TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2020

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

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

INDEPENDENT AUDITORS' REPORT

To the General Assembly of Tekfen Holding Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tekfen Holding Anonim Şirketi ("the Company") and its subsidiary (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity.

Emphasis of Matters

Due to the variable conditions encountered during the construction activities regarding the Gas Transmission Pipeline project ("Kharampur project") undertaken in Russia by OOO Rusfen, one of the subsidiaries of which the Group owns 100% shares, negotiations continue on the current proposal submitted by the Group to the employer for the re-determination of project costs and contract revenues.

In addition, the total estimated contract revenue for the Al Khor Expressway project undertaken in Qatar by Tekfen İnşaat ve Tesisat A.Ş., a subsidiary of the Group, includes the variation orders instructed by the employer within the scope of the original contract. In this context, negotiations with the employer are continuing to determine the final price of the relevant variation orders, and since the negotiations take a long time to conclude, the management has reflected the revenue in its consolidated financial statements based on its estimates regarding the related change requests.

We draw attention to note 39 of the consolidated financial statements in which the details of ongoing processes are disclosed. Our opinion is not modified in respect of the above matters.

Key Audit Matters

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

Fair value measurement of financial investments

Refer to Note 2.5 and Note 2.6 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for fair value measurement of financial investments.

Key Audit matter	**<u>How the matter was addressed in our audit</u>**
As of 31 December 2020, financial investments measured at fair value constitute 10% of the total assets in the consolidated financial statements. The Group classifies these financial investments at fair value through other comprehensive income and fair value through profit or loss. The Group uses independent valuation experts' and internally generated works to determine the fair values of these financial investments. Fair value measurement of financial investments is determined as a key audit matter since the financial investments constitute a significant part of the total assets of the Group and it includes significant estimates and judgement used in determination of the fair values of financial investments.	Our audit procedures for this area included below: - In order to determine the fair values of the financial investments, the capabilities and competence of the independent expert appointed by the Group for the valuation of financial investments were evaluated. - The appropriateness of the key assumptions such as long-term growth rates used in the calculations, discount rates used to determine present value of future cash flows were evaluated. - The adequacy of the disclosures related to financial investments in the notes to the consolidated financial statements, including estimates and judgement regarding TFRSs has been evaluated.

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Revenue recognition generated from construction contracts

Refer to Note 2.5 and Note 2.6 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for Revenue Recognition generated from construction contracts.

Key Audit Matter	How the matter was addressed in our audit
Revenue from engineering and construction operation constitutes 61% of the Group's total revenue. The Group mainly conducts construction works abroad. The subsidiaries of the Group operate in the engineering and construction sector have revenues that is obtained amounting TL 7.107.507 thousand against costs of TL 7.424.684 thousand as at 31 December 2020. The recognition of the amount and timing of the revenue generated from construction contracts in the period in which they are incurred calculated and accounted for by using the input method under TFRS 15 Revenue from Contracts with Customers. By using the input method revenue is recognized by comparing the costs incurred by the Group for the fulfillment of performance obligations in a construction project to the expected total costs for the fulfillment of the performance obligation in the consolidated financial statements. The measurement of contract revenue and estimation of the contract costs are based on a variety of uncertainties that depend on the outcome of future events and demand of revision to the projects which requires significant management's estimates and judgements. Revenue recognition generated from construction contracts was determined as a key audit matter, due to the significant management estimates and the level of judgement applied by management.	Our audit procedures for for this area included below: - The design, implementation and operating effectiveness of the controls over the relevant processes regarding the accuracy and timing of revenue recognized in the consolidated financial statements have been tested. - The terms and conditions of the significant contracts in order to evaluate the management's estimate whether revenue is recognized within the appropriate financial period have been assessed. - Variation orders are included in the contract revenues in accordance with the relevant accounting policies and the effects of these variations on project costs have been evaluated. - The costs incurred by the Group in ongoing construction projects have been tested by using sampling method. - The mathematical accuracy of the contract revenue calculated by the stage of completion method associated with the construction contract have been tested by using recalculation method. - The appropriateness of allocating loss allowance for construction contracts that have been deemed to be onerous contracts have been evaluated, and discussions were made with the Group management on whether the management estimates and assumptions used in the calculation of the related loss allowance are reasonable. - The cost budgets of construction contracts and estimates used by management is evaluated through comparing with prior year's figures. In addition, the management estimates related to completion rates and the change in cost budgets have been analyzed. - The availability of subcontractor costs and accuracy of receivable amount have been checked by obtaining confirmation letters from third parties and the input used in the related cost accrual calculations has been tested with supporting documents. - In order to control the existence of commercial receivables generated from construction contracts and the accuracy of receivable amount, the progress payment invoices issued during the period have been examined and external confirmations have been obtained directly from the employers. - The recoverableness of the trade receivables generated from construction contracts has been evaluated by checking the subsequent receipt of payment from those customers by selecting samples. - The adequacy and appropriateness of the disclosures related to revenue in accordance with TFRS 15 Revenue from Contracts with Customers in the notes to the consolidated financial statements have been evaluated by analyzing the existing construction contracts.

Revenue Recognition generated from other items by the Group

Refer to Note 2.5 and Note 2.6 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for Revenue Recognition generated from other items by the Group.

Key Audit matter	How the matter was addressed in our audit
39% of the Group's revenue constitute income from fertilizers, real estate and other goods and services. Revenue is recognized in the financial statements when the Group fulfils its performance obligation by transferring the promised products or services to its customers in accordance with TFRS 15 Revenue from Contracts with Customers. It requires significant management estimation and judgment as it creates a comprehensive framework regarding the terms of the transfer of control over products and services to the customer, based on the timing of the performance obligations to be fulfilled within the scope of the contracts in which and what amount to determine the recognition of the revenue. Revenue recognition has been identified as a key audit matter, since timing and amount of revenue recognition requires significant judgements due to the nature of the activities and the volume of the operations.	Our audit procedures for this area included below: -The design, implementation and operating effectiveness of the controls over the relevant processes regarding the accuracy and recognition of the revenue have been evaluated. -Analytical procedures have been performed to determine the existence of the unusal and discontinuous transactions. -The time of the fulfillment of the performance obligations has been examined through the sales documents received for the selected sales transactions and the appropriateness of the Group accounting policies for revenue recognition in accordance with TFRS 15 and the accuracy of the revenue recognition have been tested. - The timing of revenue recognition for different shipping arrangements has been evaluated by examining the shipping conditions on the sales documents. - Existence and accuracy of the trade receivables have been tested by obtaining confirmation letters for trade receivables on a sample basis,. -It has been checked whether the returns that have been made after the reporting period, selected by sampling method, are included in the consolidated financial statements in the relevant period. - The adequacy of the Group's disclosures related to revenue in accordance with TFRS 15 in the notes to the consolidated financial statements has been evaluated.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on 20 February 2020.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

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

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

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 25 February 2021.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2020 and 31 December 2020, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Alper Güvenç, SMMM
Partner

25 February 2021
İstanbul, Türkiye

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

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

ASSETS	Notes	Audited 31 December 2020	Audited 31 December 2019
Current Assets		**9.013.197**	**9.217.274**
Cash and cash equivalents	6	3.259.116	4.094.625
Financial investments	7	82.118	12.782
Trade receivables	9	2.038.851	1.953.336
- Related party receivables		*106.715*	*22.402*
- Trade receivables		*1.932.136*	*1.930.934*
Other receivables	10	81.642	62.273
- Related party receivables		*1.925*	*14.256*
- Other receivables		*79.717*	*48.017*
Contract assets arising from ongoing construction works	12	631.682	692.101
Derivative instruments	36	9.046	211
Inventories	11	2.033.545	1.448.934
Prepaid expenses	19	408.930	348.616
- Prepaid expenses		*408.930*	*348.616*
Assets related with current tax	33	154.823	157.615
Other current assets	24	245.921	420.465
- Other current assets		*245.921*	*420.465*
		8.945.674	9.190.958
Assets classified as held for sale	32	67.523	26.316
Non-Current Assets		**4.903.836**	**3.445.874**
Financial investments	7	1.414.920	393.868
Trade receivables	9	293.407	313.979
- Trade receivables		*293.407*	*313.979*
Other receivables	10	12.983	8.885
- Other receivables		*12.983*	*8.885*
Investments valued by equity method	13	115.818	103.597
Investment property	14	137.019	125.358
Property, plant and equipment	15	2.576.975	2.135.206
Right-of-use assets	16	62.741	55.182
Intangible assets		136.095	106.459
- Goodwill	18	*91.838*	*61.424*
- Other intangible assets	17	*44.257*	*45.035*
Prepaid expenses	19	18.968	25.561
- Prepaid expenses		*18.968*	*25.561*
Deferred tax assets	33	111.413	155.943
Other non-current assets	24	23.497	21.836
- Other non-current assets		*23.497*	*21.836*
TOTAL ASSETS		**13.917.033**	**12.663.148**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

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

LIABILITIES	Notes	Audited 31 December 2020	Audited 31 December 2019
Current Liabilities		**7.474.512**	**6.645.129**
Short-term borrowings	8	1.875.394	407.897
Short-term portion of long-term borrowings	8	210.267	212.591
Trade payables	9	3.418.087	3.330.480
- Related party payables		*12.835*	*24.883*
- Trade payables		*3.405.252*	*3.305.597*
Payables related to employee benefits	23	64.602	77.995
Other payables	10	117.733	82.068
- Related party payables		*40.142*	*108*
- Other payables		*77.591*	*81.960*
Contract liabilities arising from ongoing construction works	12	435.122	1.006.076
Derivative instruments	36	-	29.939
Deferred revenue	19	590.110	690.709
- Deferred revenue		*590.110*	*690.709*
Current tax liability	33	137.578	447.074
Short-term provisions		596.524	357.635
- Short-term provisions attributable to employee benefits	23	*143.430*	*160.971*
- Other short-term provisions	21	*453.094*	*196.664*
Other short-term liabilities	24	29.095	2.665
- Other short-term liabilities		*29.095*	*2.665*
Non-Current Liabilities		**631.621**	**521.149**
Long-term borrowings	8	272.613	215.458
Trade payables	9	67.228	77.448
- Trade payables		*67.228*	*77.448*
Other payables	10	69.427	78.482
- Other payables		*69.427*	*78.482*
Government incentives and grants	20	1.132	1.132
Deferred revenue	19	241	332
- Deferred revenue		*241*	*332*
Long-term provisions		119.606	72.118
- Long-term provisions attributable to employee benefits	23	*119.534*	*72.066*
- Other long-term provisions	21	*72*	*52*
Deferred tax liabilities	33	101.374	76.179
TOTAL LIABILITIES		**8.106.133**	**7.166.278**
EQUITY		**5.810.900**	**5.496.870**
Equity Attributable To Owners Of The Parent	25	**5.730.139**	**5.428.680**
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		292.529	90.022
- Gain on investments in equity instruments		*292.516*	*87.717*
- Gain on revaluation and remeasurement		*13*	*2.305*
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		1.063.183	465.041
- Currency translation reserve		*1.055.947*	*488.224*
- Hedging reserve	36	*7.236*	*(23.183)*
Legal reserves		382.727	278.423
Prior years' income		3.377.366	2.499.985
Net profit (loss) for the period		(60.125)	1.420.750
Non-controlling Interests		**80.761**	**68.190**
TOTAL LIABILITIES AND EQUITY		**13.917.033**	**12.663.148**

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 2020

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
Revenue	26	11.729.779	14.603.354
Cost of revenue (-)	26	(10.815.782)	(12.201.792)
GROSS PROFIT		**913.997**	**2.401.562**
General administrative expenses (-)	27	(482.000)	(459.696)
Marketing expenses (-)	27	(326.154)	(309.263)
Research and development expenses (-)	27	(22.516)	(5.197)
Other operating income	29	760.704	548.406
Other operating expenses (-)	29	(903.426)	(576.955)
Share on profit of investments valued by equity method	13	60.407	4.534
OPERATING PROFIT		**1.012**	**1.603.391**
Investment income	30	62.498	51.908
Investment expense (-)	30	(58.733)	(109.206)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		**4.777**	**1.546.093**
Financial income	31	824.286	664.724
Financial expense (-)	31	(599.589)	(433.810)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		**229.474**	**1.777.007**
Tax Expense from Continuing Operations (-)	33	**(296.872)**	**(362.148)**
Tax expense for the period (-)		(241.439)	(470.742)
Deferred tax (expense) income for the period		(55.433)	108.594
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD		**(67.398)**	**1.414.859**
Distribution of Profit for the Period			
Non-controlling interests		(7.273)	(5.891)
Owners of the parent		(60.125)	1.420.750
Earnings (Loss) Per Share	34	(0,163)	3,840

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

	Notes	Audited 1 January- 31 December 2020	Audited 1 January- 31 December 2019
PROFIT (LOSS) FOR THE PERIOD		**(67.398)**	**1.414.859**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss		**202.507**	**(1.563)**
Gain (loss) on investments in equity instruments (-)		213.216	(5.488)
Gain (loss) on revaluation of defined benefit plans	25	(2.865)	4.564
Taxes based on other comprehensive income that will not be reclassified to profit or loss		(7.844)	(639)
- Deferred tax expense (-)		*(7.844)*	*(639)*
Items that will be reclassified to profit or loss		**610.168**	**93.812**
Currency translation reserve differences	25	579.749	146.348
Other comprehensive income (expenses) related to cash flow hedging		38.767	(67.354)
Taxes based on other comprehensive income that will be reclassified to profit or loss		(8.348)	14.818
- Deferred tax (expense) income		*(8.348)*	*14.818*
OTHER COMPREHENSIVE INCOME		**812.675**	**92.249**
TOTAL COMPREHENSIVE INCOME		**745.277**	**1.507.108**
Distribution of Total Comprehensive Income for The Period			
Non-controlling interests		4.753	4.941
Owners of the parent		740.524	1.502.167

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(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 investments in equity instruments	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Hedging reserve	Legal reserves	Prior years' income	Net profit (loss) for the period	Equity attributable to owners of the parent	Non-controlling interests	Equity
Opening balance as of 1 January 2019	370.000	3.475	300.984	92.931	(1.346)	352.708	29.353	231.271	1.585.150	1.403.061	4.367.587	56.808	4.424.395
Transfers	-	-	-	-	-	-	-	47.152	1.355.909	(1.403.061)	-	-	-
Total comprehensive income	-	-	-	(5.214)	3.651	135.516	(52.536)	-	-	1.420.750	1.502.167	4.941	1.507.108
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	*1.420.750*	*1.420.750*	*(5.891)*	*1.414.859*
- Other comprehensive income (loss)	-	-	-	*(5.214)*	*3.651*	*135.516*	*(52.536)*	-	-	-	*81.417*	*10.832*	*92.249*
Capital increase	-	-	-	-	-	-	-	-	-	-	-	12.600	12.600
Dividends	-	-	-	-	-	-	-	-	(450.972)	-	(450.972)	-	(450.972)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	6.300	6.300
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	4.459	-	4.459	(12.459)	(8.000)
Other changes	-	-	-	-	-	-	-	-	5.439	-	5.439	-	5.439
Closing balance as of 31 December 2019	370.000	3.475	300.984	87.717	2.305	488.224	(23.183)	278.423	2.499.985	1.420.750	5.428.680	68.190	5.496.870
Audited													
Opening balance as of 1 January 2020	370.000	3.475	300.984	87.717	2.305	488.224	(23.183)	278.423	2.499.985	1.420.750	5.428.680	68.190	5.496.870
Transfers	-	-	-	-	-	-	-	104.304	1.316.446	(1.420.750)	-	-	-
Total comprehensive income (loss)	-	-	-	204.799	(2.292)	567.723	30.419	-	-	(60.125)	740.524	4.753	745.277
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	*(60.125)*	*(60.125)*	*(7.273)*	*(67.398)*
- Other comprehensive income (loss)	-	-	-	*204.799*	*(2.292)*	*567.723*	*30.419*	-	-	-	*800.649*	*12.026*	*812.675*
Capital increase	-	-	-	-	-	-	-	-	-	-	-	7.814	7.814
Dividends	-	-	-	-	-	-	-	-	(456.320)	-	(456.320)	-	(456.320)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	4	4
Other changes	-	-	-	-	-	-	-	-	17.255	-	17.255	-	17.255
Closing balance as of 31 December 2020	370.000	3.475	300.984	292.516	13	1.055.947	7.236	382.727	3.377.366	(60.125)	5.730.139	80.761	5.810.900

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(1.089.049)**	**771.539**
Profit for the Period		(67.398)	1.414.859
Adjustments to Reconcile Net Profit		901.531	772.619
- Depreciation and Amortization	14,15,16,17	315.018	289.108
- Impairment/Reversed Provision	30	3.782	92.698
- Provision Adjustments	9,21,23	312.918	143.065
- Dividend Income and Expenses	30	(7.287)	(10.101)
- Bargain Purchase Gain Adjustments	30	-	(6.900)
- Interest Income and Expense Adjustments	31	41.152	(74.466)
- Gain/Loss on Fair Valuation	7,30,38	6.108	(4.140)
- Group's Share on Profit of Investments Valued by Equity Method	13	(60.407)	(4.534)
- Allowance for Taxation	33	296.872	362.148
- Adjustments for Gain/Loss on Sale of Fixed Assets	30	(5.920)	(14.091)
- Adjustments for Gain/Loss on Sales of Joint Ventures and Financial Investments	30	(705)	(168)
Movements in Working Capital		(1.235.754)	(1.059.834)
- Changes in Financial Investments	7	(69.336)	119.319
- Changes in Trade Receivables	9	(90.913)	(623.228)
- Changes in Other Assets	10	151.974	(51.683)
- Changes in Contract Assets Arising from Ongoing Construction Works	12	60.419	(344.087)
- Changes in Inventories	11	(596.448)	108.122
- Changes in Prepaid Expenses	19	(46.672)	160.182
- Changes in Trade Payables	9	48.054	176.649
- Changes in Payables Related to Employee Benefits	23	(13.393)	(11.782)
- Changes in Contract Liabilities Arising from Ongoing Construction Works	12	(570.954)	2.218
- Changes in Other Liabilities	10	(7.795)	(12.898)
- Changes in Deferred Revenue	19	(100.690)	(582.646)
Cash Generated by Operating Activities		(401.621)	1.127.644
Interest Paid		(108.689)	(146.867)
Interest Received		77.041	146.514
Provision Paid Related to Employee Benefits	23	(105.004)	(134.825)
Other Provision Paid	21	(2.633)	(736)
Tax Paid/Return	33	(548.143)	(220.191)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(1.250.087)**	**(393.081)**
Acquisition of Non-controlling Interests' Shares		-	(8.000)
Cash Inflows from Sales of Shares or Capital Decrease of Associates or Joint Ventures		1.403	-
Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures	13	(850)	(1.957)
Cash Inflows for Sales of Shares in Other Entities or Shares in Funds or Borrowing Instruments		7.115	270
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	3,7	(788.423)	(155.694)
Proceeds from Sales of Tangible and Intangible Assets	15,17	29.628	49.462
Acquisition of Tangible and Intangible Assets	15,17	(566.269)	(285.510)
Proceeds from Sales of Investment Properties	14	5.000	40
Acquisition of Investment Properties	14	(1.457)	(6.274)
Advances and Debts Given	19	9.539	(24.873)
Dividend Received	13, 30	54.227	39.455
C. CASH FLOWS FROM FINANCING ACTIVITIES		**899.073**	**(946.412)**
Proceeds from Borrowings	8	2.292.683	865.110
Repayments of Borrowings	8	(964.639)	(1.307.551)
Payments of Lease Obligations	8	(43.733)	(52.999)
Dividend paid	25	(385.238)	(450.972)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		**(1.440.063)**	**(567.954)**
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		604.554	80.979
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(835.509)**	**(486.975)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4.094.625	4.581.600
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	**3.259.116**	**4.094.625**

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 Berker Family, Gökyiğit Family and Akçağlılar Family. The Company and its subsidiaries are referred to as the "Group" in the accompanying notes to the consolidated financial statements.

