	107.956	715	2.812	269.673
Other operating expenses (-)	(165.408)	(192.483)	(520)	(12.149)	(370.560)
Share on profit (loss) of investments valued using equity method	54.522	2.719	(3)	-	57.238
OPERATING PROFIT (LOSS)	**193.608**	**156.170**	**(11.415)**	**(25.070)**	**313.293**
Investment income	1.680	2.555	-	9.140	13.375
Investment expense (-)	(121)	(1)	(10)	(8)	(140)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)	**195.167**	**158.724**	**(11.425)**	**(15.938)**	**326.528**
Financial income	9.312	73.249	3.122	222.018	307.701
Financial expenses (-)	(39.289)	(86.066)	(835)	(69.101)	(195.291)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**165.190**	**145.907**	**(9.138)**	**136.979**	**438.938**
Tax (expense) income from continuing operations	(83.887)	(6.297)	19.941	(38.372)	(108.615)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	**81.303**	**139.610**	**10.803**	**98.607**	**330.323**

The Group has 136.679 of revenue and 82.936 of operating income from terminal operations classified as agricultural operation in 2016.

(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 2015				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.153.133	1.659.155	27.678	48.206	3.888.172
Cost of revenue (-)	(2.037.852)	(1.387.894)	(25.269)	(28.283)	(3.479.298)
GROSS PROFIT	**115.281**	**271.261**	**2.409**	**19.923**	**408.874**
General administrative expenses (-)	(75.098)	(33.994)	(4.342)	(30.543)	(143.977)
Marketing expenses (-)	(1.387)	(114.611)	(4.560)	(2.514)	(123.072)
Research and development expenses (-)	-	-	-	-	-
Other operating income	197.582	91.542	1.302	2.741	293.167
Other operating expenses (-)	(185.103)	(180.619)	(207)	(4.502)	(370.431)
Share on profit (loss) of investments valued using equity method	51.571	398	(7)	-	51.962
OPERATING PROFIT (LOSS)	**102.846**	**33.977**	**(5.405)**	**(14.895)**	**116.523**
Investment income	5.295	5.646	58	7.762	18.761
Investment expense (-)	(2.124)	(15)	(19)	(10)	(2.168)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)	**106.017**	**39.608**	**(5.366)**	**(7.143)**	**133.116**
Financial income	15.827	60.772	3.272	175.551	255.422
Financial expenses (-)	(53.851)	(14.488)	(495)	(60.144)	(128.978)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**67.993**	**85.892**	**(2.589)**	**108.264**	**259.560**
Tax (expense) income from continuing operations	(25.588)	(10.786)	523	(30.673)	(66.524)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**42.405**	**75.106**	**(2.066)**	**77.591**	**193.036**

The Group has 123.101 of revenue and 67.994 of operating income from terminal operations classified as agricultural operation in 2015.

Translated into English from the report originally issued in Turkish.

4. SEGMENTAL REPORTING (cont'd)

b) As of 31 December 2016 and 2015 segmental assets and liabilities are as follows:

	31 December 2016				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.620.960	2.273.292	583.594	1.190.963	6.668.809
Current and non-current liabilities	2.432.790	1.129.705	598.783	128.074	4.289.352
Equity attributable to owners of the parents	(133.072)	868.149	12.970	1.601.634	2.349.681
Non-controlling interests	29.632	192	-	(48)	29.776

	31 December 2015				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.315.058	1.840.059	326.462	1.144.476	5.626.055
Current and non-current liabilities	2.249.302	900.899	315.331	75.388	3.540.920
Equity attributable to owners of the parents	(139.328)	732.900	13.708	1.450.078	2.057.358
Non-controlling interests	27.550	170	-	57	27.777

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 2016 and 2015 are as follows:

	1 January - 31 December 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	45.730	119.984	2.577	1.362	169.653
Depreciation and amortization expense for the period (**)	60.593	48.873	871	4.059	114.396
Intra-segment revenue	38.856	35.358	40	297	74.551
Inter-segment revenue	18	934	1.598	10.546	13.096

	1 January - 31 December 2015				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	17.289	275.008	1.927	1.859	296.083
Depreciation and amortization expense for the period (**)	73.975	21.514	677	4.441	100.607
Intra-segment revenue	80.705	27.094	40	243	108.082
Inter-segment revenue	32	1.278	1.026	8.697	11.033

(*) Fixed assets purchases through financial lease amounting to 690 (2015: 6.916) and additional capitalized borrowing costs amounting to 12.522 (2015: 49.590 additional capitalized borrowing costs) are also included.

(**) Depreciation expense is added to the cost of inventory 5.932 (2015: 3.823).

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016)	2.918.200	1.141.920	(1.406)	761.262	5.068	(87.647)	4.737.397
Total assets (31 December 2016)	9.041.938	2.484.914	738.860	727.912	99.883	(6.424.698)	6.668.809
Capital expenditures (1 January - 31 December 2016) (*)	164.865	4.356	-	432	-	-	169.653

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2015)	2.306.027	980.005	(4.160)	720.516	4.899	(119.115)	3.888.172
Total assets (31 December 2015)	7.267.411	2.060.440	619.287	816.103	62.431	(5.199.617)	5.626.055
Capital expenditures (1 January - 31 December 2015) (*)	291.656	1.985	-	2.442	-	-	296.083

(*) Fixed assets purchases through financial lease amounting to 690 (2015: 6.916) and additional capitalized borrowing costs amounting to 12.522 (2015: 49.590 additional capitalized borrowing costs) are also included.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

5. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hand	2.141	1.160
Cash at banks		
Demand deposits	134.403	85.312
Time deposits with maturity of three months or less	1.305.930	928.939
Other cash equivalents	40.955	16.791
	1.483.429	1.032.202

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

6. FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2016	31 December 2015
Time deposits with maturity of longer than three months	108.121	-
Long-term financial investments		
Available for sale financial investments	175.435	70.770

Short-term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 3,74% (2015: None) amounting to 108.121 (30.723 Thousand USD) (31 December 2015: None).

Details	Share %	31 December 2016	Share %	31 December 2015
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	88.436	10,79	67.734
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.375	<1	1.256
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	77	<1	74
Turcas Petrolcülük A.Ş.	<1	7	<1	7
		89.895		69.071
Non-traded				
Toren Doğalgaz Depolama ve Madencilik A.Ş.	2,50	42.349	-	-
Gaz Depo ve Madencilik A.Ş.	2,50	41.501	-	-
Sınai ve Mali Yatırımlar Holding A.Ş.	<1	2.536	<1	2.536
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.(*)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	27,45	109	27,45	109
Tümteks Tekstil Sanayi ve Ticaret A.Ş.	7,45	6.147	7,45	6.147
Other		1.593		1.449
		95.574		11.580
Less: Allowance for impairment				
Sınai ve Mali Yatırımlar Holding A.Ş.		(2.536)		(2.536)
Tümteks Tekstil Sanayi ve Ticaret A.Ş.		(6.147)		(6.147)
Other		(1.351)		(1.198)
		(10.034)		(9.881)
		175.435		70.770

(*) As of 31 December 2016 and 2015, 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.

Translated into English from the report originally issued in Turkish.

6. FINANCIAL INVESTMENTS (cont'd)

Traded available for sale financial investments actively are carried at quoted market prices. The positive difference of 71.775 (31 December 2015: 51.995) in the fair value of the available for sale financial investments traded in active markets is directly recognized in equity. There is a positive difference amount of 3 (31 December 2015: 15 negative) in the fair value of the available for sale financial investments traded in active markets is directly recognized in the statement of profit or loss.

85.540 (31 December 2015: 1.699) of the above available for sale financial investments that do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for impairment in value, if any.

Explanations about the nature and level of risks related to financial investments are provided in Note 34.

7. SHORT AND LONG-TERM BORROWINGS

	31 December 2016	31 December 2015
Short-term bank loans	916.751	615.133
Short-term portion of long-term bank loans and interest payments	85.024	320.716
Short-term obligations under finance leases	3.890	-
Short-term portion of long-term obligations under finance leases	3.750	6.991
Total short-term borrowings	1.009.415	942.840
Long-term bank loans	249.660	268.170
Long-term obligations under finance leases	1.890	3.900
Total long-term borrowings	251.550	272.070
Total borrowings	1.260.965	1.214.910

The details of bank loans are as follows:

Original currency	Weighted average interest rate % Short-term	Long-term	31 December 2016 Short-term	Long-term	Total
US Dollars	3,70	-	620.213	-	620.213
EUR	2,14	2,76	153.841	249.660	403.501
TRY	12,75	-	227.721	-	227.721
			1.001.775	249.660	1.251.435

Original currency	Weighted average interest rate % Short-term	Long-term	31 December 2015 Short-term	Long-term	Total
US Dollars	2,87	-	726.480	-	726.480
EUR	2,44	2,90	104.418	268.170	372.588
TRY	10,38	-	104.951	-	104.951
			935.849	268.170	1.204.019

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

7. SHORT AND LONG-TERM BORROWINGS (cont'd)

Repayment schedule of bank loans is as follows:

	31 December 2016	31 December 2015
To be paid within 1 year	1.001.775	935.849
To be paid within 1-2 year	83.220	67.044
To be paid within 2-3 year	83.220	67.042
To be paid within 3-4 year	83.220	67.042
To be paid within 4-5 year	-	67.042
	1.251.435	1.204.019

Group's bank loans; as of 31 December 2016 in the amounts of 176.237 Thousand USD (620.213), 18.556 Thousand EUR (68.841) and 227.721 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2015: 249.856 Thousand USD (726.480), 11.279 Thousand EUR (35.841), 104.951). Other bank loans are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk.

