TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2018

(Translated into English from the report
originally issued Turkish)

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İstanbul, Turkey

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

Tekfen Holding Anonim Şirketi
To the General Assembly of;

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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

Key Audit Matters	How The Matter is Handled

Revenue recognition	
The accounting policies about revenue recognition and significant accounting judgements, estimates and assumptions used related to Group's fertilizer, real estate and other goods and services sales are presented in Note 2.5. Revenue is recognized in accordance with TFRS 15 "Revenue from Customer Contracts" as a result of the realization of the Group's performance obligations and accordingly the transfer of control over products and services to the buyer. Revenue has been determined as the key audit matter due to the importance of revenue in the financial statements and the significant revenue increase compared to the prior year.	Our audit procedures related to revenue recognition stated below: Evaluating whether the Group's revenue recognition policies and disclosures are in line with TFRS. Understanding the accounting policies related to the first-time adoption of TFRS 15 and evaluation the impact on the financial statements; Evaluation of the internal controls over recognition of revenue in order to test whether the completeness and cut-off of revenue has been presented in the consolidated financial statements by the management; Reviewing commercial and shipping terms in contracts with customers, and evaluating whether the performance obligations of the Group are fulfilled for different shipping arrangements and evaluation of the timing of the recognition of the revenue in the consolidated financial statements; Evaluation of whether the control of the invoiced products has been transferred to the customers and completeness and accuracy of recording in the consolidated financial statements; Reviewing of delivery records of real estate sales based on sampling.

Accounting of contract revenue, profit margin, receivables from ongoing construction contracts and ongoing construction progress payments	
The accounting policies about revenue recognition of the construction contracts of the Group also the significant accounting judgements, estimates and assumptions used are presented in the Note 2.5. The accompanying consolidated financial statements include the assumptions and the future expectations of the management on the evaluation of financial performance of ongoing construction projects as of the balance sheet date and in future.	The procedures within the scope of our audit work of revenue from the ongoing construction contracts calculated by the percentage of completion method and the associated assets and liabilities recognized are stated below: Evaluation of the compliance of the policies and disclosures related to the accounting of the Group's revenue with TFRS 15; Evaluation of key controls determined by the management in relation to the calculation and recognition of revenue for construction contracts;

The financial performance of the construction contracts are reviewed by management on a regular basis. The management evaluates the effects of the contractual changes, additional variation orders and penalty charges if any on the estimated completion cost and the revenue of the contract. In addition the assumptions related to the completion of the contract within the estimated time limits when calculating the project profitability are taken in to account. Revenue and profit margin is recognized for each construction contract as of the reporting date by multiplying the percentage of completion, calculated by the ratio of the cost incurred until the reporting date to the estimated total cost with the contract amount. Since the percentage of completion method includes the expectations, estimates and assumptions of the management regarding the future cost and profitability of the construction contracts, it also includes uncertainties related to the events that will occur during the lifetime of the projects by nature. The recognition of revenue from the construction contracts has been determined as a key audit matter due to the fact that it is considerably based on the estimates and judgements of the management.	Reviewing the judgements expectations and assumptions of the management regarding the contracts; Receiving an opinion of expert civil engineers about the estimated profitability at completion for the significant contracts; Reviewing the terms and conditions of the contract by reconciliation with the project cost and revenue estimations; Evaluation of whether additional payment and variation orders are included in contractual revenue in accordance with accounting policies of the Group and also assessing these effects of the changes on the project cost; Discussing the estimations about the future profitability margins of the contracts with the Group's finance and budget managers; Performing substantive procedures on a test basis for the selected cost samples considering the quantitative and qualitative measures , recognized in the construction costs; Reconciliation and auditing the subcontractor cost accrual accounts in order to assure the completeness of the subcontractor costs; Evaluating the reasonableness of the estimate for the timely completion of the contract and the penalties that might occur due to late delivery; Testing the mathematical accuracy of the revenue calculated by the percentage of completion method for each project by recalculation; Reviewing the events after the balance-sheet date to test whether the estimates and judgements that are used by management are realized; Site visits for the selected projects;

	Auditing subsequent collections after the balance-sheet date to ensure the collectability of the receivables of the construction contracts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 21 February 2019.

The name of the engagement partner who supervised and concluded this audit is Selçuk Şahin.

Istanbul,
21 February 2019

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

Selçuk Şahin, SMMM
Partner

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AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

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

ASSETS	**Notes**	**Audited 31 December 2018**	**Audited 31 December 2017**
Current Assets		**8.922.623**	**7.013.920**
Cash and cash equivalents	6	4.581.600	2.985.833
Financial investments	7	132.101	330.126
Trade receivables	9	1.444.284	1.890.014
- Related party receivables		*57.836*	*14.468*
- Trade receivables		*1.386.448*	*1.875.546*
Other receivables	10	80.137	23.518
- Related party receivables		*58.797*	-
- Other receivables		*21.340*	*23.518*
Receivables from ongoing construction contracts	12	348.014	171.361
Derivative instruments	35	37.639	6.460
Inventories	11	1.370.565	948.789
Prepaid expenses	18	506.939	335.754
- Prepaid expenses		*506.939*	*335.754*
Assets related with current tax	32	197.854	65.598
Other current assets	23	189.351	228.070
- Other current assets		*189.351*	*228.070*
		8.888.484	6.985.523
Assets classified as held for sale	31	34.139	28.397
Non-Current Assets		**3.112.897**	**2.352.830**
Financial investments	7	268.519	181.971
Trade receivables	9	194.565	76.585
- Trade receivables		*194.565*	*76.585*
Other receivables	10	6.551	4.235
- Other receivables		*6.551*	*4.235*
Investments valued by equity method	13	144.640	194.510
Investment property	14	108.349	103.866
Property, plant and equipment	15	1.989.226	1.597.309
Intangible assets		115.012	20.236
- Goodwill	17	*79.896*	-
- Other intangible assets	16	*35.116*	*20.236*
Prepaid expenses	18	680	2.470
- Prepaid expenses		*680*	*2.470*
Deferred tax assets	32	127.232	77.176
Other non-current assets	23	158.123	94.472
- Other non-current assets		*158.123*	*94.472*
TOTAL ASSETS		**12.035.520**	**9.366.750**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