As of 31 December 2020, the Group has employees 18.444 (31 December 2019: 17.094) 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 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 2020	Direct/Effective Share Participation 2019	Business Segment
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	100	100	Engineering & Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	100	100	Engineering & Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Manufacturing	Turkey	100	100	Engineering & Contracting
Cenub Tikinti Servis ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Investment
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft "HMB"	Trading	Germany	100	100	Engineering & Contracting
Gate İnşaat Taahhüt San. ve Tic. A.Ş. "Gate "	Construction	Turkey	100	100	Engineering & Contracting
Denkmal in Dahlem Otto-Hahn-Platz GmbH "Denkmal Dahlem"	Construction	Germany	80	80	Engineering & Contracting
OOO Rusfen "Rusfen"	Construction	Russia	100	100	Engineering & Contracting
Gate Construction "Gate Construction"	Construction	Kazakhstan	100	-	Engineering & Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Agriculture-Shipping Agent	Turkey	100	100	Chemical Industry and Service
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	100	100	Service
Toros Terminal Servisleri ve Denizcilik A.Ş. "Toros Terminal"	Service	Turkey	100	100	Chemical Industry
Toros Gemi Acenteliği ve Ticaret A.Ş. "Toros Gemi"	Shipping Agent	Turkey	100	100	Service
Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. "Tekfen Tarım"	Manufacturing	Turkey	100	100	Agricultural Production
Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Tic. A.Ş. "Alanar Meyve"	Fruit Manufacturing	Turkey	100	100	Agricultural Production
Alanar Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş. "Alanar Fidan" (1)	Sapling Manufacturing	Turkey	-	100	Agricultural Production
Toros Gönen Yenilenebilir Enerji Üretim A.Ş. "Gönen Enerji"	Agriculture – Electricity	Turkey	70	70	Chemical Industry
Toros Meram Yenilenebilir Enerji Üretim A.Ş. "Meram Enerji" (2)	Agriculture – Electricity	Turkey	70	-	Chemical Industry

(1) Alanar Fidan merged with Alanar Meyve by transferring all assets and liabilities on 18 March 2020 (Note: 2).

(2) A share acquisition agreement was signed on 18 December 2019 between the shareholders of Gönen Enerji, a subsidiary of Toros Tarım with 70% share participation rate, and Meram Enerji (Previous title "Altaca Meram Yeşil Enerji Üretim A.Ş.") concerning acquisition of 99,9% of the paid in capital of Meram Enerji.The transfer was completed on 14 February 2020.

(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 2020	2019	Business Segment
Toros Agroport Romania S.A "Toros Agroport"	Fertilizer Trade	Romania	100	100	Chemical Industry
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Service
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul"	Investment	Turkey	100	100	Investment
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Service
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Investment
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Investment
Tekfen Teknoloji Yatırım ve Ticaret A.Ş. "Tekfen Teknoloji"	Investment	Turkey	100	100	Investment
CFS Petrokimya Sanayi A.Ş. "CFS"	Investment	Turkey	100	100	Chemical Industry
Techinvestments MMC "Techinvestments"	Investment	Azerbaijan	100	100	Investment
Tekfen Ventures L.P. "Tekfen Ventures"	Investment	USA	100	100	Investment
Tekfen Venture Management LLC "Venture Management"	Management Service	USA	100	100	Investment

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation 2020	2019	Business Segment
Black Sea Gübre Ticaret A.Ş. "Black Sea" (*)	Fertizilier Trade	Turkey	-	30	Chemical Industry
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik"	Agriculture	Turkey	50	50	Agricultural Production
Azfen Birge Müessesi "Azfen"	Construction	Azerbaijan	40	40	Engineering & Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. "Florya Gayrimenkul"	Real Estate	Turkey	50	50	Investment

(*) Shares of Black Sea, were sold on 12 June 2020 at a price of 1.403. Gain amounting to 705 has been recognized in the consolidated financial statements (Note: 30).

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

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

During the current period, Group's management has decided to conduct its activities that it has managed in three business segments as Contracting, Agriculture and Other in the previous year on the basis of five business segments as Engineering and Contracting, Chemical Industry, Agricultural Production, Service and Investment. Due to the mentioned revision in the business segments, comparative information on segmental reporting has been revised on the basis of five segments. Nature of the activities of the business segments of the Group can be summarized as follows:

Engineering and Contracting Segment

Engineering and Contracting segment undertakes infrastructure and industrial construction projects in Turkey, Azerbaijan, Kazakhstan, Saudi Arabia, Qatar, Iraq and Russia. 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 Engineering and Contracting segment's scope of activity. Income provided from the consolidation of Azfen by equity method is disclosed in this segment.

Chemical Industry Segment

The Chemical Industry segment, which is mainly focuses on fertilizer production, continues its activities in the fields of mineral fertilizers as well as special water soluble fertilizers and organic/organomineral fertilizers. It also manufactures bags used in fertilizer packaging in its own facility. Additionally, it generates biogas through the fermentation of organic wastes and electricity from biogas and also produces solid and liquid organic fertilizers from wastes that have completed the gasification process.

Agricultural Production Segment

Agricultural Production segment has operations in ground and vegetable grain, production, distribution and trade of seedling and sapling. In the field of agricultural production, plant tissue, banana sapling cultivation, high quality potato seed, sesame, certified wheat germ production and sale activities are carried out. Also production, packaging and export operations of cherry, apricot, pomegranate, plum, persimmon and figs are made. Income provided from the consolidation of H-T Fidecilik by equity method is disclosed in this group.

Service Segment

Service Segment has operations in terminal management, guidance, towage, agency business, free zone operations, insurance services, building and facility management services.

Investment Segment

Operations of Investment segment mainly comprise of Tekfen Ventures' investments in innovation-creating initiatives and holding operations. Holding operations are executed by the Company and include coordinating the Group's financial needs when needed. Dividend income and rent income provided constitute Holding's revenue. Income provided from the consolidation of Florya Gayrimenkul by equity method is disclosed in this segment.

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 25 February 2021. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

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

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

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

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

The consolidated financial statements, have been prepared on the historical cost basis except for the following items those measured at fair value:

- Financial assets measured at fair value through profit or loss and derivative financial instruments,
- Financial assets measured at fair value through other comprehensive income,

Historical cost is generally based on the fair value of the consideration paid on the date of purchase in exchange for 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 2020 are; 1 USD= 7,3405 TRY, 1 EUR= 9,0079 TRY, 1 AZN= 4,3179 TRY, 1 SAR= 1,9575 TRY, 1 QAR= 2,0111 TRY, 1 RON= 1,8373 (As of 31 December 2019; 1 USD= 5,9402 TRY, 1 EUR= 6,6506 TRY, 1 AZN= 3,4942 TRY, 1 SAR= 1,5840 TRY, 1 QAR= 1,6274 TRY, 1 RON= 1,3832)

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 period condensed consolidated financial statements, comparative information is reclassed and significant changes are disclosed if necessary. In the current period, the Group had made a reclassification in prior year consolidated financial statements in order to provide conformity with the current period's presentation. The nature, reason and amount the reclassification is described below:

- In the consolidated financial statements dated 1 January 2019 and 31 December 2019, the fair value change concerning equity instruments amounting to 92.931 and 87.717 respectively, which are included in the "Gains on revaluation and reclassification" account in Accumulated Other Comprehensive Income that will be Reclassified to Profit or Loss under equity in the previous periods, are reclassified to the "Gain on investments in equity instruments" account in Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss under equity. The related classification has no effect on the consolidated statement of profit and loss for the current period and prior period where its effects on the consolidated other comprehensive income statement are reflected.

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

2.1 The Basis of Presentation (cont'd)

Consolidation Principles

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

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

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

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

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

Investments in associates and joint ventures

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

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

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

Combination of subsidiaries:

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

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

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

2.1 The Basis of Presentation (cont'd)

Combination of subsidiaries (cont'd):

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

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 are as follows:

Joint Operations	Nature of Business	Country of Origin	Direct/Effective 2020	Direct/Effective 2019	Business Segment
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Engineering & Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Engineering & Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Engineering & Contracting
Doğuş - Tekfen Adi Ortaklığı "Doğuş - Tekfen"	Construction	Turkey	50	50	Engineering & Contracting
Tekfen - Al Jaber Engineering "Tekfen – Al Jaber J.V."	Construction	Qatar	50	50	Engineering & Contracting
Tekfen Rönesans Adi Ortaklığı "Tekfen Rönesans" (*)	Construction	Turkey	-	50	Engineering & Contracting
Tekfen - T Engineering Ortak Girişimi "Tekfen - T Engineering J.V. "	Construction	Turkey	85	85	Engineering & Contracting
Istek Construction "Istek J.V."	Construction	Kazakhstan	50	50	Engineering & Contracting

(*) Tekfen Rönesans Adi Ortaklığı was liquidated on 17 August 2020.

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

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

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In the current year, there are not any material changes in accounting policies of the Group.

2.3 Changes in Accounting Estimates and Errors

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

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

2.4 Adoption of New and Amended Standards

New and revised standards and interpretations are presented below:

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

- TFRS 3 (amendments), "Definition of a Business", effective for annual periods beginning after 1 January 2020.
- TAS 1, TAS 8 (amendments), "Definition of Material", effective for annual periods beginning after 1 January 2020.
- Conceptual Framework (amendments), effective for annual periods beginning after 1 January 2020.
- TFRS 16 (amendments), effective for annual periods beginning after 1 June 2020.

(b) Standards, amendments and interpretations to existing standards that are effective as of the year 2020, but not affecting the consolidated financial statements of the Group:

- TFRS 9, TAS 39, TFRS 7 (amendments), "Interest Rate Benchmark Reform", effective for annual periods beginning after 1 January 2020.

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

- TFRS 17 "Insurance Contracts", effective for annual periods beginning after 1 January 2023.
- TAS 1 (amendments), "Classification of Liabilities", effective for annual periods beginning after 1 January 2022.
- Annual Improvements to TFRS 2018-2020 Cycle (TFRS 1, TFRS 9, TAS 41, TFRS 16), effective for annual periods beginning after 1 January 2022.
- TFRS 3 (amendments), "Reference to the Conceptual Framework", effective for annual periods beginning after 1 January 2022.
- TAS 16 (amendments), "Property, Plant and Equipment - Proceeds before Intended Use", effective for annual periods beginning after 1 January 2022.
- TAS 37 (amendments), "Onerous Contracts - Cost of Fulfilling a Contract", effective for annual periods beginning after 1 January 2022.
- TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 (amendments) – "The benchmark interest rate reform Phase 2" is effective for annual periods beginning after 1 January 2021.
- TFRS 17 and TFRS 4 (amendments), postponement of the application of TFRS 9; effective for annual periods beginning after 1 January 2021.

The Group evaluates the effects of the standards issued but not yet effective as of 31 December 2020 on its consolidated financial position and performance.

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

2.5 Summary of Significant Accounting Policies

Revenue

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

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

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

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

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

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

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

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

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

The Group recognizes revenue from the following major sources:

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Sale of goods:

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

Rental income:

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

Construction Contracts:

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

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

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

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

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

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

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

Retention Receivables from Contractors

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

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 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.

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

Leases

As a lessee

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

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly,
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identifiedi,
c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

As a lessee (cont'd)

d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
   i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
   ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

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

Right-of-use asset

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

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

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

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

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

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

Lease liability

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

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) Fixed payments, less any lease incentives receivable,
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
c) The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
d) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

After the commencement date, the Group measures the lease liability by:

a) Increasing the carrying amount to reflect interest on the lease liability,
b) Reducing the carrying amount to reflect the lease payments made, and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised insubstance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determines the periodic discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the Group remeasures the lease liability to reflect changes to the lease payments. the Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

a) There is a change in the lease term. The Group determines the revised lease payments on the basis of the revised lease term; or
b) There is a change in the assessment of an option to purchase the underlying asset.

The Group determines the revised lease payments to reflect the change in amounts payable under the purchase option. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Leases with a lease term of 12 months or less and leases of low-value assets determined by the Group are evaluated in scope of the exemption of the standard and payments associated with those leases are recognised on a straight-line basis as an expense in profit or loss.

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of Assets

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

Borrowing Costs

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial Assets

At initial recognition, the Group measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Group measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Financial assets are recorded on transaction date.

The Group reclassifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: a) the Group's business model for managing the financial assets and b) the contractual cash flow characteristics of the financial asset. When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. The Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue of financial assets measured at amortized cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset and derecognizes it when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group accounts for the cumulative gain or loss that was previously recognized in other comprehensive income in consolidated financial statements. Interest calculated using the effective interest method is recognized in profit or loss.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets measured at fair value through other comprehensive income (cont'd)

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Impairment

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income.

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial Liabilities

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:
(a) financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. In subsequent periods, the Group recognizes any income on the transferred asset and any expense incurred on the financial liability.
(c) contingent consideration recognized by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognized in profit or loss.

Recognition and Derecognition of Financial Assets and Liabilities

The Group recognizes a financial asset or a financial liability only when the Group becomes party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for derecognition. If a transfer of financial asset does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group will continue to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Recognition and Derecognition of Financial Assets and Liabilities (cont'd)

In the event that the Group retains all the risks and gains arising from the ownership of a transferred asset, the accounting of the financial asset is continued, and for the income obtained, a guarantee amount payable against the transferred financial asset is also recognized. The Group derecognizes a financial liability from its consolidated balance sheet only when it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Derivative Financial Instruments and Hedge Accounting

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

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

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

Foreign Currency Transactions

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

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

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

Exchange differences are recognized in profit or loss in the period in which they arise except for which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Earnings Per Share

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

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

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

The amount 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 five operating segments which are Engineering and Contracting, Chemical Industry, Agricultural Production, Service and Investment including information in order to monitor performance and to allocate resources. These segments are managed separately because of the risk and benefits attributable to these segments are influenced from different economical environments and different geographical locations.

Government Grants and Incentives

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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.

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 (cont'd)

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

Assets Held For Sale

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

Employee Benefits

Termination and retirement benefits:

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

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

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

Redeemed Shares

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations

The acquisition of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively,
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date,
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS 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 TFRS 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

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: 36).

3. BUSINESS COMBINATIONS

A share acquisition agreement was signed on 18 December 2019 between the shareholders of Gönen Enerji, a subsidiary of Toros Tarım with 70% share participation rate, and Altaca Meram Yeşil Enerji Üretim A.Ş. (New title "Toros Meram Yenilenebilir Enerji Üretim A.Ş. – Merm Enerji") concerning acquisition of 99,9% of the paid in capital of Meram Enerji. The transfer was completed on 14 February 2020. Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2020 (Note 18).

4. JOINT OPERATIONS

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

Financial information related to these joint operations is as follows:

	31 December 2020	31 December 2019
Current assets	88.502	142.764
Non-current assets	9.094	39.293
Current liabilities	971.394	616.041
Non-current liabilities	1.136	484
Shareholders' equity	(874.934)	(434.468)

	1 January- 31 December 2020	1 January- 31 December 2019
Revenue	302.234	373.413
Cost of revenue (-)	(596.768)	(591.244)
Loss for the period	(321.084)	(232.852)

Tekfen Rönesans Adi Ortaklığı, a joint operation of the Group, was liquidated on 17 August 2020.