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) bank loan from Unicredit Bank Austria AG in August, 2013 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan will last 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan will last 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criteris obliged due to the agreement as of 31 December 2016. As of 31 December 2016, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 165.060 (44.492 Thousand EUR) and 167.820 (45.236 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the period ended 31 December 2016 is 41.265 (11.123 Thousand EUR) and 39.151 (10.553 Thousand EUR) respectively.

Details of obligations under finance leases are as follows:

	Minimum Lease Payments 31 December 2016	31 December 2015	Present Value of Minimum Lease Payments 31 December 2016	31 December 2015
Obligations under finance leases				
Within one year	7.895	7.374	7.640	6.991
Within 2-5 year	2.041	4.109	1.890	3.900
	9.936	11.483	9.530	10.891
Less: finance expenses related to following years	(406)	(592)	-	-
Present value of obligations finance leases	9.530	10.891	9.530	10.891
Less: Payments within 12 months (in short term payables)			7.640	6.991
Due beyond 12 months			1.890	3.900

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term varies between 12 months and 48 months (2015: 24 – 48 months). For the year ended 31 December 2016 effective weighted average interest is 3,95% for USD and 4,23% for EUR (31 December 2015: 4,59% for USD, 5,47% for EUR). Financial lease obligations currency type distribution is disclosed in Note 34. The fair value of the Group's lease obligations approximates their carrying amount.

Explanations about the nature and level of risks related to financial debts are provided in Note 34.

Translated into English from the report originally issued in Turkish.

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 2016	31 December 2015
Receivables from Contracting group operations	842.204	767.768
Receivables from Agriculture group operations	92.569	75.369
Receivables from Real Estate group operations	36.933	31.767
Receivables from Other group operations	7.566	5.383
Provision for doubtful receivables	(30.850)	(26.068)
Retention receivables (Note: 11)	98.056	66.403
Due from related parties (Note: 32)	20.680	26.677
Other	8.164	12.347
	1.075.322	959.646

Long term trade receivables		
Retention receivables (Note: 11)	143.163	105.715
Receivables from Real Estate group operations	9.379	22.892
	152.542	128.607

Postdated cheques amounting to 59.339 (31 December 2015: 47.695), notes receivables amounting to 42.269 (31 December 2015: 52.995), positive foreign currency differences amounting to 155 (31 December 2015: positive foreign currency differences amounting to 385), and due date differences amounting to 110 (31 December 2015: 1) 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 123 days (31 December 2015: 116 days), for domestic projects is 47 days (31 December 2015: 39 days), for Agriculture group is 40 days (31 December 2015: 40 days), for Real Estate group for short-term trade receivables are 84 days, for long-term trade receivables is 647 days (31 December 2015: short-term trade receivables is 166 days, long-term trade receivables are 447 days) and for other segment is 30 days (31 December 2015: 39 days).

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered. As of 31 December 2016, trade receivables of 30.850 (31 December 2015: 26.068) is provided provision for in the amount of 30.850 (31 December 2015: 26.068).

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

	2016	2015
Provision as at 1 January	(26.068)	(56.292)
Charge for the year	(3.302)	(1.436)
Collected	165	36
Provision released	-	9.117
Write off of bad debt	-	29.368
Currency translation effect	(1.645)	(6.861)
Provision as at 31 December	(30.850)	(26.068)

Doubtful receivable charge for the period has been charged to general administrative expenses (2015: Doubtful receivable charge for the period has been charged to general administrative expenses). In 2015, doubtful receivable income had been realized due to the receivables written off in the previous periods becoming collectable. Doubtful receivable income had been charged to cost of revenue as income (Note 23).

Explanations about the nature and level of risks related to trade receivables are provided in Note 34.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016	31 December 2015
Payables from Contracting group operations	718.254	612.964
Payables from Agriculture group operations	677.546	473.736
Payables from Real Estate group operations	27.315	6.879
Payables from Other group operations	14.300	11.192
Due to related parties (Note: 32)	10.919	490
Retention payables (Note: 11)	80.457	106.423
Other trade payables	32	63
	1.528.823	1.211.747

Long term trade payables	31 December 2016	31 December 2015
Payables from Agriculture group operations	30.684	-
Retention payables (Note: 11)	12.979	1.830
Trade payables from Contracting group operations	370	439
	44.033	2.269

Notes payables amounting to 533 (31 December 2015: 5.960), and foreign currency differences amounting to 176.147 (31 December 2015: 76.825) are included in short and long-term trade payables, there are not any postdated cheques in the current year (31 December 2015: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2015: 92%) of trade payables as at balance sheet date and average payable period for these import purchases is 219 days (31 December 2015: 179 days) whereas average payable period for domestic purchases is 30 days (31 December 2015: 30 days). For Contracting group, import purchases through letter of credit constitute 7% (31 December 2015: 5%) of trade payables as at balance sheet date. The average payable period for these import purchases is 88 days (31 December 2015: 91 days) whereas the average payable period for other purchases is 122 days (31 December 2015: 158 days). The average payable period for Real Estate group is 31 days (31 December 2015: 33 days). For the other operations of the Group, the average payable period is 59 days (31 December 2015: 46 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 34.

(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 2016	31 December 2015
Related party receivables (Note: 32)	53.922	2.944
Deposits and guarantees given	5.370	1.609
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	1.791	1.154
	61.083	5.707
Other long term receivables		
Deposits and guarantees given	3.823	2.957
	3.823	2.957

b) Other Payables:

Other short term payables	31 December 2016	31 December 2015
Taxes and funds payable	33.397	19.644
Payables related to share acquisitions	29.679	-
Deposits and guarantees received	7.510	3.409
Other payables	3.229	2.310
	73.815	25.363
Other long term payables		
Fair value of reedemed shares	25.097	15.695
Deposits and guarantees received	3.420	2.690
	28.517	18.385

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 34.

10. INVENTORIES

	31 December 2016	31 December 2015
Raw materials	103.605	116.391
Work in progress	171.762	177.366
Finished goods	26.635	83.766
Trading goods	41.922	62.246
Goods in transit	35.846	82.028
Inventory from real estate projects	432.253	214.030
Inventory at construction sites	115.721	120.434
Other inventories	40.997	35.185
Allowance for impairment on inventory (-)	-	-
	968.741	891.446

During the year ended 31 December 2016, borrowing costs capitalized in inventory amount to 15.901 (31 December 2015: 8.343).

Movement of allowance for impairment on inventory	2016	2015
Provision as of 1 January	-	(1.039)
Provision released	-	1.039
Provision as of 31 December	-	-

The Group does not have any inventories whose net realizable value is less than its current cost (31 December 2015: None). Accordingly, there is not any provision for allowance for impairment on inventory (31 December 2015: None).

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

11. CONSTRUCTION CONTRACTS

	31 December 2016	31 December 2015
Cost incurred on uncompleted contracts	13.884.066	11.281.208
Recognised gain less losses (net)	784.831	290.938
	14.668.897	11.572.146
Less: Billings to date (-)	(14.661.735)	(11.283.106)
	7.162	289.040

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

	31 December 2016	31 December 2015
From customers under construction contracts	391.944	451.340
To customers under construction contracts	(384.782)	(162.300)
	7.162	289.040

	31 December 2016	31 December 2015
Receivables from uncompleted contracts		
Contracts undersigned abroad	340.773	435.212
Contracts undersigned in Turkey	51.171	16.128
	391.944	451.340
Payables from uncompleted contracts		
Contracts undersigned abroad	(20.511)	(57.493)
Contracts undersigned in Turkey	(364.271)	(104.807)
	(384.782)	(162.300)
	7.162	289.040

The Group has 48.437 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2015: 35.497). Also, the Group has 302.765 of advances received for contracting projects classified in deferred revenue (31 December 2015: 347.417) (Note 16).

As of 31 December 2016, the Group has 93.436 of retention payables to subcontractors (31 December 2015: 108.253). Also, the amount of retention receivables is 241.219 (31 December 2015: 172.118) (Note 8).

Translated into English from the report originally issued in Turkish.