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

5. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2020					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Revenue	7.107.507	3.887.807	200.589	486.244	47.632	11.729.779
Cost of revenue (-)	(7.424.684)	(2.899.038)	(174.153)	(300.272)	(17.635)	(10.815.782)
GROSS PROFIT (LOSS)	**(317.177)**	**988.769**	**26.436**	**185.972**	**29.997**	**913.997**
General administrative expenses (-)	(269.641)	(61.154)	(12.593)	(16.229)	(122.383)	(482.000)
Marketing expenses (-)	(10.243)	(262.502)	(45.937)	(7.472)	-	(326.154)
Research and development expenses (-)	(4.476)	(5.960)	(12.080)	-	-	(22.516)
Other operating income	397.982	318.018	15.882	22.135	6.687	760.704
Other operating expenses (-)	(367.742)	(498.808)	(10.496)	(14.943)	(11.437)	(903.426)
Share on profit (loss) of investments valued by equity method	59.323	(104)	1.188	-	-	60.407
OPERATING PROFIT (LOSS)	**(511.974)**	**478.259**	**(37.600)**	**169.463**	**(97.136)**	**1.012**
Investment income	32.184	2.325	401	101	27.487	62.498
Investment expense (-)	(31.884)	(3)	(12)	-	(26.834)	(58.733)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**(511.674)**	**480.581**	**(37.211)**	**169.564**	**(96.483)**	**4.777**
Financial income	28.226	265.486	14.759	8.248	507.567	824.286
Financial expenses (-)	(28.379)	(237.122)	(40.889)	(11.109)	(282.090)	(599.589)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**(511.827)**	**508.945**	**(63.341)**	**166.703**	**128.994**	**229.474**
Tax expense from continuing operations (-)	(154.825)	(58.375)	(2.821)	(34.982)	(45.869)	(296.872)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**(666.652)**	**450.570**	**(66.162)**	**131.721**	**83.125**	**(67.398)**

For the year ended 31 December 2020, revenue amounting 2.137.834 was obtained from a non-related client of Engineering and Contracting segment which constitute 18,2% of the Group's revenue.

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

5. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January - 31 December 2019					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Revenue	10.538.494	3.439.427	205.631	377.449	42.353	14.603.354
Cost of revenue (-)	(9.004.690)	(2.748.356)	(175.223)	(261.105)	(12.418)	(12.201.792)
GROSS PROFIT	**1.533.804**	**691.071**	**30.408**	**116.344**	**29.935**	**2.401.562**
General administrative expenses (-)	(265.588)	(45.879)	(8.930)	(16.349)	(122.950)	(459.696)
Marketing expenses (-)	(11.633)	(248.337)	(41.386)	(7.907)	-	(309.263)
Research and development expenses (-)	(968)	(4.229)	-	-	-	(5.197)
Other operating income	243.379	278.629	10.152	11.706	4.540	548.406
Other operating expenses (-)	(219.340)	(328.192)	(19.110)	(7.259)	(3.054)	(576.955)
Share on profit (loss) of investments valued by equity method	2.845	(275)	1.964	-	-	4.534
OPERATING PROFIT (LOSS)	**1.282.499**	**342.788**	**(26.902)**	**96.535**	**(91.529)**	**1.603.391**
Investment income	14.768	6.621	60	171	30.288	51.908
Investment expense (-)	(93.166)	(2)	(10)	-	(16.028)	(109.206)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**1.204.101**	**349.407**	**(26.852)**	**96.706**	**(77.269)**	**1.546.093**
Financial income	115.901	145.001	9.997	6.373	387.452	664.724
Financial expenses (-)	(50.870)	(131.823)	(8.637)	(3.607)	(238.873)	(433.810)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**1.269.132**	**362.585**	**(25.492)**	**99.472**	**71.310**	**1.777.007**
Tax (expense) income from continuing operations	(278.395)	(39.222)	6.073	(19.960)	(30.644)	(362.148)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**990.737**	**323.363**	**(19.419)**	**79.512**	**40.666**	**1.414.859**

For the year ended 31 December 2019, revenue amounting 4.951.217 was obtained from a non-related client of Engineering and Contracting segment which constitute 33,9% of the Group's revenue.

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

5. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities

	31 December 2020					
Balance sheet	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Total assets	6.553.439	3.588.933	383.638	564.705	2.826.318	13.917.033
Current and non-current liabilities	5.416.834	2.091.753	225.324	126.511	245.711	8.106.133
Equity attributable to owners of the parents	965.361	2.323.094	(68.220)	306.656	2.203.248	5.730.139
Non-controlling interests	5.693	22.288	-	47	52.733	80.761

	31 December 2019					
Balance sheet	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Total assets	6.881.355	3.174.427	300.967	350.742	1.955.657	12.663.148
Current and non-current liabilities	4.992.700	1.798.949	102.299	97.931	174.399	7.166.278
Equity attributable to owners of the parents	1.582.294	1.860.916	(1.775)	164.396	1.822.849	5.428.680
Non-controlling interests	4.581	18.344	-	14	45.251	68.190

c) Segmental information related to property, plant and equipment, intangible assets, investment property, right-of-use assets and revenue

	1 January - 31 December 2020					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Capital expenditures	243.997	240.532	42.779	30.934	9.484	567.726
Depreciation and amortization expense for the period (*)	198.290	76.719	14.885	13.557	11.567	315.018
Intra-segment revenue	409.825	67.724	3.042	205	12.294	493.090
Inter-segment revenue	1.068	1.100	-	12.455	18.861	33.484

	1 January - 31 December 2019					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Capital expenditures	107.720	57.192	51.631	62.207	13.034	291.784
Depreciation and amortization expense for the period (*)	192.944	65.223	10.011	11.624	9.306	289.108
Intra-segment revenue	144.363	67.138	2.626	149	8.026	222.302
Inter-segment revenue	190	1.344	-	11.099	15.015	27.648

(*) Depreciation expense of 5.847 is deducted from the cost of inventory (2019: 1.734 deducted from the cost of inventory).

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

5. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information

	Turkey	CIS	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2020)	5.703.279	1.501.043	4.861.123	190.908	(526.574)	11.729.779
Total assets (31 December 2020)	15.430.503	5.252.886	3.999.280	1.867.741	(12.633.377)	13.917.033
Capital expenditures (1 January - 31 December 2020)	427.672	93.666	45.973	415	-	567.726

	Turkey	CIS	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2019)	6.506.009	1.266.734	7.041.187	39.374	(249.950)	14.603.354
Total assets (31 December 2019)	13.772.912	3.686.668	4.179.455	1.335.188	(10.311.075)	12.663.148
Capital expenditures (1 January - 31 December 2019)	221.887	29.014	40.679	204	-	291.784

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

6. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	2.797	2.347
Cash at banks		
Demand deposits	666.406	498.203
Time deposits with maturity of three months or less	2.413.297	3.456.260
Other cash equivalents	176.616	137.815
	3.259.116	4.094.625

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 37.

7. FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2020	31 December 2019
Time deposits with maturity of longer than three months	82.118	12.782
	82.118	12.782
Long-term financial investments		
Fair value through other comprehensive income financial investments	1.165.172	230.962
Fair value through profit or loss financial investments	249.748	162.906
	1.414.920	393.868
Financial investments total	1.497.038	406.650

Short-term financial investments consists of time deposits with maturity of longer than three months with an average annual interest rate of 3,1% amounting to 82.118 and (11.187 Thousand USD) (31 December 2019: 12.782 (2.152 Thousand USD) with annual interest rate of 2,4%).

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

7. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

Details	Share %	31 December 2020	Share %	31 December 2019
Fair value through other comprehensive income financial investments				
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,47	252.803	10,79	95.753
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	2.339	<1	1.629
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	92	<1	57
Turcas Petrolcülük A.Ş.	<1	22	<1	12
		255.256		97.451
Non-traded				
Toren Doğalgaz Depolama ve Madencilik A.Ş. (1)	2,50	36.968	2,50	51.636
Gaz Depo ve Madencilik A.Ş. (1)	2,50	17.268	2,50	25.509
SOCAR Polymer Investments LLC (2)	10,00	764.133	-	-
Cording Dortmund Hiltropwall SCSp	12,58	33.765	12,58	19.240
Berlin Light JV S.a.r.l	11,44	56.199	11,44	33.229
Altaca Meram Yeşil Enerji Üretim A.Ş. (3)	-	-	9,88	2.314
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. (4)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (4)	27,45	109	27,45	109
Antalya Serbest Bölge Kurucu ve İşleticisi A.Ş.	10,00	124	10,00	124
Other		11		11
		909.916		133.511
Fair value through profit or loss financial investments		249.748		162.906
Long-term financial investments total		1.414.920		393.868

(1) Related assets are considered as financial assets that are not equity instruments.

(2) The Group purchased of 10% shares of SOCAR Polymer Investments LLC which is operating in Azerbaijan for 734.050 (100.000.000 USD) negotiation based on price determined by valuation report.

(3) EPDK approval for the transfer of 90,02% shares of Altaca Meram Yeşil Enerji Üretim A.Ş. ("Altaca Meram") took place on 20 January 2020 and share transfer transaction was completed on 14 February 2020. With the completion of share transfer transaction, the title of Altaca Meram was changed to Toros Meram Yenilenebilir Enerji Üretim A.Ş. ("Meram Enerji") and included in the consolidated financial statements as of 31 December 2020 in accordance with the TFRS 10 Consolidated Financial Statements standard.

(4) As of 31 December 2020 and 2019, entities classified as financial investment are not included in the consolidation due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.

Explanations about the nature and level of risks related to financial investments are provided in Note 37.

Explanations about the fair value changes of financial investments are provided in Note 38.

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

8. SHORT AND LONG-TERM BORROWINGS

	31 December 2020	31 December 2019
Short-term bank loans	1.875.394	407.897
Short-term portion of long-term bank loans and interest payments	178.450	186.851
Short-term portion of long-term lease payables	31.817	25.740
Total short-term borrowings	2.085.661	620.488
Long-term bank loans	240.655	183.331
Long-term lease payables	31.958	32.127
Total long-term borrowings	272.613	215.458
Total borrowings	2.358.274	835.946

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

Original currency	Weighted average interest rate % Short-term	Weighted average interest rate % Long-term	31 December 2020 Short-term	31 December 2020 Long-term	31 December 2020 Total
US Dollars	3,51	-	943.519	-	943.519
EUR	1,10	2,65	291.420	180.155	471.575
TRY	10,87	11,25	787.896	60.500	848.396
QAR	4,50	-	31.009	-	31.009
			2.053.844	240.655	2.294.499

Original currency	Weighted average interest rate % Short-term	Weighted average interest rate % Long-term	31 December 2019 Short-term	31 December 2019 Long-term	31 December 2019 Total
US Dollars	5,88	-	87.689	-	87.689
EUR	2,62	5,54	397.121	28.292	425.413
TRY	17,54	11,94	109.938	155.039	264.977
			594.748	183.331	778.079

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

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

Repayment schedule of bank loans is as follows:

	31 December 2020	31 December 2019
To be paid within 1 year	2.053.844	594.748
To be paid within 1-2 year	48.012	161.921
To be paid within 2-3 year	53.532	21.410
To be paid within 3-4 year	49.032	-
To be paid within 4-5 year	36.032	-
Within 5 or more years	54.047	-
	2.294.499	778.079

The movement of the Group's borrowings is as follows:

	2020	2019
Opening balance as at 1 January	835.946	1.200.146
Currency translation effect	192.404	62.991
Loans used during the period	2.292.683	814.334
Additions from lease obligations during the period	39.365	16.624
Effect of business combinations	-	94.974
Paid during the period	(1.008.372)	(1.360.550)
Interest effect	8.309	9.144
Foreign exchange effect	(2.061)	(1.717)
Closing balance as at 31 December	2.358.274	835.946

Group's bank loans in the amounts of 128.536 Thousand USD (943.519), 52.352 Thousand EUR (471.575), 15.419 Thousand QAR (31.009) and 604.594 are subject to fixed interest rates (31 December 2019: 14.762 Thousand USD (87.689), 40.141 Thousand EUR (266.962) and 113.316). Bank loans in the amounts of 243.802 are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk (31 December 2019: 23.825 Thousand EUR (158.451), 151.661).

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

9. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

Short-term trade receivables	31 December 2020	31 December 2019
Receivables from Contracting & Engineering segment operations	1.272.636	1.323.562
Receivables from Chemical Industry segment operations	339.522	308.964
Receivables from Agricultural Production segment operations	21.820	22.450
Receivables from Service segment operations	8.958	8.414
Receivables from Investment segment operations	3.282	3.298
Provision for doubtful receivables	(101.291)	(80.609)
Retention receivables (Note: 12)	367.890	331.684
Due from related parties (Note: 35)	106.715	22.402
Other	19.319	13.171
	2.038.851	1.953.336

Long-term trade receivables		
Retention receivables (Note: 12)	290.195	302.749
Receivables from Contracting & Engineering segment operations	3.212	11.230
	293.407	313.979

Postdated cheques amounting to 147.221 (31 December 2019: 154.827), notes receivables amounting to 20.003 (31 December 2019: 32.864), positive foreign currency differences amounting to 5.104 (31 December 2019: Positive foreign currency differences amounting to 1.004) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2019: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Engineering and Contracting segment, for projects in abroad is 100 days (31 December 2019: 59 days), for domestic projects is 159 days (31 December 2019: 52 days), for Chemical Industry segment is 41 days (31 December 2019: 42 days), for Agricultural Production segment is 63 days (31 December 2019: 66 days), for Service segment is 32 days (31 December 2019: 31 days), and for Investment segment is 30 days (31 December 2019: 30 days).

As of 31 December 2020, receivables amounting 490.286 was obtained from a non-related client which constitute 22% of the Group's receivables (31 December 2019: 596.467, 26,6%).

On 6 January 2021, collection amount to 212.026 was made regarding the short-term portion of the retention receivables.

As of 31 December 2020, 101.291 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (31 December 2019: 80.609).

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

	2020	2019
Provision as at 1 January	(80.609)	(39.568)
Effect of business combinations	-	(37.841)
Charge for the year	(9.793)	(2.067)
Collected	894	2.017
Provision released	-	568
Write off of bad debt	5.288	20
Currency translation effect	(17.071)	(3.738)
Provision as at 31 December	(101.291)	(80.609)

9.110 and 683 of doubtful receivable expense has been charged to cost of revenue and general administrative expenses respectively (2019: 1.778 of doubtful receivable expense has been charged to general administrative expenses where 289 has been deducted from short-term deferred revenue).

Explanations about the nature and level of risks related to trade receivables are provided in Note 37.

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

9. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

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

Short-term trade payables	31 December 2020	31 December 2019
Payables from Contracting & Engineering segment operations	1.650.578	1.502.397
Payables from Chemical Industry segment operations	985.773	1.156.986
Payables from Agricultural Production segment operations	15.777	12.709
Payables from Service segment operations	45.768	49.044
Payables from Investment segment operations	5.972	7.018
Due to related parties (Note: 35)	12.835	24.883
Retention payables (Note: 12)	670.228	553.795
Other trade payables	31.156	23.648
	3.418.087	3.330.480
Long-term trade payables		
Retention payables (Note: 12)	64.246	71.303
Payables from Contracting & Engineering segment operations	2.982	6.145
	67.228	77.448

Foreign currency differences amounting to 265.059 (31 December 2019: 200.129) are included in short and long-term trade payables. There are not any notes payable and postdated cheques in the current year (31 December 2019: notes payable 432, no postdated cheques).

For Chemical Industry segment, payables attributable to inventory supplied through imports constitute 93% (31 December 2019: 90%) of trade payables as at balance sheet date and average payable period for these import purchases is 115 days (31 December 2019: 150 days) whereas average payable period for domestic purchases is 28 days (31 December 2019: 27 days). For Engineering and Contracting segment, average payable period for import purchases through letter of credit is 70 days (31 December 2019: 56 days) whereas the average payable period for other purchases is 141 days (31 December 2019: 91 days). The average payable period for Agricultural Production segment is 27 days (31 December 2019: 30 days), for Service segment is 44 days (31 December 2019: 41 days), and for Investment segment is 41 days (31 December 2019: 42 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 37.

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

10. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

Other short-term receivables	31 December 2020	31 December 2019
Related party receivables (Note: 35)	1.925	14.256
Deposits and guarantees given	29.232	23.328
Receivables related to business combinations	24.477	18.426
VAT receivables	23.703	4.408
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	2.305	1.855
	81.642	62.273
Other long-term receivables		
Deposits and guarantees given	12.983	8.885
	12.983	8.885

b) Other Payables:

Other short-term payables	31 December 2020	31 December 2019
Taxes and funds payable (1)	38.488	78.942
Deposits and guarantees received	4.172	1.551
Related party payables (Note: 35) (1)	40.142	108
Other payables (1)	34.931	1.467
	117.733	82.068
Other long-term payables		
Fair value of reedemed shares	64.452	75.058
Deposits and guarantees received	4.975	3.424
	69.427	78.482

(1) Dividend payable is included in taxes and funds payable, related party payables and other payables amounting to 9.261, 39.670 and 22.151 respectively.

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 37.

11. INVENTORIES

	31 December 2020	31 December 2019
Raw materials	193.018	138.434
Work in progress	263.237	323.835
Finished goods	53.546	44.135
Trading goods	195.402	191.753
Goods in transit	52.877	39.717
Inventory at construction sites	1.183.100	642.494
Other inventories	92.520	68.566
Allowance for impairment on inventory (-)	(155)	-
	2.033.545	1.448.934

During the year ended 31 December 2020, there are no borrowing costs added to inventory (31 December 2019: None).

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

11. INVENTORIES (cont'd)

Movement of allowance for impairment on inventory	2020	2019
Provision as at 1 January	-	-
Charge for the period (Note: 26)	(155)	-
Provision as at 31 December	(155)	-

All of impairment expense on inventory has been charged to cost of revenue (2019: None).

12. CONTRACT ASSETS AND LIABILITIES ARISING FROM ONGOING CONSTRUCTION WORKS

	31 December 2020	31 December 2019
Cost incurred on uncompleted contracts	40.178.260	33.981.934
Recognised gain less losses (net)	2.112.733	4.468.406
	42.290.993	38.450.340
Less: Billings to date (-)	(42.094.433)	(38.764.315)
	196.560	(313.975)

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

	31 December 2020	31 December 2019
Contract assets arising from ongoing construction works	631.682	692.101
Contract liabilities arising from ongoing construction works	(435.122)	(1.006.076)
	196.560	(313.975)

	31 December 2020	31 December 2019
<u>Contract assets arising from ongoing construction works</u>		
Contracts undersigned abroad	522.268	573.933
Contracts undersigned in Turkey	109.414	118.168
	631.682	692.101
<u>Contract liabilities arising from ongoing construction works</u>		
Contracts undersigned abroad	(435.122)	(871.608)
Contracts undersigned in Turkey	-	(134.468)
	(435.122)	(1.006.076)
	196.560	(313.975)

The Group has 267.203 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2019: 225.123). Also, the Group has 472.264 of advances received for contracting projects classified in deferred revenue (31 December 2019: 561.083) (Note: 19).

As of 31 December 2020, the Group has 734.474 of retention payables to subcontractors (31 December 2019: 625.098). Also, the amount of retention receivables is 658.085 (31 December 2019: 634.433) (Note: 9).

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

13. INVESTMENTS VALUED BY EQUITY METHOD

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

		31 December 2020		31 December 2019			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50 %	13.372	50 %	12.627	50 %	Agriculture
Azfen	Azerbaijan	40 %	11.431	40 %	3	40 %	Construction
Black Sea (*)	Turkey	-	-	30 %	802	30 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50 %	91.015	50 %	90.165	50 %	Real Estate
			115.818		103.597		

(*) Shares of Black Sea were sold on 12 June 2020 (Note: 1).

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

	2020	2019
Opening balance as at 1 January	103.597	144.640
Group's share on profit	60.407	4.534
Capital increases	850	1.957
Currency translation effect	527	1.915
Dividends	(48.865)	(29.354)
Effect of the joint ventures sold	(698)	-
Group's share on other comprehensive income	-	133
Effect of joint ventures classified as subsidiaries	-	(20.184)
Profit eliminations	-	(44)
Closing balance as at 31 December	115.818	103.597

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

	2020	2019
H-T Fidecilik	1.188	1.964
Azfen	59.323	2.845
Black Sea	(104)	(275)
Share on profit of investments valued by equity method	60.407	4.534

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

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

Information related to financial position:

31 December 2020	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	370	202.391	-	38	202.799
Other current assets	64.752	829.169	-	59.708	953.629
Other non-current assets	21.127	180.933	-	124.847	326.907
Total Assets	86.249	1.212.493	-	184.593	1.483.335
Short-term financial debts	23.045	-	-	-	23.045
Other short-term liabilities	22.651	1.183.915	-	73	1.206.639
Long-term financial debts	9.310	-	-	-	9.310
Other long-term liabilities	4.500	-	-	2.490	6.990
Total Liabilities	59.506	1.183.915	-	2.563	1.245.984
Net Assets	26.743	28.578	-	182.030	237.351
Group's Ownership Rate	50%	40%	-	50%	
Group's share on Net Assets	13.372	11.431	-	91.015	115.818

31 December 2019	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	69	155.672	1.821	87	157.649
Other current assets	63.996	195.547	946	59.124	319.613
Other non-current assets	19.604	87.199	5	123.649	230.457
Total Assets	83.669	438.418	2.772	182.860	707.719
Short-term financial debts	28.907	-	-	-	28.907
Other short-term liabilities	22.071	438.411	83	40	460.605
Long-term financial debts	5.000	-	-	-	5.000
Other long-term liabilities	2.437	-	16	2.490	4.943
Total Liabilities	58.415	438.411	99	2.530	499.455
Net Assets	25.254	7	2.673	180.330	208.264
Group's Ownership Rate	50%	40%	30%	50%	
Group's share on Net Assets	12.627	3	802	90.165	103.597

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

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

Information related to statement of profit or loss :

1 January - 31 December 2020	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	103.343	1.686.963	-	-	1.790.306
Depreciation and amortization expense (-)	(2.333)	(52.719)	-	-	(55.052)
Operating profit (loss)	8.117	196.820	(579)	-	204.358
Financial income	35	-	268	-	303
Financial expense (-)	(4.111)	-	(36)	-	(4.147)
Tax (expense) income	(1.664)	(48.513)	1	-	(50.176)
Profit (Loss) for the Period	2.376	148.307	(346)	-	150.337
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	1.188	59.323	(104)	-	60.407

1 January - 31 December 2019	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	86.692	510.832	-	-	597.524
Depreciation and amortization expense (-)	(2.417)	(30.948)	(1)	-	(33.366)
Operating profit (loss)	12.847	8.890	(1.295)	-	20.442
Financial income	157	-	728	7	892
Financial expense (-)	(7.823)	-	(349)	-	(8.172)
Tax expense (-)	(1.313)	(1.778)	1	(7)	(3.097)
Profit (Loss) for the Period	3.927	7.112	(916)	-	10.123
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	1.964	2.845	(275)	-	4.534

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

14. INVESTMENT PROPERTY

Cost value	Land	Buildings	Total
Opening balance as at 1 January 2020	68.419	92.810	161.229
Currency translation effect	11.535	540	12.075
Additions	-	1.457	1.457
Disposals	(1.994)	(1.750)	(3.744)
Allowance for impairment (Note: 30)	(1.898)	-	(1.898)
Transfers from inventory	-	5.956	5.956
Transfers to inventory	-	(130)	(130)
Transfers from property, plant and equipment	-	802	802
Closing balance as at 31 December 2020	76.062	99.685	175.747
Accumulated depreciation			
Opening balance as at 1 January 2020	-	(35.871)	(35.871)
Currency translation effect	-	(11)	(11)
Charge for the year	-	(2.503)	(2.503)
Disposals	-	18	18
Transfers to inventory	-	10	10
Transfers from property, plant and equipment	-	(371)	(371)
Closing balance as at 31 December 2020	-	(38.728)	(38.728)
Carrying value as at 31 December 2020	76.062	60.957	137.019

Cost value	Land	Buildings	Total
Opening balance as at 1 January 2019	53.809	88.321	142.130
Currency translation effect	4.972	-	4.972
Additions	1.993	4.281	6.274
Disposals	-	(39)	(39)
Transfers from assets classified as held for sale (Note: 32)	7.645	-	7.645
Transfers from inventory	-	247	247
Closing balance as at 31 December 2019	68.419	92.810	161.229
Accumulated depreciation			
Opening balance as at 1 January 2019	-	(33.781)	(33.781)
Charge for the year	-	(2.114)	(2.114)
Disposals	-	24	24
Closing balance as at 31 December 2019	-	(35.871)	(35.871)
Carrying value as at 31 December 2019	68.419	56.939	125.358

Investment Property includes buildings over rental income earned and lands that are held for the investment purposes. Useful lives of investment properties are within 4 and 50 years.

Depreciation expense has been charged to cost of revenue (2019: Depreciation expense has been charged to cost of revenue).

For the year ended 31 December 2020 total rental income earned from investment properties is 55.850 (31 December 2019: 45.313). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 13.525 (31 December 2019: 8.051).

A provision for impairment of 1.898 has been recognized for the part of the book value of investment properties that exceed their recoverable amount (Note: 30).

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise which has no relation to the Group and is one of the independent valuers accredited by Capital Market Board. Valuation work has been concluded based on fair value of similar properties. The fair value of the investment properties as of 31 December 2020 is 618.866 (31 December 2019: 558.161) 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.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost value								
Opening balance as at 1 January 2020	952.418	540.564	2.952.315	135.287	231.992	122.033	184.107	5.118.716
Currency translation effect	146.656	59.980	403.445	28.144	41.217	3.787	7.054	690.283
Additions	62.240	4.405	163.102	5.180	21.226	296.076	4.540	556.769
Acquired through business combination	439	-	-	-	-	10.438	-	10.877
Disposals	(337)	(2.141)	(34.535)	(9.523)	(6.093)	(3.342)	-	(55.971)
Transfers	19.995	99.624	96.787	-	8.185	(251.429)	25.823	(1.015)
Closing balance as at 31 December 2020	1.181.411	702.432	3.581.114	159.088	296.527	177.563	221.524	6.319.659
Accumulated depreciation								
Opening balance as at 1 January 2020	(361.896)	(258.666)	(1.988.842)	(98.896)	(158.132)	-	(117.078)	(2.983.510)
Currency translation effect	(71.932)	(37.207)	(334.838)	(21.576)	(31.323)	-	(3.989)	(500.865)
Charge for the year	(38.324)	(11.324)	(168.599)	(10.621)	(28.444)	-	(8.736)	(266.048)
Allowance for impairment (Note: 30)	-	(29.968)	-	-	-	-	-	(29.968)
Disposals	28	1.328	24.375	9.156	2.445	-	-	37.332
Transfers	-	361	792	7	(785)	-	-	375
Closing balance as at 31 December 2020	(472.124)	(335.476)	(2.467.112)	(121.930)	(216.239)	-	(129.803)	(3.742.684)
Carrying value as at 31 December 2020	709.287	366.956	1.114.002	37.158	80.288	177.563	91.721	2.576.975

A provision for impairment of 29.968 has been recognized for the part of the book value of property, plant and equipment that exceed their recoverable amount (31 December 2019: 6.284) (Note: 30).

For the year ended 31 December 2020, no additional capitalized borrowing costs are included in property, plant and equipment (31 December 2019:None).

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

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

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost value								
Opening balance as at 1 January 2019	842.255	514.370	2.830.973	111.796	186.962	32.760	172.152	4.691.268
Currency translation effect	58.472	25.505	200.708	16.357	18.885	1.868	4.279	326.074
Additions	19.221	1.017	71.705	6.017	24.288	152.707	828	275.783
Acquired through business combination	12.862	11.397	25.388	3.578	2.654	1.852	43	57.774
Disposals	(3.575)	(23.350)	(193.638)	(3.347)	(2.203)	-	(6)	(226.119)
Transfers	23.183	11.625	17.179	886	1.406	(67.154)	6.811	(6.064)
Closing balance as at 31 December 2019	952.418	540.564	2.952.315	135.287	231.992	122.033	184.107	5.118.716
Accumulated depreciation								
Opening balance as at 1 January 2019	(308.797)	(249.420)	(1.833.149)	(76.847)	(130.446)	-	(103.383)	(2.702.042)
Currency translation effect	(25.460)	(14.309)	(166.986)	(13.339)	(13.943)	-	(2.587)	(236.624)
Charge for the year	(29.125)	(10.509)	(152.516)	(11.374)	(15.089)	-	(11.114)	(229.727)
Allowance for impairment (Note: 30)	(1.549)	-	(4.086)	(649)	-	-	-	(6.284)
Disposals	3.035	15.572	167.895	3.313	1.346	-	6	191.167
Closing balance as at 31 December 2019	(361.896)	(258.666)	(1.988.842)	(98.896)	(158.132)	-	(117.078)	(2.983.510)
Carrying value as at 31 December 2019	590.522	281.898	963.473	36.391	73.860	122.033	67.029	2.135.206

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	2-25 years
Vehicles	2-20 years
Furniture and fixtures	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 251.250 (2019: 220.042) has been charged to cost of revenue, 4.866 (2019: 2.034) to marketing expenses, 13.621 (2019: 8.343) to general administrative expenses, 2.158 (2019: 1.042) to research and development expenses. Depreciation expense of 5.847 is deducted from the cost of inventory (2019: 1.734 deducted from the cost of inventory).

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

16. RIGHT-OF-USE ASSETS

Cost value	Land and land improvements	Buildings	Machinery and equipments	Vehicles	Furniture and fixtures and other	Total
Opening balance as at 1 January 2020	21.639	29.607	5.673	44.711	1.988	103.618
Currency translation effect	-	5.374	540	1.902	(27)	7.789
Additions	5.619	3.880	2.689	27.268	116	39.572
Disposals	(1.149)	(19.382)	(4.626)	(30.176)	(602)	(55.935)
Closing balance as at 31 December 2020	26.109	19.479	4.276	43.705	1.475	95.044
Accumulated depreciation						
Opening balance as at 1 January 2020	(1.616)	(13.898)	(4.072)	(27.987)	(863)	(48.436)
Currency translation effect	-	(2.586)	(470)	(1.092)	29	(4.119)
Charge for the year	(2.993)	(11.105)	(1.155)	(14.863)	(574)	(30.690)
Disposals	1.061	18.511	4.140	26.775	455	50.942
Closing balance as at 31 December 2020	(3.548)	(9.078)	(1.557)	(17.167)	(953)	(32.303)
Carrying value as at 31 December 2020	22.561	10.401	2.719	26.538	522	62.741

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

16. RIGHT-OF-USE ASSETS (cont'd)

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

Right-of-use assets are depreciated over the following useful lives:

	Useful life
Land and land improvements	1-50 years
Buildings	1-5 years
Machinery and equipment	1-3 years
Vehicles	1-4 years
Furniture and fixtures and other	1-3 years

Depreciation expense of 18.174 (2019: 38.058) has been charged to cost of revenue, 2.331 (2019: 1.327) to marketing expenses and 10.185 (2019: 7.238) to general administrative expenses.

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

17. OTHER INTANGIBLE ASSETS

Cost Value	Rights	Other	Total
Opening balance as at 1 January 2020	101.506	7.144	108.650
Currency translation effect	15.476	1.664	17.140
Additions	9.317	183	9.500
Acquired through business combination	1.907	-	1.907
Disposals	(3.035)	(6.483)	(9.518)
Transfers	209	-	209
Closing balance as at 31 December 2020	125.380	2.508	127.888
Accumulated amortization			
Opening balance as at 1 January 2020	(61.183)	(2.432)	(63.615)
Currency translation effect	(12.110)	(1.152)	(13.262)
Charge for the year	(9.911)	(19)	(9.930)
Disposals	984	2.192	3.176
Closing balance as at 31 December 2020	(82.220)	(1.411)	(83.631)
Carrying value as at 31 December 2020	43.160	1.097	44.257

Cost value	Rights	Other	Total
Opening balance as at 1 January 2019	78.020	6.602	84.622
Currency translation effect	6.853	526	7.379
Additions	9.404	323	9.727
Acquired through business combination	1.495	1	1.496
Disposals	(490)	(148)	(638)
Transfers	6.224	(160)	6.064
Closing balance as at 31 December 2019	101.506	7.144	108.650
Accumulated amortization			
Opening balance as at 1 January 2019	(48.995)	(511)	(49.506)
Currency translation effect	(5.242)	(151)	(5.393)
Charge for the year	(7.135)	(1.775)	(8.910)
Disposals	189	5	194
Closing balance as at 31 December 2019	(61.183)	(2.432)	(63.615)
Carrying value as at 31 December 2019	40.323	4.712	45.035

Intangible assets are amortized over useful lives of rights through 2 to 25 years and useful lives of other intangibles through 2 to 5 years.

Amortization expense of 7.803 (2019: 7.357) has been charged to general administrative expenses, 2.127 (2019: 1.553) to cost of revenue.

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

18. GOODWILL

Subsidiaries Acquired	Nature of Business	Date of Acquisition	Ratio of Shares Acquired	Acquisition Price	Goodwill
Gate İnşaat Taahhüt San. ve Tic. A.Ş.	Engineering & Contracting	25 July 2018	50%	158.166	-
CFS Petrokimya Sanayi A.Ş.	Chemical Industry	31 May 2019	100%	8.518	8.799
Denkmal in Dahlem Otto-Hahn-Platz GmbH	Engineering & Contracting	30 July 2019	80%	47.132	20.079
Toros Gönen Yenilenebilir Enerji Üretim A.Ş.	Chemical Industry	31 July 2019	70%	42.946	41.608
Toros Meram Yenilenebilir Enerji Üretim A.Ş.	Chemical Industry	14 February 2020	99,9%	24.814	21.352
				281.576	**91.838**

Breakdown of the acquisition price is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Paid in cash	158.166	8.518	47.132	42.946	24.814	281.576
Acquisition price	**158.166**	**8.518**	**47.132**	**42.946**	**24.814**	**281.576**

The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Current assets	**300.527**	**113**	**248.123**	**19.361**	**20.264**	**588.388**
Cash and cash equivalents	16.039	13	1.063	12.132	3.043	32.290
Other current assets	284.488	100	247.060	7.229	17.221	556.098
Non-current assets	**205.050**	**538**	**2.946**	**42.252**	**12.898**	**263.684**
Tangible and intangible assets	102.114	538	2.946	40.268	12.784	158.650
Other non-current assets	102.936	-	-	1.984	114	105.034
Current liabilities	**399.448**	**932**	**90.440**	**27.746**	**29.697**	**548.263**
Non-current liabilities	**4.786**	**-**	**126.813**	**31.956**	**-**	**163.555**
Net assets	**101.343**	**(281)**	**33.816**	**1.911**	**3.465**	**140.254**

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

18. GOODWILL (cont'd)

As a result of the acquisitions, the Group obtained control of the companies so that goodwill arisen. The goodwill arising from the acquisitions is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Acquisition price	158.166	8.518	47.132	42.946	24.814	281.576
Non-controlling interest	-	-	6.763	573	3	7.339
Fair value of previously-held interest in the acquired company	50.672	-	-	-	-	50.672
Less: Fair value of net assets of the acquired company	(101.343)	281	(33.816)	(1.911)	(3.465)	(140.254)
Impairment (-) *(Including translation effect)*	(107.495)	-	-	-	-	(107.495)
Goodwill	**-**	**8.799**	**20.079**	**41.608**	**21.352**	**91.838**

Net cash outflow concerning the acquisition is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Paid in cash	158.166	8.518	47.132	42.946	24.814	281.576
Less: Cash and cash equivalents of the acquired company	(8.020)	(13)	(1.063)	(12.132)	(3.043)	(24.271)
Net cash outflow	**150.146**	**8.505**	**46.069**	**30.814**	**21.771**	**257.305**

Movement of Goodwill is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Opening balance as at 1 January 2020	-	4.992	14.824	41.608	-	61.424
Additions	-	3.807	-	-	21.352	25.159
Currency translation effect	-	-	5.255	-	-	5.255
Closing balance as at 31 December 2020	**-**	**8.799**	**20.079**	**41.608**	**21.352**	**91.838**
Opening balance as at 1 January 2019	79.896	-	-	-	-	79.896
Additions	-	4.992	14.824	41.608	-	61.424
Remeasurement difference	(3.225)	-	-	-	-	(3.225)
Impairment (Note: 30)	(83.049)	-	-	-	-	(83.049)
Currency translation effect	6.378	-	-	-	-	6.378
Closing balance as at 31 December 2019	**-**	**4.992**	**14.824**	**41.608**	**-**	**61.424**

The Group has calculated the recoverable amount of the goodwill and has not identified any impairment for the year ended 31 December 2020 (31 December 2019: 83.049). The discounted cash flow method has been used in calculating the recoverable amount of cash generating units to which goodwill has been distributed and the cash flows expected to be obtained in the future have been discounted to today by using appropriate discount factors.