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 2016		31 December 2015			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50,00 %	10.039	50,00 %	7.548	50,00 %	Agriculture
Azfen	Azerbaijan	40,00 %	47.608	40,00 %	78.465	40,00 %	Construction
Black Sea	Turkey	30,00 %	1.034	30,00 %	807	30,00 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50,00 %	59.764	50,00 %	61.028	50,00 %	Real Estate
			118.445		147.848		

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

	2016	2015
Opening balance as at 1 January	147.848	149.307
Group's share on profit (loss)	57.238	51.962
Dividends	(90.588)	(11.211)
Capital increases	-	900
Currency translation effect	5.211	(42.896)
Profit eliminations	(1.264)	(214)
Closing balance as at 31 December	118.445	147.848

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

	2016	2015
H-T Fidecilik	2.491	588
Azfen	54.522	51.571
Black Sea	228	(190)
Florya Gayrimenkul	(3)	(7)
Shares on profit (loss) of joint ventures consolidated by equity method	57.238	51.962

Translated into English from the report originally issued in Turkish.

(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 2016	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	58	103.072	8.000	83	111.213
Other current assets	41.183	732.506	663	57.652	832.004
Other non-current assets	18.326	123.338	31	114.585	256.280
Total Assets	59.567	958.916	8.694	172.320	1.199.497
Short-term financial debts	21.107	-	-	-	21.107
Other short-term liabilities	16.919	839.895	5.237	50.335	912.386
Long-term financial debts	244	-	-	-	244
Other long-term liabilities	1.220	-	10	2.458	3.688
Total Liabilities	39.490	839.895	5.247	52.793	937.425
Net Assets	20.077	119.021	3.447	119.527	262.072
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	10.039	47.608	1.034	59.764	118.445

31 December 2015	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	21	53.183	2.257	125	55.586
Other current assets	30.959	436.949	450	70.841	539.199
Other non-current assets	17.292	81.875	196	59.834	159.197
Total Assets	48.272	572.007	2.903	130.800	753.982
Short-term financial debts	20.958	-	-	-	20.958
Other short-term liabilities	11.297	375.846	201	6.286	393.630
Long-term financial debts	3	-	-	-	3
Other long-term liabilities	919	-	13	2.458	3.390
Total Liabilities	33.177	375.846	214	8.744	417.981
Net Assets	15.095	196.161	2.689	122.056	336.001
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	7.548	78.465	807	61.028	147.848

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

Information related to profit or loss statement:

31 December 2016	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	49.968	1.785.108	229.943	-	2.065.019
Depreciation and amortization expense	1.719	24.920	126	-	26.765
Operating profit (loss)	8.257	174.214	(3.772)	-	178.699
Financial income	2	-	7.734	3	7.739
Financial expense (-)	(2.367)	-	(3.168)	(7)	(5.542)
Tax expense (-)	(855)	(37.789)	(36)	(1)	(38.681)
Profit (loss) for the Period	4.982	136.305	759	(5)	142.041
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Profit (Loss) for the year	2.491	54.522	228	(3)	57.238

31 December 2015	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	41.864	1.496.368	98.168	-	1.636.400
Depreciation and amortization expense	1.547	24.758	125	-	26.430
Operating profit (loss)	3.067	124.673	(6.050)	-	121.690
Financial income	6	43.796	9.673	-	53.475
Financial expense (-)	(1.727)	-	(4.230)	(1)	(5.958)
Tax expense (-)	(169)	(39.542)	(27)	(13)	(39.751)
Profit (Loss) for the Period	1.177	128.927	(634)	(14)	129.456
Group's Ownership Rate	%50,00	%40,00	%30,00	%50,00	
Group's share on Profit (Loss) for the year	588	51.571	(190)	(7)	51.962

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

13. INVESTMENT PROPERTY

Investment property as at 31 December 2016 and 2015 is as follows:

Cost	Land	Buildings	Total
Opening balance as at 1 January 2016	21.208	99.184	120.392
Currency translation effect	195	-	195
Additions	-	770	770
Transfers	-	(8.646)	(8.646)
Closing balance as at 31 December 2016	21.403	91.308	112.711
Accumulated Depreciation			
Opening balance as at 1 January 2016	-	(31.562)	(31.562)
Charge for the year	-	(2.875)	(2.875)
Transfers	-	4.285	4.285
Closing balance as at 31 December 2016	-	(30.152)	(30.152)
Carrying value as at 31 December 2016	21.403	61.156	82.559

Cost	Land	Buildings	Total
Opening balance as at 1 January 2015	7.916	99.663	107.579
Currency translation effect	(1.749)	-	(1.749)
Additions	-	1.737	1.737
Transfers	15.041	(2.216)	12.825
Closing balance as at 31 December 2015	21.208	99.184	120.392
Accumulated Depreciation			
Opening balance as at 1 January 2015	-	(29.245)	(29.245)
Charge for the year	-	(2.840)	(2.840)
Transfers to property, plant and equipment	-	523	523
Closing balance as at 31 December 2015	-	(31.562)	(31.562)
Carrying value as at 31 December 2015	21.208	67.622	88.830

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 2.646 (2015: 2.317) has been charged to cost of revenue, 229 (2015: 523) to general administrative expenses.

For the year ended 31 December 2016 total rental income earned from investment properties is 29.774 (31 December 2015: 28.763). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 7.099 (31 December 2015: 6.092).

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 2016 is 484.182 (31 December 2015: 518.845) 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.

Translated into English from the report originally issued in Turkish.

14. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Opening balance as at 1 January 2016	393.352	385.614	1.820.663	36.221	89.568	74.310	145.415	2.945.143
Currency translation effect	41.563	21.128	165.271	6.098	11.610	-	1.589	247.259
Additions	25.643	1.186	19.101	843	7.213	108.857	2.964	165.807
Disposals	(925)	(853)	(33.161)	(2.286)	(12.793)	-	(4.995)	(55.013)
Transfers	12.765	9.367	110.815	204	1.290	(140.562)	1.571	(4.550)
Closing balance as at 31 December 2016	472.398	416.442	2.082.689	41.080	96.888	42.605	146.544	3.298.646
Accumulated Depreciation								
Opening balance as at 1 January 2016	(143.559)	(174.893)	(1.048.696)	(33.418)	(73.939)	-	(91.394)	(1.565.899)
Currency translation effect	(24.313)	(10.416)	(136.179)	(5.630)	(10.203)	-	(1.243)	(187.984)
Charge for the year	(12.071)	(7.669)	(84.625)	(890)	(5.627)	-	(4.470)	(115.352)
Allowance for impairment	-	-	(2)	-	-	-	-	(2)
Disposals	642	307	32.439	2.195	12.693	-	4.961	53.237
Transfers	-	5.027	-	-	-	-	-	5.027
Closing balance as at 31 December 2016	(179.301)	(187.644)	(1.237.063)	(37.743)	(77.076)	-	(92.146)	(1.810.973)
Carrying value as at 31 December 2016	293.097	228.798	845.626	3.337	19.812	42.605	54.398	1.487.673

Property, plant and equipment include fixed assets with carrying value of 12.117 purchased through financial lease. 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 690 (31 December 2015: 6.916). For the year ended as of 31 December 2016, additional capitalized borrowing costs amounting to 12.522 (31 December 2015: 49.590 additional capitalized borrowing costs) are included in property, plant and equipment. The rate used to determine the amount of borrowing costs eligible for capitalization is 18,75% (2015:18,64%).

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

Cost Value	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Opening balance as at 1 January 2015	356.224	334.224	1.190.773	33.776	78.480	498.063	136.957	2.628.497
Currency translation effect	(690)	20.421	162.423	6.322	9.710	(30)	1.258	199.414
Additions	36.247	707	13.021	201	5.124	236.259	106	291.665
Disposals	(1.760)	(6.485)	(99.960)	(4.078)	(5.276)	(1.227)	(158)	(118.944)
Transfers	3.331	36.747	554.406	-	1.530	(658.755)	7.252	(55.489)
Closing balance as at 31 December 2015	393.352	385.614	1.820.663	36.221	89.568	74.310	145.415	2.945.143
Accumulated Depreciation								
Opening balance as at 1 January 2015	(117.044)	(190.440)	(959.426)	(28.716)	(61.932)	-	(85.180)	(1.442.738)
Currency translation effect	(13.325)	(9.693)	(125.288)	(5.471)	(8.259)	-	(995)	(163.031)
Charge for the year	(14.162)	(6.417)	(61.678)	(3.506)	(8.706)	-	(5.234)	(99.703)
Disposals	971	4.054	97.625	4.231	4.815	-	132	111.828
Transfers	1	27.603	71	44	143	-	(117)	27.745
Closing balance as at 31 December 2015	(143.559)	(174.893)	(1.048.696)	(33.418)	(73.939)	-	(91.394)	(1.565.899)
Carrying value as at 31 December 2015	249.793	210.721	771.967	2.803	15.629	74.310	54.021	1.379.244

Property, plant and equipment include fixed assets with carrying value of 46.301 purchased through financial lease.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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	2-50 years
Vehicles	2-12 years
Furniture and fixtures	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 105.699 (2015: 91.971) has been charged to cost of revenue, 1.303 (2015: 1.039) to marketing expenses, 2.418 (2015: 2.870) to general administrative expenses and 5.932 (2015: 3.823) to cost of inventory.