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

19. PREPAID EXPENSES AND DEFERRED REVENUE

Short-term prepaid expenses	31 December 2020	31 December 2019
Advances paid for construction projects (Note: 12)	267.203	225.123
Prepaid expenses	122.999	100.631
Order advances given	17.227	21.504
Business advances given	1.501	1.358
	408.930	348.616

Long-term prepaid expenses		
Prepaid expenses	3.571	625
Advances given for fixed assets	15.397	24.936
	18.968	25.561

Short-term deferred revenue		
Advances received for construction projects (Note: 12)	472.264	561.083
Other advances received	104.649	121.646
Income relating to future months	13.197	7.980
	590.110	690.709

Long-term deferred revenue		
Income relating to future years	241	332
	241	332

20. GOVERMENT GRANTS AND INCENTIVES

Tekfen Tarım benefits from the certified seed production support according to the support amounts determined in the Communiqué about "Supporting Domestic Certified Seed Production" published in the Official Gazette for its production of certified wheat seeds. In addition, Tekfen Tarım benefits from certified seed/sapling production support for its potato and banana saplings product groups in the amount determined in "Communiqué on Payment of Support to Plant Production".

In the plant production section of Tekfen Tarım, the application made to the Ministry of Industry and Technology has been concluded as positive and as of 22 November 2018, Tekfen Tarım has been granted the Research and Development ("R&D") Center Certificate for Adana-Agripark facilities. In this context, it can benefit from the discounts and supports specified in the Law No. 5746. Within the scope of the grant support programs of R&D projects, support is received at the rate of 60% -70% of the total project budgets requested according to the relevant regulations and financial principles. The amount and duration of the support varies according to the projects submitted and the institutions applied for and these supports are used.

Alanar Meyve, benefits from "Good Agricultural Practices" and "Diesel and Fertilizer" supports of Ministry of Agriculture and Forestry.

As an exporter of fresh fruit and vegetables, Alanar Meyve benefits from air cargo supports for exports to the countries specified in the decision within the scope of state support for air cargo transportation numbered 2552.

In order to meet the demands and requirements of the industry, improve the product range, domestically produce fertilizers that are not produced in Turkey and optimize the logistics factors, it's been dediced to establish a R&D center in Mersin factory plant of Toros Tarım. Permission application to the Ministry of Industry and Technology was made on 22 June 2017 and R&D center was approved on 1 August 2017.

In order to meet the demand of the industry by creating new designs for the products in its scope of operation and especially products that are suitable for petroleum refineries, Timaş dediced to establish a Design Center in its İstanbul headquarter. Permission application to the Ministry of Industry and Technology was made on 9 May 2017 and Design Center was approved on 3 August 2017.

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

20. GOVERMENT GRANTS AND INCENTIVES (cont'd)

Within the scope of Law numbered 5746, various tax (design discount) advantages are provided to the firms which provide innovative approaches with R&D and Design Center activities and develop new products and technologies to the industry. Accordingly, the R&D and Design Centers are covered by income tax withholding tax and insurance premium support. In addition, the innovation and design expenditures determined in the law are subject for deduction from the corporate tax base.

The project-based investment support to CFS was announced with the Presidential Decree No. 385 dated 26 November 2018 for the polypropylene production investment planned to be realized in Mersin. As of balance sheet date the process of obtaining the Project Based Investment Incentive Certificate is in progress.

Gönen Enerji and Meram Enerji have received General Investment Incentive Certificate for their power generation facility investments from Ministry of Economy on 30 April 2012 and 7 September 2017 respectively. Additionally, for Organomineral Fertilizer facility investments they have received 4th Region Investment Incentive Certificate from Ministry of Economy on 24 January 2019 and 8 June 2020 respectively. These incentives provide 70% tax exemption for the taxation of the income derived from the investment within the framework of VAT exemption, customs tax exemption, interest support, insurance premium employer support and 30% investment contribution rate.

The project of "9 Nikelli Malzeme ile Depolama Tankının Geliştirilmesi" within the Derince factory of Timaş was approved by TÜBİTAK on 21 January 2020. Incentives for the period 2019/2 and 2020/2 have been approved for the expenses of the personnel involved in R&D activities within the scope of income tax withholding support and insurance employer premium support for the project.

21. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short-term other provisons	31 December 2020	31 December 2019
Provision for litigation	14.651	13.382
Other provisions	438.443	183.282
	453.094	196.664
Long-term other provisons		
Other provisions	72	52
	72	52

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2020	13.382	183.334	196.716
Currency translation effect	354	53.993	54.347
Charge for the period	4.562	283.852	288.414
Provision paid	(2.633)	-	(2.633)
Provision released	(1.014)	(82.664)	(83.678)
Closing balance as at 31 December 2020	14.651	438.515	453.166
Opening balance as at 1 January 2019	12.803	184.155	196.958
Effect of business combinations	45	9.557	9.602
Currency translation effect	536	21.256	21.792
Charge for the period	2.486	62.439	64.925
Provision paid	(736)	-	(736)
Provision released	(1.752)	(94.073)	(95.825)
Closing balance as at 31 December 2019	13.382	183.334	196.716

21. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities

Contractual Assets and Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group's subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods and conditions stated on the agreements. In case the customer determines any defects subsequent to the provisional acceptance of the contract, Tekfen İnşaat can be obliged to remedy the defect.

Penalty of Default

Based on the agreements signed with the customers, if Tekfen İnşaat fails to complete in full or partially its contract operations within the determined period, it may pay penalty amount for such defaults to its customers.

Litigations:

As of 31 December 2020, except Libya counterclaim, lawsuit filed against the Group is totally 112.844 (31 December 2019: 203.760) and the management has decided to accrue 14.651 (31 December 2019: 13.382) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuits filed against the Group.

Libya Arbitration Claim

Within the context of the Group's decision taken on 30 January 2015 to apply for International Arbitration with the aim of claiming all of its rights, receivables and assets connected with The Great Man-Made River Project, which was undertaken in Libya by Tekfen-TML Joint Venture (Tekfen TML J.V.), a joint venture of the Group with 67% participation rate, – that having been halted on 21 February 2011 owing to events taking place in the aforesaid country and the instability thus caused – the Group applied to the International Court of Arbitration of the International Chamber of Commerce (ICC) for commercial arbitration against the Great ManMade River Authority (MMRA) as the 'employer', and against the State of Libya. A statement on this subject was duly made in our Announcement of 18 June 2015. In our subsequent announcement of 12 October 2015, we have further reported that a second arbitration case has been filed at the ICC against the Libyan State on the basis of the Agreement on the Mutual Promotion and Protection of Investments ("AMPPI") signed between the Libyan and Turkish States. The partial award handed down in relation to the contractual arbitration case filed with the ICC on the basis of this Agreement has been notified to the Tekfen TML J.V.

In this partial award, the Arbitration Tribunal has ruled that the MMRA falls within its jurisdiction, but that the State of Libya does not; that the MMRA should pay the Tekfen TML J.V. the sum of 40.499 Thousand USD (of which the Group's share is 27.134 Thousand USD) as compensation; that the MMRA should pay the Tekfen TML J.V. the sum of 5.000 Thousand USD (of which the Group's share is 3.350 Thousand USD) in respect of the Tekfen TML J.V.'s legal expenses; that the parties should be asked to submit additional petitions for the determination of the rates of interest to be charged with respect to the aforementioned figures; that all counter-claims of the defendant (the MMRA) should be dismissed with the exception of a minor one for 365 Thousand USD and that only this amount should be deducted from the sum awarded to the Tekfen TML J.V.; that it was necessary for the agreement between the Tekfen TML J.V. and the MMRA to be readjusted in accordance with the changed conditions now in force; and that provision for matters such as the mechanical equipment needed in order for the Tekfen TML J.V. to continue its work should be evaluated within the framework of the revisions to be requested.

In accordance with the decision of the Arbitral Tribunal, the parties continue conciliation negotiations for the remainder of the proceedings.

On 13 August 2020, a Memorandum of Understanding ("MoU") was signed between the Republic of Turkey and Libyan Government of National Accord for the settlement of arising issues of the signed contracts of Turkish companies with employer administrations in Libya. The MoU was approved by both govenrments on 24 September 2020. According to the MoU, it is foreseen that the contractors shall apply to the Administrations by letter within a period of 90 days and start negotiations for the future of the projects. In this context, letters regarding the issue were sent to the MMRA.

21. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Litigations (cont'd):

Libya Arbitration Claim (cont'd)

According to the MoU, it is necessary to discuss the terms of continuation or termination of work with the Administrations in the second 90 days. Termination was agreed with MMRA in principle and mutual meetings were tried to be held. However, it has not been possible to come together due to travel restrictions. MMRA has established a four-person commission to discuss termination conditions and Tekfen TML J.V.'s demands. The commission examines Tekfen TML J.V.'s additional demands regarding machine losses.

The enforcement of the above mentioned partial award may only be done following an enforcement decision of a domestic court. This can only be acquired as a result of a recognition and enforcement lawsuit that can be filed in various countries in connection with the partial award handed down. Furthermore, as the collection of this award is also dependent on the determination of the defendant's (that is, the MMRA's) material assets, and on the actual execution of the award with regard to these assets, at this stage none of the above-mentioned legal processes will have any effect whatsoever on the consolidated financial statements of the Group.

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

22. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2020 and 2019 is as follows:

31 December 2020	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	14.047.645	1.167.886	56.389	4.966.832
-Guarantee	*14.043.145*	*1.167.886*	*56.389*	*4.962.332*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	10.905	-	-	10.905
-Guarantee	*10.905*	-	-	*10.905*
-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 2020	14.058.550	1.167.886	56.389	4.977.737

31 December 2019	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	13.214.745	1.415.905	99.405	4.142.886
-Guarantee	*12.888.163*	*1.415.905*	*63.005*	*4.058.386*
-Pledge	-	-	-	-
-Mortgage	*326.582*	-	36.400	*84.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	30.765	-	-	30.765
-Guarantee	*30.765*	-	-	*30.765*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2019	13.245.510	1.415.905	99.405	4.173.651

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.)

23. EMPLOYEE BENEFITS

Employee benefit payables	31 December 2020	31 December 2019
Salary accruals	45.694	59.098
Social security witholding payables	18.908	18.897
	64.602	77.995

Short-term provisions attributable to employee benefits		
Retirement pay provision	50.485	45.049
Unused vacation pay liability provision	66.325	52.218
Premium provision	26.620	63.704
	143.430	160.971

Long-term provisions attributable to employee benefits		
Retirement pay provision	119.534	72.066
	119.534	72.066

Short-term retirement pay provision	50.485	45.049
Long-term retirement pay provision	119.534	72.066
	170.019	117.115

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

The Group is liable to pay retirement benefit for each qualified personnel abroad according to the legislation of the relevant country. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees.

Retirement pay provision for Turkish personnel employed in Turkey:

The Group is obliged to pay severance payment to every employee who completed at least one year of service and whose employment contract has been terminated in accordance with the provisions of the Labor Law and other relevant legislation in force in Turkey is entitled to severance pay.

Group has calculated current year's amount by using the upper limit 7.638,96 TRY which is effective on or after 1 January 2021 (31 December 2019: 6.730,15 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 2020.

There is no legal funding requirement for retirement pay liability.

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

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

23. 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 2020, 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 2020, the provisions have been calculated by taking the real discount rate as approximately 2,24% (31 December 2019: 2,87%). 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 2020	117.115	63.704	52.218	233.037
Currency translation effect	19.543	5.591	7.845	32.979
Charge for the period	72.442	40.399	29.730	142.571
Interest expense	3.162	-	-	3.162
Provision paid	(44.735)	(38.300)	(21.969)	(105.004)
Provision released	(177)	(44.774)	(1.499)	(46.450)
Actuarial loss	2.669	-	-	2.669
Closing balance as at 31 December 2020	170.019	26.620	66.325	262.964
Opening balance as at 1 January 2019	106.638	37.332	40.841	184.811
Effect of business combinations	229	-	151	380
Currency translation effect	6.284	3.156	3.217	12.657
Charge for the period	47.029	99.094	26.819	172.942
Interest expense	3.753	-	-	3.753
Provision paid	(42.349)	(74.823)	(17.653)	(134.825)
Provision released	-	(1.055)	(1.157)	(2.212)
Actuarial gain	(4.469)	-	-	(4.469)
Closing balance as at 31 December 2019	117.115	63.704	52.218	233.037

66.870 (2019: 43.848) of current year charge and released provision for retirement pay has been included in cost of revenue, 7.672 (2019: 6.440) has been included in general administrative expenses, 157 (2019: 24) has been included in research and development expenses and 728 (2019: 470) has been included in marketing expenses.

(24.823) (2019: 43.400), 17.988 (2019: 53.672), 216 (2019: (134)) and 2.244 (2019: 1.101) of current year charge and released provision for premiums have been included in cost of revenue, in general administrative expenses, in research and development expenses and in marketing expenses respectively.

24.264 (2019: 22.662) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 3.991 (2019: 2.885) has been included in general administrative expenses and (24) (2019: 115) has been included in marketing expenses.

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

24. OTHER CURRENT/NON-CURRENT ASSETS AND OTHER SHORT-TERM LIABILITIES

Other current assets	31 December 2020	31 December 2019
VAT receivables	219.523	222.778
Witholding tax of ongoing construction contracts	959	195.740
Other current assets	25.439	1.947
	245.921	420.465

Other non-current assets		
Witholding tax of ongoing construction contracts	4.984	7.752
VAT receivables	18.513	14.084
	23.497	21.836

Other short-term liabilities		
VAT calculated	28.654	1.009
Other	441	1.656
	29.095	2.665

25. 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 2020 and 2019 is as follows:

Shareholders	(%)	31 December 2020	(%)	31 December 2019
Berker family	22,55%	83.422	22,55%	83.422
Gökyiğit family	22,18%	82.060	22,13%	81.865
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	0,78%	2.898	1,54%	5.683
Publicly traded	47,84%	177.009	47,13%	174.419
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		373.475		373.475

(*) Indicates the total of owners with shares less than 5%.

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2019: 370.000.000). All these shares consist of bearer common shares.

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

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

25. SHAREHOLDERS’ EQUITY (cont’d)

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

	31 December 2020	31 December 2019
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Gain on investments in equity instruments	292.516	87.717
- Gain on revaluation and remeasurement	13	2.305
	292.529	90.022
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	1.055.947	488.224
- Gain (loss) on hedging (Note: 36)	7.236	(23.183)
	1.063.183	465.041

Gain / (loss) on investments in equity instruments:

Gain (loss) on investments in equity instruments consists of changes in fair value of fair value through other comprehensive income financial investments.

Gain on revaluation and remeasurement:

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

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 1.055.947 (31 December 2019: 488.224).

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.

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

25. SHAREHOLDERS' EQUITY (cont'd)

c) Legal Reserves

	31 December 2020	31 December 2019
Legal reserves	382.727	278.423

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.

Upon the resolution of Ordinary General Assembly held on 26 March 2020, it is decided to distribute 1,15 TL gross cash dividends per share attributable to the operations of the year of 2019. It is decided that the first portion of dividends of 426.492 and 29.828 in the aggregate 456.320 respectively to the owners of the parent and Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed shares will be distributed on 27 April 2020 and second portion of dividend distribution will be held on 24 September 2020.

However pursuant to article 12 of Law Concerning the Reduction of the Effects of COVID-19 Pandemic on Economic and Social Life and the Amendment of Some Laws numbered 7244, which went into effect with its publication in issue 31102 of the official gazette on 17 April 2020 as well as to interim article 13 added to the Turkish Commercial Code numbered 6102, portions of dividends that exceed 25% of 2019 net profit must be paid after 30 September 2020. For this reason, the Board of Directors of the Company has decided that 456.320 of dividend will be paid in three installements. First installment amounting to 213.246 to the owners of the parent and 29.828 to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed shares which constitute 243.074 was paid in accordance with the decision taken in the Ordinary General Assembly on 27 April 2020, second installment amounting to 142.164 was paid on 24 September 2020. The last installment dividend payment amounting to 71.082, which was decided to be made on 1 October 2020, was paid to 7 January 2021 within the framework of the President's Decree dated 18 September 2020. In the consolidated financial statements as of 31 December 2020, 39.670 of the remaining dividend payable, the payment of which was completed on 7 January 2021, was recognized under other payables to related parties account where 31.412 recognized under other payables account.

As of 25 February 2021, Board of Directors offered not to distribute any profit due to the occurrence of loss for the current year. This resolution is subject to approval of the shareholders at General Assembly Meeting (2019: gross dividends per share 1,15 TRY, gross dividend amount to be paid to shareholders 426.492, gross dividend amount to be paid to the holders of the redeemed shares 29.828).

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

25. SHAREHOLDERS' EQUITY (cont'd)

c) Legal Reserves (cont'd)

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 3.223.945 (31 December 2019: 2.763.824) 2.880.756 portion of this amount belongs to shares issued and 343.239 portion of this amount belongs to bonus shares issued (31 December 2019: shares issued 2.420.585, bonus shares issued 343.239).

d) Premiums in Capital Stock

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

26. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2020	1 January - 31 December 2019
Engineering & Contracting Group Revenue	7.107.507	10.538.494
- Contract revenue – abroad	*6.098.624*	*7.970.939*
- Contract revenue – domestic	*688.520*	*2.176.644*
- Joint operations – abroad	*261.469*	*335.269*
- Joint operations – domestic	*40.765*	*38.144*
- Other revenue (Contract)	*18.129*	*17.498*
Chemical Industry Group Revenue	3.887.807	3.439.427
- Fertilizer sales revenue	*3.871.057*	*3.424.699*
- Other revenue (Chemistry)	*16.750*	*14.728*
Services Group Revenue	486.244	377.449
- Terminal services	*180.675*	*113.147*
- Free zone operations	*144.493*	*102.800*
- Motel, dock and fuel revenue	*102.183*	*109.359*
- Other revenue (Service)	*58.893*	*52.143*
Agricultural Production Group Revenue	200.589	205.631
Investment Group Revenue	47.632	42.353
	11.729.779	14.603.354

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under TFRS 8. Performance obligations arising from the Engineering and Contracting segment are fulfilled over time. A significant portion of performance obligations arising from other reportable segments are fulfilled at a point in time.

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

26. REVENUE AND COST OF REVENUE (cont'd)

Cost of revenue (-)	1 January - 31 December 2020	1 January - 31 December 2019
Cost of raw materials used	(3.817.979)	(4.035.757)
Subcontractor expenses	(3.012.459)	(4.287.164)
Personnel expenses	(1.516.118)	(1.847.539)
Maintenance expenses	(488.404)	(215.881)
Machinery, vehicle and other rent expenses	(325.126)	(279.509)
Depreciation expenses (Note: 14,15,16,17)	(274.054)	(261.683)
Cost of merchandises sold	(192.993)	(114.723)
Energy and fuel expenses	(190.616)	(152.706)
Construction site expenses	(164.386)	(267.826)
Consultancy expenses	(150.741)	(231.400)
Engineering expenses	(100.581)	(96.213)
Transportation expenses	(75.271)	(39.449)
Comission expenses	(51.999)	(30.801)
Traveling expenses	(41.790)	(42.370)
Services obtained from third parties	(41.378)	(43.283)
Insurance expenses	(30.173)	(43.482)
Custom expenses	(18.211)	(33.729)
Provision for doubtful receivables (Note: 9)	(9.110)	-
Consumable and other material expenses	(2.610)	(2.126)
Allowance for impairment on inventory (Note: 11)	(155)	-
Reversal of doubtful receivable provision (Note: 9)	749	1.112
Project loss provisions (Note: 21)	(201.781)	13.272
Other	(110.596)	(190.535)
	(10.815.782)	(12.201.792)

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
General administrative expenses (-)	(482.000)	(459.696)
Marketing expenses (-)	(326.154)	(309.263)
Research and development expenses (-)	(22.516)	(5.197)
	(830.670)	(774.156)

	1 January - 31 December 2020	1 January - 31 December 2019
Details of general administrative expenses		
Personnel expenses	(283.700)	(274.853)
Consultancy expenses	(33.855)	(26.669)
Office and administration expenses	(36.257)	(37.501)
Depreciation and amortization expenses (Note: 15,16,17)	(31.609)	(23.022)
Sponsorship expenses	(12.772)	(12.984)
Communication expenses	(10.332)	(8.192)
Duties, charges and other tax expenses	(5.779)	(9.722)
Services obtained from third parties	(4.187)	(12.298)
Insurance expenses	(3.754)	(2.510)
Maintenance expenses	(3.426)	(1.233)
Bank and notary expenses	(3.376)	(2.735)
Traveling expenses	(3.000)	(5.401)
Energy and fuel expenses	(2.584)	(1.674)
Tender preparation expenses	(1.109)	(2.571)
Hospitality expenses	(730)	(2.150)
Provision for doubtful receivables (Note: 9)	(683)	(1.778)
Reversal of doubtful receivable provision (Note: 9)	145	1.473
Other expenses	(44.992)	(35.876)
	(482.000)	(459.696)

	1 January - 31 December 2020	1 January - 31 December 2019
Details of marketing expenses		
Transportation expenses	(180.098)	(172.945)
Services obtained from third parties	(58.305)	(55.916)
Personnel expenses	(30.017)	(22.436)
Custom expenses	(19.359)	(13.495)
Depreciation and amortization expenses (Note: 15,16)	(7.197)	(3.361)
Warehouse expenses	(5.418)	(6.134)
Advertisement expenses	(3.987)	(6.165)
Energy and fuel expenses	(2.744)	(2.660)
Traveling expenses	(1.705)	(2.985)
Insurance expenses	(1.509)	(466)
Maintenance expenses	(1.328)	(1.308)
Duties, charges and other tax expenses	(697)	(453)
Office and administration expenses	(436)	(960)
Hospitality expenses	(420)	(680)
Communication expenses	(316)	(314)
Consultancy expenses	(355)	(519)
Other expenses	(12.263)	(18.466)
	(326.154)	(309.263)

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

27. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont’d)

Details of research and development expenses	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	(12.434)	(3.187)
Services obtained from third parties	(2.405)	-
Depreciation and amortization expenses (Note: 15)	(2.158)	(1.042)
Energy and fuel expenses	(880)	-
Consultancy expenses	(836)	-
Traveling expenses	(600)	-
Maintenance expenses	(315)	-
Office and administration expenses	(298)	-
Hospitality expenses	(156)	-
Communication expenses	(53)	-
Other expenses	(2.381)	(968)
	(22.516)	(5.197)

28. EXPENSES BY NATURE

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	(326.151)	(300.476)
Transportation expenses	(180.098)	(172.945)
Services obtained from third parties	(64.897)	(68.214)
Depreciation and amortization expenses (Note: 15,16,17)	(40.964)	(27.425)
Office and administration expenses	(36.991)	(38.461)
Consultancy expenses	(35.046)	(27.188)
Custom expenses	(19.359)	(13.495)
Sponsorship expenses	(12.772)	(12.984)
Communication expenses	(10.701)	(8.506)
Duties, charges and other tax expenses	(6.476)	(10.175)
Energy and fuel expenses	(6.208)	(4.334)
Warehouse expenses	(5.418)	(6.134)
Traveling expenses	(5.305)	(8.386)
Insurance expenses	(5.263)	(2.976)
Maintenance expenses	(5.069)	(2.541)
Advertisement expenses	(3.987)	(6.165)
Bank and notary expenses	(3.376)	(2.735)
Hospitality expenses	(1.306)	(2.830)
Tender preparation expenses	(1.109)	(2.571)
Provision for doubtful receivables (Note: 9)	(683)	(1.778)
Reversal of doubtful receivable provision (Note: 9)	145	1.473
Other expenses	(59.636)	(55.310)
	(830.670)	(774.156)

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

29. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gains	602.655	354.209
Due date difference income	48.022	84.654
Hedging income (Note: 36)	31.984	52.969
Discount income	19.186	22.476
Rent income	4.901	10.728
Government grants and incentives income (Note: 20)	4.753	3.940
Refundment income of social benefit	4.421	3.986
Indemnity income	5.346	998
Scrap sale income	1.128	1.446
Reversal of litigation provision (Note: 21)	1.014	1.752
Other income	37.294	11.248
	760.704	548.406

Other operating expenses (-)		
Foreign exchange losses	(818.303)	(451.477)
Due date difference expenses	(18.792)	(46.488)
Hedging expenses (Note: 36)	(16.324)	(26.175)
Grants and contributions	(15.536)	(887)
Discount expenses	(9.320)	(7.199)
Litigation provision (Note: 21)	(1.845)	(2.486)
Written off VAT receivables	(1.151)	-
Penalty and damages expenses	(527)	(3.049)
Damages subject to litigation	(161)	(249)
Additional tax expenses	(22)	(31)
Other provision expenses	(7)	(4.609)
Other expenses	(21.438)	(34.305)
	(903.426)	(576.955)

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

30. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2020	1 January - 31 December 2019
Reversal of impairment of assets classified as held for sale (Note: 32)	28.239	-
Gain on remeasurement of financial investments (Note: 7)	20.303	20.133
Dividend income	7.287	10.101
Gain on sale of fixed asset	5.964	14.606
Gain on sale of joint ventures / financial investments	705	168
Bargain purchase gain	-	6.900
	62.498	51.908
Investment expense (-)		
Impairment of fixed assets (Note: 15)	(29.968)	(6.284)
Impairment of financial investments (Note: 7)	(26.411)	(15.993)
Impairment of investment property (Note: 14)	(1.898)	-
Loss on sale of fixed assets	(44)	(515)
Impairment of goodwill (Note: 18)	-	(83.049)
Impairment of assets classified as held for sale (Note: 32)	-	(3.365)
Other	(412)	-
	(58.733)	(109.206)

31. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gains	728.496	501.112
Interest income	79.451	152.236
Currency translation reserve gains	15.909	11.376
Other finance income	430	-
	824.286	664.724
Financial expenses (-)		
Foreign exchange losses	(464.489)	(352.321)
Interest expenses	(116.616)	(71.296)
Other finance expenses	(14.279)	(10.193)
Currency translation reserve losses	(4.205)	-
	(599.589)	(433.810)

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

32. 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 2020	31 December 2019
Assets classified as held for sale	67.523	26.316
	67.523	26.316

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

	2020	2019
Net book value as at 1 January	26.316	34.139
Currency translation effect	12.968	3.187
Transfers to investment property (Note: 14)	-	(7.645)
Allowance for impairment (Note: 30)	-	(3.365)
Reversal of impairment (Note: 30)	28.239	-
Net book value as at 31 December	67.523	26.316

The fair value of the Group's assets classified as held for sale has been determined based on a valuation carried out by independent expertise which has no relation to the Group. Valuation work has been concluded based on fair value of similar properties.

A contract for sale of one of the assets classified as held for sale of the Group, with price of 50.039 (5.555.000 EUR) has been signed. The transfer transactions have not been completed as of the reporting date.

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

Assets related to current tax	31 December 2020	31 December 2019
Prepaid corporate tax	154.823	157.615
	154.823	157.615
Current tax liability		
Corporate tax provision	137.578	447.074
Less: Prepaid taxes and funds	(154.823)	(157.615)
	(17.245)	289.459

Tax expense in the statement of profit or loss:

Tax expense comprises as follows:	1 January - 31 December 2020	1 January - 31 December 2019
Current tax provision	241.439	470.742
Deferred tax income	55.433	(108.594)
	296.872	362.148

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

33. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and incentives utilized.

The general rate of tax in 2020 is 22% (2019: 22%). There are also Group companies subject to reduced corporate tax application under Article 32/A of the Corporate Tax Law. In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The general advance corporate income tax rate in 2020 is 22% (2019: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its fiscal losses occurred in 2020 until 2025.

In Turkey, companies with regular accounting periods file their tax returns between 1-25 April following the close of the accounting year to which they relate. In accordance with the Tax Procedure Law Circular no. 115, published in 2019, the period for filing of tax returns was extended to the last day of April for companies with regular accounting period. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income/Corporate Withholding Tax:

In addition to corporate tax, profit distributions made by taxpayers to individuals and institutions specified in the Income Tax and Corporate Tax Law are subject to income/corporate tax deductions. In this context, except full responsible real persons and those who earn dividends through a business or permanent representative in Turkey, profit shares distributed to limited taxpayers are subject to 15% income/corporate tax withholding. In accordance with the avoidance of double taxation treaties, withholding rates may be applied lower to some country residents.

Taxation of Foreign Subsidiaries and Operations:

Subsidiaries and operations included in consolidation in the accompanying consolidated financial statements are subject to corporate tax and withholding tax effective in the relevant country. Effective tax rates in those countries in which the Group operates are summarized below:

Countries	Corporate Tax Rate %	Withholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%-28%	15% - 28%
Germany	30% - 33%	0% - 25%
Saudi Arabia	20%	5% - 20%
Luxembourg	15% - 17%	0% - 15%
Morocco	10% - 31%	10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 5%
Turkmenistan	0% - 20%	15%
Russia	20%	10% - 20%
Iraq	20	15%

33. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Exemption of Earnings from Construction, Repair, Installation Works and Technical Services Made Abroad:

In accordance with private judgment related with overseas construction earnings in Corporate Tax Law's Article 5/1-h: "Earnings, which are provided from overseas construction, maintenance, installation or technical services, are transferred to income statement in Turkey" are exempted from corporate tax. According to the judgment, the only requirement is transferring of these earnings to income statement in Turkey. It is not obligatory that the earnings to be brought in Turkey.

Reduced Taxation Under the Incentive Certificate:

Various supports can be provided to investors within the framework of Decision on State Aid in Investments numbered 2012/3305 and Communiqué on the Application of the Decision on State Aids in Investments No. 2012/1. The support elements that investors can use within the scope of the decision differ depending on whether the investment is within the scope of regional incentives, priority investment incentives, strategic investment incentives or general incentives. The incentives that can be benefited from are VAT Exemption, Customs Tax Exemption, Income or Corporate Tax Discount, Employer's Share of Social Security Premium Support, Income Tax Withholding Support, Employee's Share of Social Security Premium Support, Interest and Profit Share Support, Investment Location Allocation and VAT Refunds.

In addition to above mentioned incentive practices, there is a project-based incentive system in effect within the framework of Law on the Support of Investments on the Project Basis and the Amendment of Certain Laws and Decrees with Power of Law No. 6745 and the Decision No. 2016/9495 on Providing Project-Based State Aid to Investments. The incentives that can be benefited from this practice are Customs Tax Exemption, VAT Exemption, VAT Refund, Tax Discount or Exemption, Employer's Share of Social Security Premium Support, Income Tax Withholding Support, Qualified Employee Support, Interest and Profit Share Support, Capital Contribution, Energy Support, Public Procurement Guarantee, Investment Location Allocation, Infrastructure Support, Grant Support, and facilitating arrangements can be provided to investors in permits, allocations, licenses, licenses and registrations and other legal and administrative processes brought by law.

The investment contribution amount is calculated over the investment expenditures that can be benefited from Article 32/A of the Corporate Tax Law with an incentive certificate. Declared earnings can be subject to Corporate Tax at a reduced rate until the contribution to the calculated investment is reached. In other words, the investment is supported by the State by not taking the corporate tax from the investors much as the contribution to the investment. Discounted corporate tax can be applied to earnings from other activities during the investment period, provided that the amount of investment spending and the contribution to the investment to be calculated is not exceeding 80% of the total investment contribution amount. With the legal amendment made in 2016, it was made possible to increase the part of the contribution to the total investment within the scope of incentive certificate until the end of the accounting period that the investment is completed in the revaluation rate determined for these years in accordance with the provisions of the Tax Procedure Law.

The following additional advantages for investment expenditures between 1 January 2017 and 31 December 2017 within the scope of US-97 Code: 15-37: investment incentive certificates issued for the manufacturing industry with the Provisional Article 8 added to the Decree No. 2012/3305 on State Aids in Investments have been introduced:

- Within the scope of regional, large-scale and strategic incentive practices increase of contribution rate by 15 points in all regions
- Increase of corporate tax or income tax rate to 100% in all regions
- Investment contribution ratio is to be applied 100% to the investor's income from other activities in the investment period.

With the amendment made at the end of 2017, the phrase 31 December 2017 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2018 and this advantageous incentive application has been enabled for the 2018 investment expenditures in the scope mentioned above. With the amendment made with the Article 43 of the Law No. 7161 to the Provisional Article 9 of the Corporate Tax Law, it has been authorized to the President to develop increased rates for the investment expenditures within the scope of the investment incentive certificate for the production in 2019. With Presidental Decision No. 798, the phrase 31 December 2018 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2019 and this advantageous incentive application has been enabled for the 2019 investment expenditures in the scope mentioned above.

33. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Reduced Taxation Under the Incentive Certificate (cont'd):

Additionally, in accordance with Article 43 of Law No.7161 and temporary Article 9 of the Corporate Tax Law and with the addition that entered into force on 18 January 2019, The President has been authorized to extend the end of the period specified in th first paragraph, together or seperately, up to five years as of each calender year following the end of the period, in other words, to extend it until the end of 2024.

With the President's Decree No.1950 published in the Legal Gazette No.30994 dated 30 December 2019, this authorization has been used collectively for 3 years. The above-mentioned advantageous incentive implementation will be valid for the years of 2020, 2021 and 2022 without any action in accordance with the Cabinet Decree numbered 2012/3305 based on previous decisions about investment expenditures to be made within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37).

Concerning the sulfuric acid, phosphoric acid and NPK investments undertaken relating to Samsun Facility, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from the Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio. Additionally, Toros Tarım has obtained 5th Area Investment Incentive Certificate (investments priority subject) for electricity investment as of 7 July 2014 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio. 3rd Area Investment Incentive Certificate for Dyke Enclosure and Insulation Drainage System for Tanks investment was obtained as of 25 April 2018 from Ministry of Economy. The features of this incentive are VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio. 3rd Area Investment Incentive Certificate for Tank for Anti-Caking Material and Automation System for Dosing investment was obtained as of 21 May 2018 from Ministry of Economy. The feature of this incentive is VAT exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio. 3rd Area Investment Incentive Certificate for Outdoor Silo Investment was obtained as of 31 October 2019 from Ministry of Economy. The features of this incentive are employer's share of social security premium support and VAT exemption and this incentive provides a tax exemption of 30% in the taxation of the income arising from the investment within the framework of 70% investment contribution ratio. 3rd Area Investment Incentive Certificate for Ammonia Tank Investment was obtained as of 10 December 2019 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, interest support and VAT exemption and this incentive provides a tax exemption of 30% in the taxation of the income arising from the investment within the framework of 60% investment contribution ratio.