15. INTANGIBLE ASSETS

Cost value	Rights	Other	Total
Opening balance as at 1 January 2016	36.280	2.383	38.663
Currency translation effect	4.754	38	4.792
Additions	2.309	767	3.076
Transfers	389	-	389
Closing balance as at 31 December 2016	43.732	3.188	46.920
Accumulated amortization			
Opening balance as at 1 January 2016	(23.754)	(305)	(24.059)
Currency translation effect	(4.044)	(38)	(4.082)
Charge for the year	(2.101)	-	(2.101)
Closing balance as at 31 December 2016	(29.899)	(343)	(30.242)
Carrying value as at 31 December 2016	13.833	2.845	16.678

Cost value	Rights	Other	Total
Opening balance as at 1 January 2015	22.055	1.347	23.402
Currency translation effect	4.145	26	4.171
Additions	1.671	1.010	2.681
Disposals	(1)	-	(1)
Transfers	8.410	-	8.410
Closing balance as at 31 December 2015	36.280	2.383	38.663
Accumulated amortization			
Opening balance as at 1 January 2015	(18.387)	(301)	(18.688)
Currency translation effect	(3.558)	(26)	(3.584)
Charge for the year	(1.887)	-	(1.887)
Disposals	1	-	1
Transfers	77	22	99
Closing balance as at 31 December 2015	(23.754)	(305)	(24.059)
Carrying value as at 31 December 2015	12.526	2.078	14.604

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 1.806 (2015: 1.866) has been charged to general administrative expenses, 295 (2015: 21) to cost of revenue.

Translated into English from the report originally issued in Turkish.

16. PREPAID EXPENSES AND DEFERRED REVENUE

Short term prepaid expenses	31 December 2016	31 December 2015
Advances paid for construction projects (Note: 11)	48.437	35.497
Prepaid expenses	26.109	17.329
Order advances given	15.892	9.412
Business advances given	775	434
	91.213	62.672

Long term prepaid expenses		
Prepaid expenses	4.225	6.539
Advances given for fixed assets	2.123	4.734
	6.348	11.273

Short-term deferred revenue		
Advances received for Real Estate projects	330.626	28
Advances received for construction projects (Note: 11)	302.765	347.417
Other advances received	45.162	7.989
Income relating to future months	6.700	5.730
	685.253	361.164

Long-term deferred revenue		
Advances received for Real Estate projects	-	247.921
	-	247.921

17. GOVERNMENT GRANTS AND INCENTIVES

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

Before the harvest period, the support amounts per kilogram are conveyed in the Official Gazette by Republic of Turkey Ministry of Food, Agriculture and Livestock annually. For the harvest period in 2016, unit prices conveyed in 2015 for wheat is 0,10 TRY/kg and for potato is 0,08 TRY/kg. As of 31 December 2016, income generated from wheat support is 912 whereas the income generated from potato support is 219 which make a total income of 1.131 (31 December 2015: wheat supporting 1.295, potato supporting 144, total 1.439) (Note 26). 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 began on 1 September 2013 and ended on 31 August 2016. In parallel with the budget given to Tübitak; personnel expenses, fixed asset and material acquisitions, service and labor costs are taken in the scope of the support. Support fees are paid in cash after the assessment of financial and technical reports presented to Tübitak semi-annually.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016	31 December 2015
Provision for litigation	9.998	64.904
Other provisions	32	372
	10.030	65.276

Long term other provisons	31 December 2016	31 December 2015
Other provisions	81	75
	81	75

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2016	64.904	447	65.351
Currency translation effect	2.833	19	2.852
Charge for the period	6.480	6	6.486
Provision paid	(63.693)	-	(63.693)
Provision released	(526)	(359)	(885)
Closing balance as at 31 December 2016	9.998	113	10.111
Opening balance as at 1 January 2015	23.152	4.375	27.527
Currency translation effect	4.513	695	5.208
Charge for the period	38.577	13	38.590
Provision paid	(602)	(3.758)	(4.360)
Provision released	(736)	(878)	(1.614)
Closing balance as at 31 December 2015	64.904	447	65.351

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)

<u>Litigations:</u>

As of 31 December 2016, except Libya counterclaim, lawsuit filed against the Group is totally 106.822 (31 December 2015: 122.083) and the management has decided to accrue 9.998 (31 December 2015: 64.904) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuits filed against the Group.

Libya Arbitration Claim

Tekfen-TML J.V., a joint operation of which 67% is owned by the Group, had to suspend its operations and evacuate its sites in Libya from 2011 February for an uncertain period of time due to the civil unrest in the country.

The Group resolved to proceed with an International Arbitration claim for recovery of project-related rights, receivables and assets in Libya. In line with this decision, on 16 June 2015, a plea of commercial arbitration was placed with the International Court of Arbitration of the International Chamber of Commerce (ICC) against the contracting management for the project, Libyan Man-Made River Authority (MMRA), and Libyan State via offering "Request for Arbitration".

Besides, an additional plea of commercial arbitration was placed with ICC against Libyan State in the context of Treaty on Bilateral Investment Protection signed between Libyan and Turkish States. MMRA initiated a counterclaim against Tekfen TML J.V. with ICC.

Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group. Letters of guarantees given related to Libya project to various institutions amount to 119.

<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.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016 and 2015 is as follows:

31 December 2016	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	8.763.286	1.554.919	67.676	3.040.146
-Guarantee	*8.758.786*	*1.554.919*	*67.676*	*3.035.646*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	125.662	-	-	125.662
-Guarantee	*125.662*	-	-	*125.662*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2016	8.888.948	1.554.919	67.676	3.165.808

31 December 2015	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	5.696.722	1.664.489	59.691	667.380
-Guarantee	*5.692.222*	*1.664.489*	*59.691*	*662.880*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	96.609	-	-	96.609
-Guarantee	*96.609*	-	-	*96.609*
-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 2015	5.793.331	1.664.489	59.691	763.989

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 2016	31 December 2015
Salary accruals	37.720	26.371
Social security witholding payables	32.729	10.125
	70.449	36.496

Short term provisions attributable to employee benefits	31 December 2016	31 December 2015
Retirement pay provision	40.483	4.533
Unused vacation pay liability provision	18.453	13.594
Premium provision	13.969	14.284
	72.905	32.411

Long term provisions attributable to employee benefits		
Retirement pay provision	40.054	60.977

	31 December 2016	31 December 2015
Short term retirement pay provision	40.483	4.533
Long term retirement pay provision	40.054	60.977
	80.537	65.510

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 4.426,16 TRY which is effective on or after 1 January 2017 (31 December 2015: 4.092,53 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 2016.

There is no legal funding requirement for retirement pay liability.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees (not applicable for employees who are working in construction projects). TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

20. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

Retirement pay provision for Turkish personnel employed in Turkey (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the consolidated financial statements as of 31 December 2016, 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 2016, the provisions have been calculated by taking the real discount rate as approximately 6,56% (31 December 2015: 4,53%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of foreign employees located abroad:

The Group and its consolidated subsidiaries are subject to regulations where they operate in. Provisional amounts for the subject matter laws have been provided in the consolidated financial statements.

Retirement pay provision for subcontractor employee:

The Group and the subcontractor companies are conjointly responsible for the retirement pay provision of subcontractor employees at the construction projects. In order to guarantee subcontractors commitment, the Group provides deductions from subcontractor's progress billings and letter of guarantee. Retirement pay provision calculation for subcontractor's personnel is subject to regulations where they operate in and the agreements between the Group and the subcontractors.

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as at 1 January 2016	65.510	14.284	13.594	93.388
Currency translation effect	8.082	717	1.989	10.788
Charge for the period	34.585	12.314	10.982	57.881
Interest expense	1.523	-	-	1.523
Provision paid	(26.819)	(12.335)	(7.568)	(46.722)
Provision released	(187)	(1.011)	(544)	(1.742)
Actuarial gain	(2.157)	-	-	(2.157)
Closing balance as at 31 December 2016	80.537	13.969	18.453	112.959
Opening balance as at 1 January 2015	53.970	13.818	15.526	83.314
Currency translation effect	5.677	1.486	1.633	8.796
Charge for the period	31.768	17.747	6.989	56.504
Interest expense	903	-	-	903
Provision paid	(26.277)	(18.767)	(9.831)	(54.875)
Provision released	(5)	-	(723)	(728)
Actuarial gain	(526)	-	-	(526)
Closing balance as at 31 December 2015	65.510	14.284	13.594	93.388

32.334 (2015: 28.127) of current year charge and released provision for retirement pay has been included in cost of revenue, 3.429 (2015: 4.249) has been included in general administrative expenses and 158 (2015: 290) has been included in marketing expenses.

3.074 (2015: 2.544), 7.480 (2015: 14.548) and 749 (2015: 645) of current year charge and released provision for premiums have been included in cost of revenue, in general administrative expenses and in marketing expenses respectively.

8.247 (2015: 6.150) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 2.113 (2015: 96) has been included in general administrative expenses and 78 (2015: 20) 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 2016	31 December 2015
VAT receivables	240.103	194.683
Witholding tax of ongoing construction contracts	37.047	47.646
Other current assets	2.028	431
	279.178	242.760

Other non-current assets	31 December 2016	31 December 2015
Witholding tax of ongoing construction contracts	40.526	25.026
VAT receivables	-	1.800
	40.526	26.826

Other short-term liabilities	31 December 2016	31 December 2015
VAT calculated	3.761	3.319
Other	137	146
	3.898	3.465

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 2016 and 2015 is as follows:

Shareholders	(%)	31 December 2016	(%)	31 December 2015
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Akçağlılar family	6,65%	24.611	10,87%	40.216
Other (*)	4,21%	15.593	4,21%	15.593
Publicly traded (**)	50,53%	186.944	46,31%	171.339
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%.

(**) 24.737.369 (6,69%) shares at 1 TRY par value of publicly traded shares are under the control of founding shareholder families as of 31 December 2016 (31 December 2015: 24.983.368 share; 6,75%).

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2015: 370.000.000). All these shares consist of bearer common shares.

According to the articles of association of the Company, 5% of the net profit is reserved as first order legal reserves up to 20% of the paid-up capital. At least 30% but not less than the rate and amount determined by the CMB of the amount that to be found by the addition of donations made within the year to the remaining part of the net profit is distributed as first dividend. Up to 3% of the remaining net profit is devoted to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakf which holds redeemed shares.

22. SHAREHOLDERS' EQUITY (cont'd)

b) Accumulated other comprehensive income or loss that will be not reclassified / reclassified in profit or loss

	31 December 2016	31 December 2015
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Profit (loss) on revaluation of defined retirement benefit plans	1.369	(376)
	1.369	(376)
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	125.977	108.234
- Gain on revaluation and reclassification (Note: 6)	71.775	51.995
- Gains on hedging (Note: 33)	1.621	-
	199.373	160.229

Gain (loss) on revaluation and remeasurement:

Gain (loss) on revaluation and remeasurement consists of all actuarial gains and losses, which are calculated in accordance with revised TAS 19 and recognized in other comprehensive income.

Currency Translation Reserve:

Group's consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group's consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 125.977 (31 December 2015: 108.234).

Gain / (loss) on revaluation and reclassification:

Gain / (loss) on revaluation and reclassification consists of changes in fair value of financial assets available for sale. In the event of the disposition of a revalued financial asset at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss. In case of a revalued at fair value financial assets impairment, amount impaired is accounted in profit or loss.

Gains (loss) on hedging:

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges under equity. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

22. SHAREHOLDERS' EQUITY (cont'd)

c) Restricted Profit Reserves

	31 December 2016	31 December 2015
Restricted profit reserves	194.145	176.413

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 23 February 2017, Board of Directors offered to pay shareholders 0,31 TRY (2015: 0,16 TRY) gross dividends per share. That dividend payment is subject to approval of the shareholders in General Shareholders' Meeting and so that the amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount to be paid to shareholders and the holders of the redeemed shares is 113.546 (2015: 60.081) and 6.746 (2015: 3.585), respectively.

Resources That Can Be Subject To Profit Distribution:

Total amount of other resources that may be subject to profit distribution in the statutory records of Tekfen Holding A.Ş. is 1.577.393 (31 December 2015: 1.477.058). 1.102.516 portion of this amount belongs to shares issued and 474.877 portion of this amount belongs to bonus shares issued (31 December 2015: shares issued 1.002.181, bonus shares issued 474.877).

d) Premiums in Capital Stock

Group has done public offering (22,50%) of issued 66.775 shares by increased capital on 23 November 2007. The income from this public offering is 380.618. After 12.859 expenses directly related to the public offering deducted, 300.984 is accounted as premium in capital stock in shareholder's equity.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

23. REVENUE AND COST OF REVENUE

Revenue	1 January- 31 December 2016	1 January 31 December 2015
Contract revenue	2.823.581	2.153.133
- Contract revenue – abroad	*1.880.888*	*1.669.659*
- Contract revenue – domestic	*923.614*	*461.328*
- Joint operations – abroad	*12.388*	*7.683*
- Joint operations – domestic	*6.691*	*14.463*
Good and merchandise sales	1.851.634	1.669.343
- Domestic goods and merchandise sales	*1.797.815*	*1.627.791*
- Export goods and merchandise sales	*55.957*	*47.338*
- Sales returns and discounts from goods and merchandise sales (-)	*(2.138)*	*(5.786)*
Other sales	62.182	65.696
	4.737.397	3.888.172

Cost of revenue (-)	1 January- 31 December 2016	1 January- 31 December 2015
Cost of raw materials used	(1.680.713)	(1.590.334)
Subcontractor expenses	(928.427)	(685.517)
Personnel expenses	(691.829)	(496.800)
Construction site expenses	(197.010)	(142.423)
Machinery, vehicle and other rent expenses	(133.632)	(104.671)
Depreciation expenses (Note: 13, 14, 15)	(108.640)	(94.309)
Energy and fuel expenses	(79.611)	(80.440)
Transportation expenses	(36.310)	(34.717)
Outsourcing expenses	(35.819)	(31.460)
Maintenance expenses	(35.329)	(40.356)
Consultancy expenses	(24.425)	(32.781)
Insurance expenses	(20.579)	(10.217)
Custom expenses	(10.927)	(12.216)
Cost of merchandises sold	(4.901)	(13.275)
Engineering expenses	(2.727)	(16.792)
Consumable and other material expenses	(1.759)	(547)
Provision for doubtful receivables (Note: 8)	-	9.117
Other	(91.214)	(101.560)
	(4.083.852)	(3.479.298)

24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January- 31 December 2016	1 January- 31 December 2015
General administrative expenses (-)	(171.635)	(143.977)
Marketing expenses (-)	(123.712)	(123.072)
Research and development expenses (-)	(1.256)	-
	(296.603)	(267.049)

Details of general administrative expenses	1 January- 31 December 2016	1 January- 31 December 2015
Personnel expenses	(102.312)	(89.422)
Consultancy expenses	(14.080)	(11.925)
Office and administration expenses	(13.065)	(13.490)
Depreciation and amortization expenses (Note: 13, 14, 15)	(4.453)	(5.259)
Tender preparation expenses	(4.293)	(775)
Provision for doubtful receivables (Note: 8)	(3.302)	(1.436)
Rent expenses	(3.140)	(1.805)
Duties, charges and other tax expenses	(2.962)	(1.725)
Communication expenses	(2.203)	(1.576)
Bank and notary expenses	(1.663)	(3.741)
Traveling expenses	(1.521)	(1.318)
Maintenance expenses	(1.159)	(623)
Hospitality expenses	(568)	(1.891)
Energy and fuel expenses	(525)	(411)
Reversal of doubtful receivable provision (Note: 8)	102	36
Other expenses	(16.491)	(8.616)
	(171.635)	(143.977)

Details of marketing expenses		
Transportation expenses	(93.832)	(94.448)
Personnel expenses	(9.843)	(9.241)
Advertisement expenses	(6.547)	(5.396)
Depreciation and amortization expenses (Note: 14)	(1.303)	(1.039)
Rent expenses	(925)	(1.259)
Energy and fuel expenses	(860)	(901)
Duties, charges and other tax expenses	(713)	(1.304)
Traveling expenses	(600)	(592)
Maintenance expenses	(419)	(395)
Consultancy expenses	(393)	(316)
Hospitality expenses	(388)	(596)
Office and administration expenses	(317)	(447)
Communication expenses	(256)	(296)
Other expenses	(7.316)	(6.842)
	(123.712)	(123.072)

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

Details of research and development expenses	1 January- 31 December 2016	1 January- 31 December 2015
Consultancy expenses	(729)	-
Rent expenses	(47)	-
Traveling expenses	(10)	-
Other expenses	(470)	-
	(1.256)	-