Toros Tarım has obtained 2nd Area Investment Incentive Certificate as of 1 June 2015 from Ministry of Economy for its crane investment in Ceyhan. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 55% in the taxation of the income arising from the investment within the framework of 20% investment contribution ratio. In addition that as of 30 November 2020, 2nd Region Investment Incentive Certificate has received from the Ministry of Economy public for its VAP, Forklift and Weightbridge investment. The mentioned incentive includes insurance premium employer's share support, interest support, VAT exemption and customs tax exemption and provides a 70% tax exemption for the taxation of the income earned from the investment within the framework of 30% investment contribution rate.

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

33. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Reduced Taxation Under the Incentive Certificate (cont'd):

Toros Tarım has obtained 3rd Area Investment Incentive Certificate as of 24 December 2015 from Ministry of Economy for its prilling tower chimney gas washing investment in Mersin. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio. 4th Area Investment Incentive Certificate for Special Fertilizer Plant investment was obtained as of 8 May 2018 from Ministry of Economy. The feature of this incentive is VAT exemption and this incentive provides a tax exemption of 70% in the taxation of the income arising from the investment within the framework of 30% investment contribution ratio. 5th Area Investment Incentive Certificate for R&D center investment was obtained as of 22 June 2018 from Ministry of Economy. The features of this incentive are employer's share of social security premium support and VAT exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio.

In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 74.148 on the basis of two years over Toros Tarım's profit projections. (2019: 84.078).

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and shown below. Tax rate used in calculating deferred tax assets and liabilities is the effective tax rate in the relevant countries where the Group undertakes its operations.

Tax rate used in the calculation of deferred tax assets and liabilities was 20% over temporary timing differences expected to be reversed in 2021 and the following years.

Since the entities in Turkey are not allowed to declare consolidated tax returns, subsidiaries titled to deferred assets may not be netted off with their subsidiaries titled to deferred tax liabilities; hence are required to declare separately.

Components of deferred tax (assets) liabilities bases:	31 December 2020	31 December 2019
Remeasurement and depreciation / amortization differences of tangible and intangible assets	154.523	275.401
Provision for retirement benefits and vacation liability	(57.120)	(66.586)
Investment incentive undertaken	(370.742)	(382.173)
Contract costs and progress billings (net)	(158.656)	(2.185)
Undistributed profits of joint operations	(11.929)	(105.088)
Lease liabilities	(3.592)	(2.749)
Provision for doubtful receivables	(8.158)	(11.749)
Effect of valuation	136.967	93.754
Effect of income accruals	1.015	-
Tax losses carried forward	(27.933)	(118.388)
Provision for litigation	(8.612)	(12.000)
Fair value differences of financial assets	221.717	76.341
Provision for premium payments	(26.304)	(23.332)
Derivative instruments	9.046	(29.728)
Other	(17.691)	(68.775)
Deferred tax liabilities / (assets)	(167.469)	(377.257)

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

33. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Deferred Tax (cont’d):

Components of deferred tax (assets) liabilities:	31 December 2020	31 December 2019
Remeasurement and depreciation / amortization differences of tangible and intangible assets	25.020	49.871
Provision for retirement benefits and vacation liability	(11.493)	(14.096)
Investment incentive undertaken	(74.148)	(84.078)
Contract costs and progress billings (net)	2.174	13.703
Undistributed profits of joint operations	(2.386)	(22.899)
Lease liabilities	(721)	(587)
Provision for doubtful receivables	(3.159)	(2.918)
Effect of valuation	38.819	28.292
Effect of income accruals	203	-
Tax losses carried forward	(5.588)	(24.223)
Provision for litigation	(1.721)	(2.642)
Fair value differences of financial assets	10.586	3.817
Provision for premium payments	(5.451)	(5.131)
Derivative instruments	1.808	(6.540)
Other	16.018	(12.333)
Deferred tax liabilities / (assets)	(10.039)	(79.764)
Deferred tax assets	(111.413)	(155.943)
Deferred tax liabilities	101.374	76.179
	(10.039)	(79.764)

Movement of deferred tax assets and liabilities for the year ended 31 December 2020 is as follows:

Movement of deferred tax liabilities (assets)	2020	2019
Opening balance as at 1 January	(79.764)	10.306
Deferred tax (income) expense	55.433	(108.594)
Effect of changes in fair value of financial assets	8.391	(274)
Effect of actuarial gain (loss) in comprehensive income	(517)	874
Effect of business combinations	-	26.618
Hedge effect	8.348	(14.821)
Currency translation effect	(1.930)	6.127
Closing balance as at 31 December	(10.039)	(79.764)

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

33. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

Reconciliation of tax expense for the year with the profit for the year:

Reconciliation of taxation:	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax	229.474	1.777.007
Expected taxation (*)	400.062	672.433
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	2.887	1.239
- Dividend and other non-taxable income	(165.337)	(238.457)
- Recognition of previously unrecognized tax losses	(1.928)	(7.864)
- Derecognition of proviously recognized deductible temporary differences	26.643	-
- Effects of unrealizable tax (losses) income (net)	80.825	(25.733)
- Investment incentive undertaken	(53.038)	(40.815)
- Effects of joint ventures	7.804	(811)
- Effect of change in tax rates and consolidation adjustments	3.407	(5.335)
- Other	(4.453)	7.491
Income tax expense recognized in statement of profit or loss	296.872	362.148

(*) Different rates are applied for different countries where the foreign companies are located.

34. 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 2020 and 2019, 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 2020	1 January - 31 December 2019
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit (loss) for the period attributable to owners of the Parent (Thousands TRY)	(60.125)	1.420.750
Earnings (loss) per share from operations (TRY)	(0,163)	3,840

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

35. RELATED PARTY TRANSACTIONS

The Group has various transactions with related parties during the course of its operations. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Receivables and payables balances are unsecured and will be settled in cash. No bad debt provision is made for receivables from related parties in the current year.

Transactions with related parties are distinct and measurable.

	31 December 2020		31 December 2019	
	Receivables	Payables	Receivables	Payables
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Trade				
Azfen [(1)]	96.711	-	13.841	-
Altaca Meram [(2)]	-	-	4.622	-
Tekzen	1.521	480	1.267	406
H-T Fidecilik [(1)]	110	25	124	26
Agromak	19	-	28	4
Üçgen Bakım	177	-	-	-
Turquiose Construction [(3)]	-	11.007	-	24.169
Other	163	238	82	76
Shareholders and key management	293	190	355	177
Joint operations [(4)]	7.721	895	2.083	25
	106.715	12.835	22.402	24.883
Other				
Altaca Meram [(2)]	-	-	14.256	-
Akmerkez Gayrimenkul [(5)]	1.834	-	-	-
Üçgen Bakım [(5)]	91	-	-	-
Dividend payable	-	39.670	-	-
Other	-	472	-	108
	1.925	40.142	14.256	108
	108.640	52.977	36.658	24.991

(1) Includes the balances of goods and services purchases resulting from the commercial activities of the Group with the partnerships disclosed in Note 13.

(2) Consolidated as subsidiary during the year (Note 3).

(3) Includes balances of subcontracting services received by the Group in various projects.

(4) Includes the balances from the Group's joint arrangement participants in various contracting works.

(5) Consists of dividend receivables.

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

35. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2020						
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Other income	Other
Azfen	-	43.974	-	48.422	-	-	-
Agromak	-	268	-	-	-	-	-
H-T Fidecilik	-	236	-	443	-	10	-
Akmerkez Lokantacılık	-	-	-	-	-	-	3
Tekzen	7	1.389	-	-	-	-	-
Üçgen Bakım	32	189	-	120	-	-	223
Akmerkez Gayrimenkul	-	-	-	7.060	-	-	374
Tekfen Vakfı	-	51	-	-	3	-	217
Turquiose Construction	9.768	-	-	-	-	-	-
Other	594	249	-	107	-	86	8
Shareholders and key management	-	565	-	-	3	-	16
Joint operations	-	596	-	-	-	-	-
	10.401	47.517	-	56.152	6	96	841

	1 January - 31 December 2019						
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Other income	Other
Black Sea	-	1	-	-	-	-	-
Azfen	-	5.569	-	29.354	113	-	-
Agromak	-	300	-	-	-	-	-
H-T Fidecilik	-	347	-	-	-	-	-
Florya Gayrimenkul	-	-	40	-	-	-	-
Akmerkez Lokantacılık	1	-	-	-	-	-	-
Tekzen	1.026	1.210	-	-	-	-	-
Üçgen Bakım	60	247	-	172	-	-	188
Akmerkez Gayrimenkul	-	-	-	9.768	-	-	899
Pelit Yapı	-	-	-	-	-	-	-
Tekfen Vakfı	-	19	-	-	3	-	-
Turquiose Construction	76.634	-	-	-	-	-	-
Altaca Meram	-	4.412	-	-	-	-	-
Other	163	168	-	161	-	-	15
Shareholders and key management	-	430	-	-	3	-	-
Joint operations	-	1.427	-	-	-	-	-
	77.884	14.130	40	39.455	119	-	1.102

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

35. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

The remuneration of key management during the year is as follows:

	31 December 2020	31 December 2019
Salaries and other short-term benefits	24.528	35.664
	24.528	35.664

36. DERIVATIVE INSTRUMENTS

	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	9.046	-	211	29.939
Current	9.046	-	211	29.939
Non-current	-	-	-	-
	9.046	-	211	29.939

Currency derivatives:

The subsidiary of the Group, Toros Tarım utilizes currency derivatives to hedge significant future transactions and cash flows. Toros Tarım is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Toros Tarım's principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which Toros Tarım is committed are as follows:

	31 December 2020	31 December 2019
Forward foreign exchange contracts	178.022	609.791
	178.022	609.791

As of 31 December 2020, the fair value of the Toros Tarım's currency derivatives is estimated to be 9.046 assets which is positive 9.046 (31 December 2019: assets 211, liabilities 29.939, negative 29.728). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classificaion of derivative instruments is Level 2 (31 December 2019: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to positive 7.236 has been deferred in equity (31 December 2019: negative 23.183). During the period, there is not any ineffective cash flow hedges (31 December 2019: There is not any ineffective cash flow hedges). Gains amounting to 31.984 and losses amounting to 16.324 concerning matured derivative contracts during the period have been recognized in profit or loss (31 December 2019: 52.969 gain, 26.175 loss).

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of financial debts as explained in Note 8 and equity items comprising paid in capital, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

Net cash position as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	3.259.903	4.095.410
Time deposits with maturity of longer than three months	82.118	12.782
Less: Borrowings	(2.295.061)	(779.169)
Net Cash Position (*)	1.046.960	3.329.023

(*) Lease obligations recognized in borrowings in accordance with TFRS 16 and expected credit losses recognized in cash and cash equivalents in accordance with TFRS 9 are not included in net cash position calculation.

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management provides services to the business, coordinates access to domestic and international markets, monitors, and manages the financial risks relating to the operations of the Group through internal risk reports, which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk, and price risk) credit risk, liquidity risk, and cash flow interest rate risk.

The Group does not obtain any kind of financial instruments, including those of which derivative financial instruments for speculative purposes and is not associated with the trading of these financial instruments.

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2020	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	106.715	2.225.543	1.925	92.700	3.161.821
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	107.097	-	-	-
A. Net book value of not due or not impaired financial assets	96.811	1.648.978	1.925	92.700	3.161.821
B. Net book value of assets that are due but not impaired	9.904	576.565	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	101.258	-	571	-
- Impairment (-)	-	(101.258)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	33	-	-	787
- Impairment (-)	-	(33)	-	-	(787)
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2019					
Minimum credit risk exposure at balance sheet date (*)	22.402	2.244.913	14.256	56.902	3.967.245
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	116.755	-	-	-
A. Net book value of not due or not impaired financial assets	14.344	1.705.114	14.256	56.902	3.967.245
B. Net book value of assets that are due but not impaired	8.058	539.799	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	80.545	-	571	-
- Impairment (-)	-	(80.545)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	64	-	-	785
- Impairment (-)	-	(64)	-	-	(785)
- Secured net value via guarantee or etc.	-	-	-	-	-

(*) 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.

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors of the Group companies the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

31 December 2020	Trade Receivables	Other Receivables	Total
Not due receivables	1.745.822	94.625	1.840.447
Overdue by 1-30 days	36.474	-	36.474
Overdue by 1-3 months	6.953	-	6.953
Overdue by 3-12 months	49.980	-	49.980
Overdue 1-5 years	576.236	-	576.236
Overdue by more than 5 years	18.084	571	18.655
Total receivables	2.433.549	95.196	2.528.745
Total overdue receivables	687.727	571	688.298
Secured portion via guarantee or etc.	-	-	-
Total provision provided for overdue receivables	(101.258)	(571)	(101.829)
Total provision provided for undue receivables	(33)	-	(33)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2019	Trade Receivables	Other Receivables	Total
Not due receivables	1.719.522	71.158	1.790.680
Overdue by 1-30 days	62.172	-	62.172
Overdue by 1-3 months	5.254	-	5.254
Overdue by 3-12 months	54.291	-	54.291
Overdue 1-5 years	484.853	-	484.853
Overdue by more than 5 years	21.832	571	22.403
Total receivables	2.347.924	71.729	2.419.653
Total overdue receivables	628.402	571	628.973
Secured portion via guarantee or etc.	-	-	-
Total provision provided for overdue receivables	(80.545)	(571)	(81.116)
Total provision provided for undue receivables	(64)	-	(64)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As at balance sheet date, there are no collaterals held for the past due trade receivables which are not impaired (2019: None). There are no collaterals held for the past due trade receivables which are impaired (2019: 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 2020

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	2.294.499	2.381.748	195.960	1.943.441	188.300	54.047
Lease liabilities	63.775	135.250	10.321	32.479	32.759	59.691
Trade payables (due to related parties included)	3.485.315	3.498.039	2.017.025	1.413.786	67.228	-
Employee benefit payables	64.602	64.602	64.602	-	-	-
Other payables (due to related parties included)	187.160	187.160	99.230	18.503	66.496	2.931
Total liabilities	6.095.351	6.266.799	2.387.138	3.408.209	354.783	116.669

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	(9.046)	(184.606)	(184.606)	-	-	-
Cash outflows	-	178.022	178.022	-	-	-

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2019

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	778.079	820.584	342.809	274.710	203.065	-
Lease liabilities	57.867	92.163	13.455	19.713	32.241	26.754
Trade payables (due to related parties included)	3.407.928	3.428.760	1.683.294	1.668.018	77.448	-
Employee benefit payables	77.995	77.995	77.995	-	-	-
Other payables (due to related parties included)	160.550	160.550	80.774	1.294	78.069	413
Total liabilities	4.482.419	4.580.052	2.198.327	1.963.735	390.823	27.167

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	-	(530.580)	(205.889)	(324.691)	-	-
Cash outflows	29.939	577.845	221.224	356.621	-	-
Cash inflows	(211)	(31.659)	(31.659)	-	-	-
Cash outflows	-	31.946	31.946	-	-	-

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section b.3.1) and interest rates (refer to section b.3.2).

There has been no change to the Group's exposure to market risks or the manner which it manages and measures the risks.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The details of the Group's foreign currency denominated monetary and non-monetary assets and liabilities as of balance sheet date are shown below:

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2020	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	275.194	15.872	2.316	8	137.744
2. Monetary Financial Assets	1.885.130	227.816	11.619	11	108.074
3. Other	32.549	1.215	712	17	17.048
4. CURRENT ASSETS	2.192.873	244.903	14.647	36	262.866
5. Trade Receivables	109.829	-	-	-	109.829
6. Monetary Financial Assets	1.094	-	-	-	1.094
7. Other	11.699	876	580	-	44
8. NON-CURRENT ASSETS	122.622	876	580	-	110.967
9. TOTAL ASSETS	2.315.495	245.779	15.227	36	373.833
10. Trade Payables	1.333.828	139.718	15.751	64	165.708
11. Financial Liabilities	158.814	2	9.114	-	76.701
12. Monetary Other Liabilities	100.563	488	4.661	-	54.995
12b. Non-Monetary Other Liabilities	3.895	468	51	-	-
13. CURRENT LIABILITIES	1.597.100	140.676	29.577	64	297.404
14. Trade Payables	11.873	416	6	-	8.765
15. Financial Liabilities	180.158	-	20.000	-	-
16. Monetary Other Liabilities	38.294	506	74	-	33.913
17. NON-CURRENT LIABILITIES	230.325	922	20.080	-	42.678
18. TOTAL LIABILITIES	1.827.425	141.598	49.657	64	340.082
19. Off-balance sheet derivative instruments net position (19a-19b)	184.606	25.149	-	-	-
19a. Derivative assets	184.606	25.149	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	672.676	129.330	(34.430)	(28)	33.751
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	447.717	102.558	(35.671)	(45)	16.659
22. Fair value of derivative instruments held for hedging	9.046	1.232	-	-	-

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2019	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	499.376	8.309	52.376	191	100.202
2. Monetary Financial Assets	1.749.575	181.557	88.977	15	79.223
3. Other	70.561	5.916	1.345	12	26.380
4. CURRENT ASSETS	2.319.512	195.782	142.698	218	205.805
5. Trade Receivables	15	-	-	-	15
6. Monetary Financial Assets	594	2	-	-	582
7. Other	24.831	12	3.723	-	-
8. NON-CURRENT ASSETS	25.440	14	3.723	-	597
9. TOTAL ASSETS	2.344.952	195.796	146.421	218	206.402
10. Trade Payables	1.217.676	172.076	11.825	27	116.657
11. Financial Liabilities	232.456	2	34.775	-	1.170
12. Monetary Other Liabilities	186.055	120	5.308	-	150.041
12b. Non-Monetary Other Liabilities	4.805	716	83	-	-
13. CURRENT LIABILITIES	1.640.992	172.914	51.991	27	267.868
14. Trade Payables	2.089	-	55	-	1.723
15. Financial Liabilities	28.292	-	4.254	-	-
16. Monetary Other Liabilities	22.109	353	4	-	19.986
17. NON-CURRENT LIABILITIES	52.490	353	4.313	-	21.709
18. TOTAL LIABILITIES	1.693.482	173.267	56.304	27	289.577
19. Off-balance sheet derivative instruments net position (19a-19b)	562.240	94.650	-	-	-
19a. Derivative assets	562.240	94.650	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	1.213.710	117.179	90.117	191	(83.175)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	560.883	17.317	85.132	179	(109.555)
22. Fair value of derivative instruments held for hedging	(29.728)	(5.005)	-	-	-

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in the US Dollars and Euro. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2020	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	47.467	(47.467)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.507)	15.507
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	1.674	(1.674)
TOTAL	33.634	(33.634)

	31 December 2019	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	34.803	(34.803)
	If Euro changes 5% against TL	
Euro net assets / liabilities	29.967	(29.967)
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(4.084)	4.084
TOTAL	60.686	(60.686)

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions the exposure generated. The following table details the forward foreign currency contracts outstanding as at reporting date:

Foreign currency contracts

Outstanding contracts	**Average rate**		**Foreign currency**		**Contract value**		**Fair value**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Buy USD (Thousand USD / Thousand TRY)								
Less than 3 months	7,08	6,33	25.149	39.990	178.022	253.170	9.046	(12.747)
3 to 12 months	-	6,52	-	54.660	-	356.621	-	(16.981)
							9.046	(29.728)

As of 31 December 2020, 7.236 of unrealized profit arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2019: Unrealized loss 23.183).