25. QUALITATIVE EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	(112.155)	(98.663)
Transportation expenses	(93.832)	(94.448)
Consultancy expenses	(15.202)	(12.241)
Office and administration expenses	(13.382)	(13.937)
Advertisement expenses	(6.547)	(5.396)
Depreciation and amortization expenses (Note: 13, 14, 15)	(5.756)	(6.298)
Tender preparation expenses	(4.293)	(775)
Rent expenses	(4.112)	(3.064)
Duties, charges and other tax expenses	(3.675)	(3.029)
Provision for doubtful receivables (Note: 8)	(3.302)	(1.436)
Communication expenses	(2.459)	(1.872)
Traveling expenses	(2.131)	(1.910)
Bank and notary expenses	(1.663)	(3.741)
Maintenance expenses	(1.578)	(1.018)
Energy and fuel expenses	(1.385)	(1.312)
Hospitality expenses	(956)	(2.487)
Reversal of doubtful receivable provision (Note: 8)	102	36
Other expenses	(24.277)	(15.458)
	(296.603)	(267.049)

26. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange gains	219.354	254.309
Due date difference income	23.486	17.396
Rent income	4.116	3.962
Indemnity income	5.244	2.835
Discount income	3.195	3.322
Refundment income of social benefit	1.920	1.551
Scrap sale income	1.442	1.658
Government grants and incentives income (Note: 17)	1.131	1.439
Reversal of litigation provision (Note: 18)	526	736
Reversal of other unnecessary provisions	359	726
Project management income	314	-
Other income	8.586	5.233
	269.673	293.167

Other operating expenses (-)		
Foreign exchange losses	(332.854)	(340.494)
Due date difference expenses	(10.146)	(6.349)
Grants and contributions	(7.344)	(638)
Litigation provision (Note: 18)	(3.516)	(13.138)
Discount expenses	(2.332)	(177)
Additional tax expenses	(2.157)	(77)
Penalty and damages expenses	(373)	(292)
Rent expenses	(262)	(183)
Other provision expenses	(6)	(13)
Damages subject to litigation	-	(117)
Other expenses	(11.570)	(8.953)
	(370.560)	(370.431)

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

27. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2016	1 January - 31 December 2015
Gain on sale of fixed asset	3.038	10.840
Dividend income	8.972	7.921
Gain on sale of assets classified as held for sale	1.355	-
Other	10	-
	13.375	18.761

Investment expense (-)	1 January - 31 December 2016	1 January - 31 December 2015
Loss on sale of fixed assets	(132)	(1.220)
Impairment of fixed assets (Note: 14,29)	(2)	(939)
Other	(6)	(9)
	(140)	(2.168)

28. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange gains	235.504	161.373
Interest income	69.835	89.065
Currency translation reserve gains	2.362	4.884
Other finance income	-	100
	307.701	255.422

Financial expenses (-)	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange losses	(156.061)	(113.219)
Interest expenses	(47.722)	(41.248)
Currency translation reserve losses	(11.901)	(26.223)
Other finance expenses	(8.030)	(6.221)
Less: Financial expenses included in costs of property, plant and equipment and inventories	28.423	57.933
	(195.291)	(128.978)

(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 2016	31 December 2015
Assets classified as held for sale	24.181	23.851
	24.181	23.851

The movement of assets classified as held for sale is as follows:

	2016	2015
Net book value as at 1 January	23.851	19.485
Currency translation effect	3.816	3.802
Allowance for impairment (Note: 27)	-	(939)
Disposals	(2.360)	-
Impairment of subsidiary	(1.126)	(4.384)
Transfers	-	5.887
Net book value as at 31 December	24.181	23.851

All shares of Papfen, a subsidiary of the Group, whose net assets had been classified to the account of "Assets classified as held for sale" in the consolidated financial statements as of 31 December 2015 were transferred on 23 May 2016.

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Assets related to current tax	31 December 2016	31 December 2015
Prepaid corporate tax	48.324	43.658
	48.324	43.658

Current tax liability	31 December 2016	31 December 2015
Corporate tax provision	57.062	48.486
Less: Prepaid taxes and funds	(48.324)	(43.658)
	8.738	4.828

Tax expense in the statement of profit or loss:

Tax expense comprises as follows:	1 January - 31 December 2016	1 January - 31 December 2015
Current tax provision	144.562	80.971
Deferred tax income	(35.947)	(14.447)
	108.615	66.524

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 2016 is 20% (2015: 20%).

In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2016 is 20% (2015: 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 2015 until 2020.

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.

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	7,5%	10% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	21%	0% - 15%
Ireland	12,5% - 25%	0% - 20%
United Kingdom	20%	0% - 20%
Morocco	31%	10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 7%
Turkmenistan	0% - 20%	15%

Exemption of Foreign Branch Earnings:

In accordance with private judgment related with overseas construction earnings in Corporate Tax Law's Article 5/1-h: "Earnings, which are provided from overseas construction, maintenance, installation or technical services, are transferred to income statement in Turkey" are exempted from corporate tax. According to the judgment, the only requirement is transferring of these earnings to income statement in Turkey. It is not obligatory that the earnings to be brought in Turkey.

General Directorate of Exports of Ministry of Economy of Turkey has given tax, duties and charge incentive for the below mentioned contract undertaken by Tekfen İnşaat and its joint operations.

- Ankara – İzmir High Speed Train Project's Afyonkarahisar-Uşak (Banaz) Section and Afyonkarahisar Transpassing's Infrastructure. Incentive will be applied until 8 May 2019.

Investment Incentive Tax Exemption:

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 34.148 on the basis of two years over Toros Tarım's profit projections. (2015: 24.398).

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016	31 December 2015
Restatement and depreciation / amortization differences of tangible and intangible assets	122.208	123.251
Provision for retirement benefits and vacation liability	(40.647)	(35.122)
Investment incentive undertaken	(170.739)	(121.990)
Contract costs and progress billings (net)	82.651	116.455
Undistributed profits of joint operations	(2.463)	37.488
Provision for doubtful receivables	(11.279)	(16.085)
Effect of income accruals	1.046	2.116
Tax losses carried forward	(25.813)	(7.016)
Provision for litigation	(8.939)	(6.127)
Available for sale investments	75.490	54.666
Provision for premium payments	(12.769)	(7.779)
Other	(52.383)	(28.277)
Deferred tax liabilities / (assets)	(43.637)	111.580

Components of deferred tax (assets) liabilities:	31 December 2016	31 December 2015
Restatement and depreciation / amortization differences of tangible and intangible assets	18.584	17.343
Provision for retirement benefits and vacation liability	(8.130)	(7.054)
Investment incentive undertaken	(34.148)	(24.398)
Contract costs and progress billings (net)	16.546	23.284
Undistributed profits of joint operations	(492)	7.497
Provision for doubtful receivables	(3.279)	(3.215)
Effect of income accruals	209	423
Tax losses carried forward	(5.196)	(1.402)
Provision for litigation	(1.786)	(1.225)
Available for sale investments	3.775	2.733
Provision for premium payments	(2.565)	(1.552)
Other	(7.157)	(5.666)
Deferred tax liabilities / (assets)	(23.639)	6.768
Deferred tax assets	(50.999)	(41.814)
Deferred tax liabilities	27.360	48.582
	(23.639)	6.768

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 2016 is as follows:

Movement of deferred tax liabilities (assets)	2016	2015
Opening balance as at 1 January	6.768	16.862
Deferred tax (income) / expense	(35.947)	(14.447)
Effect of available for sale investments in comprehensive income	1.042	102
Effect of actuarial gain / (loss) in comprehensive income	424	144
Hedge effect	405	-
Currency translation effect	3.669	4.107
Closing balance as at 31 December	(23.639)	6.768

Reconciliation of tax expense for the year with the profit for the year:

Reconciliation of taxation:	1 January- 31 December 2016	1 January- 31 December 2015
Profit before tax	438.938	259.560
Expected taxation (*)	162.164	104.808
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	372	7.431
- Dividend and other non-taxable income	(27.937)	(49.767)
- Carryforward tax losses deducted in current year	(11.015)	(3.462)
- Effects of unrealizable tax (losses) / income (net)	30.314	43.234
- Investment incentive undertaken	(9.750)	(11.633)
- Effects of joint ventures	(8.206)	(552)
- Effect of change in tax rates and consolidation adjustments	(11.019)	(24.410)
- Other	(16.308)	875
Income tax expense recognized in statement of profit or loss	108.615	66.524

(*) 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 2016 and 2015, 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 2016	1 January- 31 December 2015
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the Parent (Thousands TRY)	324.411	185.466
Earnings per share from operations (TRY)	0,877	0,501

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016		31 December 2015	
	Due from	Due to	Due from	Due to
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Azfen	35.720	-	6.609	-
Florya Gayrimenkul	25.132	1.032	3.138	1
Agromak	8.836	6	13.322	3
H-T Fidecilik	96	4	79	3
Tekzen	56	2.845	397	227
Black Sea	-	22	-	5
Turquiose Construction	-	3.913	1.237	-
Pelit Yapı Çelik	545	-	-	-
Other	180	122	167	86
Shareholders and key management	268	114	173	100
Joint operations	3.769	2.861	4.499	65
	74.602	10.919	29.621	490

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THEAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

32. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2016							
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	42.100	1	-	-	-	-	242	1.255
Azfen	-	3.492	-	90.588	7.550	-	-	-
Agromak	-	345	1.164	-	-	-	-	-
H-T Fidecilik	-	17	-	-	-	-	38	4
Florya Gayrimenkul	-	5.452	680	-	-	-	-	-
Tekzen	3.539	847	-	-	94	-	4	-
Üçgen Bakım	62	144	-	120	-	-	-	341
Akmerkez Gayrimenkul	-	22	-	8.281	-	844	-	-
Tekfen Vakfı	-	5	-	-	2	-	-	-
Turquiose Construction	15.761	-	-	-	-	-	-	-
Other	107	110	-	571	32	-	-	-
Shareholders and key management	-	312	-	-	2	-	-	-
Joint operations	-	11	3.151	-	-	-	48	-
	61.569	10.758	4.995	99.560	7.680	844	332	1.600

	1 January - 31 December 2015							
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	-	7.219	-	-	-	-	331	377
Azfen	-	13.364	-	11.211	3.854	-	-	-
Agromak	-	11.696	622	-	-	-	-	-
H-T Fidecilik	-	14	-	-	-	-	68	-
Florya Gayrimenkul	-	1.231	80	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	770	-	-	-	-
Tekzen	194	991	-	-	57	-	-	-
Üçgen Bakım	-	142	-	150	-	-	-	261
Akmerkez Gayrimenkul	-	5	-	6.432	-	858	-	-
Tekfen Vakfı	-	21	-	-	1	-	-	-
Turquiose Construction	1.760	-	-	-	-	-	-	-
Other	316	51	-	569	21	-	-	-
Shareholders and key management	-	250	-	-	1	-	-	-
Joint operations	-	79	3.704	-	-	-	-	-
	2.270	35.063	4.406	19.132	3.934	858	399	638

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32. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

The remuneration of key management during the year is as follows:

	31 December 2016	31 December 2015
Salaries and other short term benefits	10.774	12.516
	10.774	12.516

33. DERIVATIVE INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	2.245	131	-	-
Current	2.245	131	-	-
Non-current	-	-	-	-
	2.245	131	-	-

Currency derivatives:

The Group utilizes currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	31 December 2016	31 December 2015
Forward foreign exchange contracts	51.082	-
	51.082	

At 31 December 2016, the fair value of the Group's currency derivatives is estimated to be approximately 2.114 (2015: None). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date, comprising 2.245 (2015: None) assets and 131 (2015: None) liabilities. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to 1.621 (2015: None) has been deferred in equity. 87 (2015:None) of ineffective part has been recognized in profit or loss. There are no matured derivative contracts during the period (2015:None).

Translated into English from the report originally issued in Turkish.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Total Financial Debts	(1.260.965)	(1.214.910)
Less: Cash and cash equivalents	1.483.429	1.032.202
Less: Time deposits with maturity of longer than three months	108.121	-
Net Cash Position	330.585	(182.708)

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2016	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	20.680	1.207.184	53.922	10.984	1.548.454
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	41.962	-	-	-
A. Net book value of not due or not impaired financial assets	6.203	872.493	53.922	10.984	1.548.454
B. Net book value of assets that are due but not impaired	14.477	334.691	-	-	-
- Secured portion via guarantee or etc.	-	109	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	30.711	-	571	-
- Impairment (-)	-	(30.711)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	139	-	-	-
- Impairment (-)	-	(139)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2015					
Minimum credit risk exposure at balance sheet date (*)	26.677	1.061.576	2.944	5.720	1.014.251
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	16.348	-	-	-
A. Net book value of not due or not impaired financial assets	8.151	716.294	2.944	5.720	1.014.251
B. Net book value of assets that are due but not impaired	18.526	345.282	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	25.396	-	571	-
- Impairment (-)	-	(25.396)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	672	-	-	-
- Impairment (-)	-	(672)	-	-	-
- 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.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.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 2016	Trade Receivables	Other Receivables	Total
Not due receivables	878.835	64.906	943.741
Overdue by 1-30 days	4.052	-	4.052
Overdue by 1-3 months	2.891	-	2.891
Overdue by 3-12 months	332.375	-	332.375
Overdue 1-5 years	30.078	-	30.078
Overdue by more than 5 years	10.483	571	11.054
Total receivables	1.258.714	65.477	1.324.191
Total overdue receivables	379.879	571	380.450
Secured portion via guarantee or etc.	109	-	109
Total provision provided	(30.711)	(571)	(31.282)
Total provision provided for overdue receivables	(139)	-	(139)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2015	Trade Receivables	Other Receivables	Total
Not due receivables	725.117	8.664	733.781
Overdue by 1-30 days	2.664	-	2.664
Overdue by 1-3 months	47.792	-	47.792
Overdue by 3-12 months	302.018	-	302.018
Overdue 1-5 years	26.743	-	26.743
Overdue by more than 5 years	9.987	571	10.558
Total receivables	1.114.321	9.235	1.123.556
Total overdue receivables	389.204	571	389.775
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(25.396)	(571)	(25.967)
Total provision provided for overdue receivables	(672)	-	(672)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As at balance sheet date, collaterals held for the past due trade receivables which are not impared is amounting 109 (2015: None). There are no collaterals held for the past due trade receivables which are impaired (2015: None).

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its derivative financial instruments and its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Liquidity risk table:

31 December 2016

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.251.435	1.292.698	407.620	629.501	255.577	-
Finance lease obligations	9.530	9.936	4.001	3.894	2.041	-
Trade payables (due to related parties included)	1.572.856	1.579.343	954.820	580.490	43.801	232
Employee benefit payables	70.449	70.449	70.449	-	-	-
Other payables (due to related parties included)	102.332	102.332	36.625	37.190	28.260	257
Total liabilities	3.006.602	3.054.758	1.473.515	1.251.075	329.679	489

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	2.114	50.194	-	50.194	-	-
Cash outflows	-	51.082	-	51.082	-	-

Translated into English from the report originally issued in Turkish.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2015

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	1.204.019	1.231.777	281.221	575.416	375.140	-
Finance lease obligations	10.891	11.483	2.486	4.888	4.109	-
Trade payables (due to related parties included)	1.214.016	1.217.758	909.315	306.174	2.004	265
Employee benefit payables	36.496	36.496	36.496	-	-	-
Other payables (due to related parties included)	43.748	43.748	23.301	2.062	18.282	103
Total liabilities	2.509.170	2.541.262	1.252.819	888.540	399.535	368

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	-	-	-	-	-	-
Cash outflows	-	-	-	-	-	-

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:

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2016	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	114.991	17.771	3.785	-	38.409
2. Monetary Financial Assets	1.151.256	295.031	24.330	10	22.678
3. Other	14.265	224	862	564	7.853
4. CURRENT ASSETS	1.280.512	313.026	28.977	574	68.940
5. Trade Receivables	25	-	-	-	25
6. Monetary Financial Assets	538	-	-	-	538
7. Other	9.588	10	2.575	-	-
8. NON-CURRENT ASSETS	10.151	10	2.575	-	563
9. TOTAL ASSETS	1.290.663	313.036	31.552	574	69.503
10. Trade Payables	1.081.847	196.647	16.528	152	327.836
11. Financial Liabilities	90.161	1.056	23.301	-	-
12. Monetary Other Liabilities	107.273	127	8.613	-	74.873
12b. Non-Monetary Other Liabilities	414	107	10	-	-
13. CURRENT LIABILITIES	1.279.695	197.937	48.452	152	402.709
14. Trade Payables	313	-	-	-	313
15. Financial Liabilities	250.003	98	67.295	-	-
16. Monetary Other Liabilities	21.161	885	4	-	18.032
17. NON-CURRENT LIABILITIES	271.477	983	67.299	-	18.345
18. TOTAL LIABILITIES	1.551.172	198.920	115.751	152	421.054
19. Off-balance sheet derivative instruments net position (19a-19b)	50.194	14.263	-	-	-
19a. Derivative assets	50.194	14.263	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	(210.315)	128.379	(84.199)	422	(351.551)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(283.948)	113.989	(87.626)	(142)	(359.404)
22. Fair value of derivative instruments held for hedging	2.115	601	-	-	-

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.1) Foreign currency risk management (cont'd)