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

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

	31 December 2020	31 December 2019
Financial liabilities - Fixed Interest Rate Instruments	2.114.472	525.835
Financial liabilities - Floating Interest Rate Instruments	243.802	310.111

At 31 December 2020 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 1.219 (31 December 2019: 1.551).

b.3.3)Other price risks

Equity pricing sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks for listed stocks.

At reporting date, if variables used in valuation methods had been 10% higher/lower and all other variables held constant:

- There will be an increase/decrease of 24.249 (31 December 2019: 9.258 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of fair value through other comprehensive income listed stocks.

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

38. FINANCIAL INSTRUMENTS

31 December 2020	Financial assets at amortized cost	Financial investments measured at fair value	Financial liabilities at amortized cost	Fair value of derivative instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	3.259.116	-	-	-	3.259.116	6
Trade receivables (due from related parties included)	2.332.258	-	-	-	2.332.258	9, 37
Financial investments	82.118	1.414.920	-	-	1.497.038	7
Other current and non-current assets (due from related parties included)	94.625	-	-	-	94.625	10, 37
Derivative instruments	-	-	-	9.046	9.046	36
Financial liabilities						
Borrowings	-	-	2.358.274	-	2.358.274	8, 37
Trade payables (due to related parties included)	-	-	3.485.315	-	3.485.315	9, 37
Employee benefit payables	-	-	64.602	-	64.602	23, 37
Other short and long-term liabilities	-	-	187.160	-	187.160	10, 37
Derivative instruments	-	-	-	-	-	36
31 December 2019						
Financial assets						
Cash and cash equivalents	4.094.625	-	-	-	4.094.625	6
Trade receivables (due from related parties included)	2.267.315	-	-	-	2.267.315	9, 37
Financial investments	12.782	393.868	-	-	406.650	7
Other current and non-current assets (due from related parties included)	71.158	-	-	-	71.158	10, 37
Derivative instruments	-	-	-	211	211	36
Financial liabilities						
Borrowings	-	-	835.946	-	835.946	8, 37
Trade payables (due to related parties included)	-	-	3.407.928	-	3.407.928	9, 37
Employee benefit payables	-	-	77.995	-	77.995	23, 37
Other short and long-term liabilities	-	-	160.550	-	160.550	10, 37
Derivative instruments	-	-	-	29.939	29.939	36

(*) The Group believes that the carrying values of its financial instruments reflect their fair values.

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

38. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

• Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

• Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.

• Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The fair values of financial assets are as follows:

Financial instruments	31 December 2020	Fair value level as of reporting date: Level 1	Level 2	Level 3
Fair value through other comprehensive income financial investments	1.165.172	255.256	-	909.916
Fair value through profit or loss financial investments	249.748	-	-	249.748
Derivative instruments	9.046	-	9.046	-
Total	1.423.966	255.256	9.046	1.159.664

Financial instruments	31 December 2019	Fair value level as of reporting date: Level 1	Level 2	Level 3
Fair value through other comprehensive income financial investments	230.962	97.451	-	133.511
Fair value through profit or loss financial investments	162.906	-	-	162.906
Derivative instruments	(29.728)	-	(29.728)	-
Total	364.140	97.451	(29.728)	296.417

Changes of financial investments measured at their fair values during the period are as follows:

	Fair value through profit or loss financial investments	Fair value through other comprehensive income financial investments		
	Level 3	Level 1	Level 3	Total
Opening balance as at 1 January 2020	162.906	97.451	133.511	393.868
Additions	30.831	-	734.327	765.158
Fair value increase	16.801	158.284	32.023	207.108
Transfer to subsidiaries (Note: 7)	-	-	(2.314)	(2.314)
Disposals	-	(479)	-	(479)
Currency translation effect	39.210	-	12.369	51.579
Closing balance as at 31 December 2020	249.748	255.256	909.916	1.414.920

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

38. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments (cont'd)

	Fair value through profit or loss financial investments	Fair value through other comprehensive income financial investments		
	Level 3	Level 1	Level 3	Total
Opening balance as at 1 January 2019	70.757	67.034	130.728	268.519
Additions	61.923	-	54.783	116.706
Fair value increase (decrease)	20.133	30.417	(51.899)	(1.349)
Disposals	-	-	(101)	(101)
Currency translation effect	10.093	-	-	10.093
Closing balance as at 31 December 2019	162.906	97.451	133.511	393.868

The following methods have been used in measuring the fair values of the significant financial investment of the Group, those fair value level are determined to be Level 3:

Non-traded fair value through other comprehensive income financial investments

Toren Doğalgaz Depolama ve Madencilik A.Ş.

Valuation Method	*31 December 2020 Fair Value*	*Unobservable Inputs*	*Relation Between Unobservable Inputs and Fair Value Measurement*
Income Approach, Discounted Cash Flow	36.968	Weighted average cost of capital ratio: 14,4%	If the weighted average cost of capital ratio is increased to 15,4%, the estimated fair value decreases by 5.387; If it is decreased to 13,4%, the estimated fair value increases by 6.513.

Gaz Depo ve Madencilik A.Ş.

Valuation Method	*31 December 2020 Fair Value*	*Unobservable Inputs*	*Relation Between Unobservable Inputs and Fair Value Measurement*
Income Approach, Discounted Cash Flow	17.268	Weighted average cost of capital ratio: 14,4%	If the weighted average cost of capital ratio is increased to 15,4%, the estimated fair value decreases by 2.693; If it is decreased to 13,4%, the estimated fair value increases by 3.171.

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

38. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments (cont'd)

Non-traded fair value through other comprehensive income financial investments (cont'd)

SOCAR Polymer Investments LLC

Valuation Method	*31 December 2020 Fair Value*	*Unobservable Inputs*	*Relation Between Unobservable Inputs and Fair Value Measurement*
Income Approach, Discounted Cash Flow	764.133	Weighted average cost of capital ratio: 10,2%	If the weighted average cost of capital ratio is increased to 10,3%, the estimated fair value decreases by 13.213; If it is decreased to 10,1%, the estimated fair value increases by 13.947.

Non-traded fair value through profit or loss financial investments

Valuation Method	*31 December 2020 Fair Value*	*Unobservable Inputs*	*Relation Between Unobservable Inputs and Fair Value Measurement*
Those whose cost value approaches their fair value	64.232	Valuation multiplier : 1,00	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 24.975, in case of a 10% decrease, the estimated fair value decreases by 24.975.
Those whose fair value is determined using the equivalent value method	185.516	Valuation multiplier : 1,07 - 1,72	

39. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

COVID-19 Pandemic

Novel Coronavirus (COVID-19) outbreak that occurred in Wuhan city of People's Republic of China in December 2019 spread to the whole world and was declared Pandemic by the World Health Organization on 11 March 2020. This situation affects social life and economic activities negatively in the geography where the Group operates. The Group's management closely monitors the developments and takes measures to reduce the negative effects of the COVID-19 pandemic on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows to an acceptable level. Within the scope of the measures taken, evaluations regarding the going concern of the Group have been reviewed in order to evaluate the going concern assumption of the business. The Group management believes that, despite the uncertain economic outlook, Group's business risks can be managed successfully. On the other hand, management has a reasonable expectation that the Group will have the resources to provide sufficient liquidity reserves in the twelve-month period to maintain its operational existence. In addition, possible effects of cash flow risk has been reevaluated by recalculating Group budget projections with various scenarios, estimations and assumptions used in expected credit losses, impairment of assets within the Group, performance obligations within the scope of recognizing revenue has been reevaluated, independent valuation has been performed for significant portion of the financial assets measured at fair value and consolidated financial statements, that prepared on the basis of going concern, have been prepared by taking into consideration of these evaluations. As of the reporting date, there is no significant issue affecting the Group's activities and the consolidated financial statements other than those disclosed in the consolidated financial statements.

39. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS (cont'd)

Construction Projects

The COVID-19 pandemic, which has been effective since the last months of the year 2019 and caused delays in personnel, material and equipment logistics, has caused serious disruptions in the countries where the Engineering and Contracting segment operates.

Factors such as the embargo imposed by the Gulf countries against Qatar, the sudden drop in oil prices simultaneously with the pandemic, restrictions on travel and visa processes caused difficulties in accessing to construction materials an so caused an increase in material prices. These factors made it impossible to perform the activities in various projects were both within the program and budgetary framework.

The sudden decline in oil revenues and the serious and unpredictable financial burdens brought on the country budgets by the pandemic caused delays in contracting new projects, as well as delays in the progress payments of ongoing projects, and therefore bank loans have been used to ensure cash flow.

Some countries of operation suddenly imposed unilateral restrictions on employee visas, thus making it impossible to continue the ongoing projects efficiently. While some employers demand extension of the duration of the projects, in another region, unlike statistical information and documents, there were extraordinary situations that could not be planned in advance such as adverse weather conditions and severe fluctuations in exchange rates.

Necessary precautions have been taken and efforts have been made to minimize possible damages in order to overcome these adversities in the slightest possible way. In addition to these measures, the processes foreseen in the contracts were initiated to compensate for the losses caused by all these unforeseen negativities.

The compensation and claim files prepared by the contract department together with international expert consulting firms have been submitted to the employer administrations in 2021. The Engineering and Contracting segment, which continues to work within the framework of contractual obligations during the extraordinary period, by taking every possible and reasonable precautions, will continue to negotiate diligently in 2021 for these justified demands to be concluded positively.

Current information about related projects is as follows;

<u>Kazakhstan - Kuyubaşı Pressure Management Project:</u>
Pursuant to the contract signed between Tekfen İnşaat and Tengizchevroil on 24 July 2017, the construction, mechanical, electrical and instrument installation project in Kazakhstan's Tengiz oil and gas field was undertaken. The expected current end-of-project income of the project is 4.611.100 (USD 628.172.429) and the financial completion rate of the project is 49,1% as of the balance sheet date.

As of the balance sheet date, field work continues in a controlled manner in the project, in which the work was temporarily suspended by the employer administration within the scope of COVID-19 measures. Negotiations about covering all additional costs incurred by the employer administration have been concluded and mutually signed.

<u>Qatar - Al-Thumama Stadium Project:</u>
Pursuant to the contract signed between Tekfen-Al Jaber J.V., which Tekfen İnşaat holds 50% ownership, and employer administration Qatar Supreme Committee for Delivery and Legacy on 10 December 2017, the engineering and construction works of the stadium complex project, where the 2022 World Cup Quarter Finals will be held in Qatar, were undertaken. The expected current end-of-project income of the project is 1.351.723 (672.132.650 QAR) and the financial completion rate of the project is 80% as of the balance sheet date.

During the construction process, due to the changes, as requested by the administration, made in the design of the project to comply with FIFA Standards, it is expected that a total increase of 734.638 (365.292.464 QAR) (2019: 282.066 (173.317.686 QAR)) will occur in the end-of-project cost and Group share of this increase has been included in the consolidated financial statements. Since an agreement could not be reached with the employer administration regarding the compensation of these additional costs, an application was made to the Debt Compensation Committee of the Ministry of Finance, which was established in accordance with the laws of Qatar, to resolve the dispute. Since the necessary approvals for the amount of compensation that the Group expect to earn as of the reporting date could not be obtained and an agreement could not be reached, no income was recognized in the consolidated financial statements.

39. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS (cont'd)

Construction Projects (cont'd)

Qatar - Al Khor Highway Project:
Pursuant to the contract signed between Tekfen İnşaat and Qatar Public Engineering Office (PEO) on 13 October 2016, the project, which consists of a 10-lane 34 km length highway and its infrastructure, various intersections, viaducts, under and overpasses, was undertaken. The expected current end-of-project income of the project is 18.462.845 (9.180.489.735 QAR) and the financial completion rate of the project is 94,2% as of the balance sheet date.

During the construction of the project, the revenues from the additional works performed with the instructions of the administration are recognized in the consolidated financial statements in accordance with "TFRS 15 Revenue from Customer Contracts" standard and the management estimations. As of the reporting date, negotiations with the administration regarding the Group's additional requests, which have not been included in the consolidated financial statements yet, are in progress.

Azerbaijan- Ministry of Taxes New Administration Building Project:
Pursuant to the contract signed between the Ministry of Taxes of the Republic of Azerbaijan and Tekfen İnşaat on 22 July 2016, the construction project of the New Administration Building of the Ministry of Tax of Azerbaijan with the scope of reinforced concrete, steel and exterior, architectural, mechanical, electrical, landscape, elevator and equipment works was undertaken. The expected current end-of-project income of the project is 1.197.403 (163.122.800 USD) where the financial completion rate of the project is 92,9% as of the balance sheet date.

Saudi Arabia - Jeddah Yanbu Pipeline Project:
Pursuant to the contract signed between Tekfen İnşaat and Saudi Arabian Oil Company on 15 November 2016, the pipeline project between Jeddah and Yanbu was undertaken. The expected current end-of-project income of the project is 2.178.964 (1.113.155.059 SAR) and the financial completion rate of the project is 86,4% as of the balance sheet date. Due to the additional work done and the additional cost increases, negotiations concerning additional income demand are in progress within the scope of the contract signed with the employer administration.

Saudi Arabia - Haradh Satellite Compressor Stations Pipelines Project:
Pursuant to the contract signed between Tekfen İnşaat and Saudi Arabian Oil Company on 30 July 2018, the Haradh Field Gas Increase Program - Satellite Gas Compressor Stations Pipeline Construction Project was undertaken. The expected current end-of-project income of the project is 4.527.439 (2.312.907.514 SAR) and the financial completion rate of the project is 77,2% as of the balance sheet date. Due to the additional work done and the additional cost increases, negotiations concerning additional income demand are in progress within the scope of the contract signed with the employer administration.

Russia - Gas Transmission Pipeline between Kharampur Gas Field and Gazprom Main Pipeline:
Rusfen, one of the subsidiaries of the Group, signed a contract with Kharampurneftegaz LLC on 27 December 2019, for the construction and installation of 90 km length 48 "gas pipeline. The expected current end-of-project income of the project is 1.958.543 (19.784.205.030 Russian Rubles) and the financial completion rate of the project is 16,5% as of the balance sheet date.

While construction activities are in progress in a Permafrost region of Russia, various adverse events were experienced such as lack of cold weather conditions required for the implementation of the project, the warmest winter of the last 25 years, the COVID-19 pandemic and the devaluation of the Russian Rubles against the US Dollar so that construction activity of the project could not be carried out temporarily.

39. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS (cont'd)

Construction Projects (cont'd)

Russia - Gas Transmission Pipeline between Kharampur Gas Field and Gazprom Main Pipeline (cont'd):
Due to the changing conditions, negotiations were initiated with the employer regarding the determination of the project completion period, project cost and contract income, Tekfen İnşaat submitted an updated proposal to the employer according to the changed conditions. Within the scope of the proposal, an amendment protocol was signed with the employer on 30 December 2020, including the updated conditions for project planning and project completion. In the second winter of the project, the necessary weather conditions were not fully formed as well. With the partial agreement reached with the employer administration during the period, the duration of the project has been extended to May 2022, and the works for the completion of the project have been accelerated. As of the reporting date, a total of 333.400 (3.367.838.762 Russian Rubles) (2019: None) loss is expected to occur at the end of the project, as the estimated costs of the project have increased, and the entire expected loss has been included in the consolidated financial statements. Negotiations with the employer administration for the compensation of all of these losses are in progress.

Other:

Tekfen İnşaat has been awarded for Construction of Link Roads Adjacent to Al Khor Expressway.The duration of the Project shall be 24 months and the project size is 1.102.081 (548.000.000 QAR).

Azfen JV of Tekfen İnşaat has undertaken the construction and installation works of the Haydar Aliyev Refinery Modernization and Reconstruction Project - Package B as the Subcontractor to Tecnicas Reunidas with a contract value of approx. 1.739.699 (237.000.000 USD).

40. SUBSEQUENT EVENTS

Tekfen İnşaat has signed an agreement with Central Bank of Azerbaijan for the construction works of the engineering, equipment and material supply turnkey construction works of Azerbaijan Central Bank administration building. Value of the project contract is approximately 1.963.722 (218.000.000 EUR).

Tekfen İnşaat's subsidiary Gate has signed an addendum to the ongoing Multi Wellhead Pressure Management Project within the scope of Tengizchevroil LLP's ongoing Future Growth Project in Kazakhstan. The contract value of the project is approximately 1.357.993 (185.000.000 USD).

Tekfen Construction and Installation W.L.L company was established with the agreement between Tekfen İnşaat and Qatar-based Al Attiyah Group of Trading.

As of reporting date, there is negative change of 9.168 in the fair value of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş., the Company's financial investment, whose shares are publicly traded.