31 December 2015	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	59.596	11.572	2.877	1	16.803
2. Monetary Financial Assets	421.545	139.455	939	6	13.056
3. Other	11.837	467	709	208	7.332
4. CURRENT ASSETS	492.978	151.494	4.525	215	37.191
5. Trade Receivables	21.886	7.527	-	-	-
6. Monetary Financial Assets	358	-	-	-	358
7. Other	22.002	11	6.914	-	-
8. NON-CURRENT ASSETS	44.246	7.538	6.914	-	358
9. TOTAL ASSETS	537.224	159.032	11.439	215	37.549
10. Trade Payables	776.322	171.929	6.458	224	254.937
11. Financial Liabilities	79.235	1.029	22.127	-	5.932
12. Monetary Other Liabilities	60.028	3.300	6.428	-	30.007
12b. Non-Monetary Other Liabilities	1.743	524	66	-	10
13. CURRENT LIABILITIES	917.328	176.782	35.079	224	290.886
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	269.522	289	84.555	-	-
16. Monetary Other Liabilities	15.142	914	4	-	12.472
17. NON-CURRENT LIABILITIES	284.664	1.203	84.559	-	12.472
18. TOTAL LIABILITIES	1.201.992	177.985	119.638	224	303.358
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	(664.768)	(18.953)	(108.199)	(9)	(265.809)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(696.864)	(18.907)	(115.756)	(217)	(273.131)
22. Fair value of derivative instruments held for hedging	-	-	-	-	-

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in the US Dollars and Euro. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	22.590	(22.590)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.618)	15.618
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(17.488)	17.488
TOTAL	(10.516)	10.516

	31 December 2015	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	(2.755)	2.755
	If Euro changes 5% against TL	
Euro net assets / liabilities	(17.191)	17.191
Other foreign currency net assets / liabilities	(13.292)	13.292
TOTAL	(33.238)	33.238

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions the exposure generated. The following table details the forward foreign currency contracts outstanding as at reporting date:

Outstanding contracts	Average rate		Foreign currency		Contract value		Fair value	
	2016	2015	2016	2015	2016	2015	2016	2015
Buy USD								
Less than 3 months	-	-	-	-	-	-	-	-
3 to 12 months	3,5800	-	14.263	-	51.082	-	2.114	-
							2.114	-

As of 31 December 2016, 1.621 (2015: None) of unrealized gains arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

	31 December 2016	31 December 2015
Financial liabilities - Fixed Interest Rate Instruments	926.305	878.163
Financial liabilities - Floating Interest Rate Instruments	334.660	336.747

At 31 December 2016 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 1.673 (31 December 2015: 1.684).

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 2016, unless available for sale financial investments are disposed of and if are not subject to any impairment, they will have no effect over net profit/loss.
- There will be an increase/decrease of 8.532 (31 December 2015: 6.554 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of available for sale financial investments.

35. FINANCIAL INSTRUMENTS

31 December 2016	Loans and receivables (including cash and cash equivalents)	Available for sale financial investments	Financial liabilities at amortized cost	Fair Value	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	1.483.429	-	-	-	1.483.429	5
Trade receivables (due from related parties included)	1.227.864	-	-	-	1.227.864	8, 34
Financial investments	108.121	175.435	-	-	283.556	6
Other current and non-current assets (due from related parties included)	64.906	-	-	-	64.906	9, 34
Derivative instruments		-	-	2.245	2.245	33, 34
Financial liabilities						
Financial debts	-	-	1.260.965	-	1.260.965	7, 34
Trade payables (due to related parties included)	-	-	1.572.856	-	1.572.856	8, 34
Employee benefit payables	-	-	70.449	-	70.449	20, 34
Other short and long-term liabilities	-	-	102.332	-	102.332	9, 34
Derivative instruments	-	-	-	131	131	33, 34
31 December 2015						
Financial assets						
Cash and cash equivalents	1.032.202	-	-	-	1.032.202	5
Trade receivables (due from related parties included)	1.088.253	-	-	-	1.088.253	8, 34
Financial investments	-	70.770	-	-	70.770	6
Other current and non-current assets (due from related parties included)	8.664	-	-	-	8.664	9, 34
Financial liabilities						
Financial debts	-	-	1.214.910	-	1.214.910	7, 34
Trade payables (due to related parties included)	-	-	1.214.016	-	1.214.016	8, 34
Employee benefit payables	-	-	36.496	-	36.496	20, 34
Other short and long-term liabilities	-	-	43.748	-	43.748	9, 34

(*) The Group believes that the carrying values of its financial instruments reflect their fair values.

35. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

• Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

• Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.

• Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The fair values of financial assets are as follows:

		Fair value level as of reporting date		
Financial investments	31 December 2016	Level 1	Level 2	Level 3
Available for sale financial investments	89.895	89.895	-	-
Derivative instruments	2.114	-	2.114	-
Total	92.009	89.895	2.114	-

		Fair value level as of reporting date		
Financial investments	31 December 2015	Level 1	Level 2	Level 3
Available for sale financial investments	69.071	69.071	-	-
Derivative instruments	-	-	-	-
Total	69.071	69.071	-	-

36. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

Tekfen İnşaat secured 1.608.274 (457 Million USD) deal as the part of Trans Anatolian Natural Gas Pipeline (TANAP) Project that involves compressor and metering stations for the engineering, procurement and construction jobs. The duration of the project is 39 months.

Tekfen İnşaat and Doğuş İnşaat ve Ticaret A.Ş. Joint Operation (50%-50%) secured 879 Million TL deal as part of the construction works of Ankara – İzmir High Speed Train Project's Afyonkarahisar-Uşak (Banaz) Section and Afyonkarahisar Transpassing's Infrastructure. The duration of the project is 36 months.

Tekfen İnşaat secured 330.805 (94 Million USD) deal as part of the shell and core construction works for the new headquarter building of Ministry of Taxes of the Republic of Azerbaijan.

Tekfen İnşaat has signed a Letter of Intent for the construction of the 20" gasoline and 24" jet fuel pipeline project, which will extend for a total of 333 km between Yanbu and Jeddah; the investment in Saudi Arabia is made by Aramco, and the total cost of the project is 1.053.339 (299,3 Million USD). The duration of the project is 47 months.

Tekfen İnşaat has signed a Protocol of Intent with TSGI JV concerning the completion of electromechanical works on a unit-price basis of the Coker Unit at the Star Refinery under construction in Aliağa, Izmir. Negotiations regarding the conditions of the protocol and the quantity estimates will be concluded shortly, after which the definite contract value will be determined. The duration of the project is 17 months.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

36. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS (cont'd)

The Consortium, established by Tekfen İnşaat and HMB Hallesche Mitteldeutsche Bau AG (HMB) with Entrepose Contracting from the French Vinci Group, has signed two agreements worth a total of 8.951.989 (2,4 Billion EUR) with licensed investors Toren Doğalgaz Depolama ve Madencilik A.Ş., and Gaz Depo Madencilik A.Ş. for the EPC (Engineering-Procurement-Construction-Commissioning) construction of Underground Natural Gas Storage Facilities to be built at two nearby sites in the Tarsus-Mersin region, with a total storage capacity of 4 billion cubic meters (4 bcm). The total share of Tekfen İnşaat and HMB accruing from the contracts is 2.682.258 (723 Million EUR). The contracted work will begin as soon as the investor companies complete the project finance and the share of the work for Group's subsidiaries party to the Consortium is scheduled to be completed within 5 years after the beginning date of work.

Tekfen İnşaat and Ministry of Municipality and Environment of the State of Qatar have signed the final agreement worth 7.327.649 (7.600.000.000 Qatari Riyal) on the construction of highly prestigious "Al Khor Expressway" project which is 34 km in length with 10 lanes, various intersections, viaducts, underpasses and overpasses. The duration of the project is 36 months.

37. SUBSEQUENT EVENTS

Tekfen-Al Jaber Engineering Joint Arrangement, which Tekfen İnşaat will hold 50% partnership, received a Letter of Invitation to the Contract from Qatar Supreme Committee for Delivery and Legacy on 16 February 2017 to undertake turnkey engineering and construction work for the "Main Works for the Fifth Precinct Stadium" project which is one of the stadium complexes in Qatar where 2022 World Cup Finals will take place. The Group's share in the project is 602.603 (625.000.000 Qatari Riyal). The Company will give a letter of guarantee to the employer on behalf of Tekfen İnşaat in the amount of the contract price.

Tekfen İnşaat and BP Iraq N.V. have signed a unit-price based contract to provide man power and machinery for installation of Rumalia Oil Field Water Separation & Salt Separation Units. Duration of the project is 3 years. It is expected that the total amount of the works to be done according to the contract will reach approximately 348.401 (99 Million USD) by the end of the project period. The Company will give a letter of guarantee to the employer on behalf of Tekfen İnşaat in the amount of the contract price.

The Group collected 1.465.530 (1.520.000.000 Qatari Riyal) on 19 January 2017 as advance payment which is 20% of the contract price of Al Khor Expressway project that was signed with Ministry of Municipality and Environment of the State of Qatar on 13 October 2016.

Partial deliveries concerning HEP İstanbul housing project of Real Estate group started on 23 January 2017.

The Company acquired 4,5% shares of its subsidiary Belpa on 2 January 2017. After the acquisition, direct share participation rate of the Company in Belpa has reached 100%.

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