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

LIABILITIES	**Notes**	**Audited 31 December 2018**	**Audited 31 December 2017**
Current Liabilities		**6.762.257**	**5.586.667**
Short-term borrowings	8	740.233	605.081
Short-term portion of long-term borrowings	8	155.621	110.508
Trade payables	9	2.863.769	2.038.629
- Related party payables		*29.518*	*6.128*
- Trade payables		*2.834.251*	*2.032.501*
Payables related to employee benefits	22	89.288	72.332
Other payables	10	81.672	78.440
- Related party payables		*539*	-
- Other payables		*81.133*	*78.440*
Payables to ongoing construction contracts	12	1.003.858	792.605
Derivative instruments	35	-	9.547
Deferred revenue	18	1.273.216	1.638.897
- Deferred revenue		*1.273.216*	*1.638.897*
Current tax liability	32	236.761	62.100
Short-term provisions		307.941	178.067
- Short-term provisions attributable to employee benefits	22	*111.070*	*65.613*
- Other short-term provisions	20	*196.871*	*112.454*
Other short-term liabilities	23	9.898	461
- Other short-term liabilities		*9.898*	*461*
Non-Current Liabilities		**848.868**	**771.769**
Long-term borrowings	8	222.327	464.104
Trade payables	9	327.477	117.342
- Trade payables		*327.477*	*117.342*
Other payables	10	86.566	70.146
- Other payables		*86.566*	*70.146*
Government incentives and grants	19	1.132	1.132
Long-term provisions		73.828	57.996
- Long-term provisions attributable to employee benefits	22	*73.741*	*57.924*
- Other long-term provisions	20	*87*	*72*
Deferred tax liabilities	32	137.538	61.049
TOTAL LIABILITIES		**7.611.125**	**6.358.436**
EQUITY		**4.424.395**	**3.008.314**
Equity Attributable To Owners Of The Parent	24	**4.367.587**	**2.975.717**
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		(1.346)	(2.349)
- Gain (loss) on revaluation and remeasurement		*(1.346)*	*(2.349)*
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		474.992	219.312
- Currency translation reserve		*352.708*	*154.480*
- Hedging reserve	35	*29.353*	*(2.408)*
- Gain (loss) on revaluation and reclassification		*92.931*	*67.240*
Legal reserves		231.271	197.180
Prior years’ income		1.585.150	1.115.816
Net profit for the period		1.403.061	771.299
Non-controlling Interests		**56.808**	**32.597**
TOTAL LIABILITIES AND EQUITY		**12.035.520**	**9.366.750**

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

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Revenue	25	12.147.171	7.487.133
Cost of revenue (-)	25	(10.343.829)	(6.458.698)
GROSS PROFIT		**1.803.342**	**1.028.435**
General administrative expenses (-)	26	(309.211)	(214.665)
Marketing expenses (-)	26	(211.576)	(155.290)
Research and development expenses (-)	26	(2.948)	(1.930)
Other operating income	28	795.321	339.711
Other operating expenses (-)	28	(994.541)	(429.064)
Share on profit of investments valued using equity method	13	31.675	211.000
OPERATING PROFIT		**1.112.062**	**778.197**
Investment income	29	27.492	17.396
Investment expense (-)	29	(6.201)	(21)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		**1.133.353**	**795.572**
Financial income	30	1.330.173	576.102
Financial expense (-)	30	(822.149)	(469.420)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		**1.641.377**	**902.254**
Tax Expense from Continuing Operations (-)	32	**(239.850)**	**(131.526)**
Tax expense for the period (-)		(253.586)	(125.009)
Deferred (expense) income for the period		13.736	(6.517)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		**1.401.527**	**770.728**
Distribution of Profit for the Period			
Non-controlling interests		(1.534)	(571)
Owners of the parent		1.403.061	771.299
Earnings Per Share	33	3,792	2,085

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
PROFIT FOR THE PERIOD		**1.401.527**	**770.728**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss		**1.003**	**(3.718)**
Profit (loss) on revaluation of defined benefit plans (-)	24	1.254	(4.648)
Taxes based on other comprehensive income that will not be reclassified to profit or loss		(251)	930
- Deferred tax (expense) income		*(251)*	*930*
Items that will be reclassified to profit or loss		**258.358**	**23.331**
Currency translation reserve differences	24	211.026	31.895
Gains (loss) from fair value through other comprehensive income financial assets	7	16.391	(4.774)
Other comprehensive income (expenses) related to cash flow hedging (-)		40.719	(5.165)
Taxes based on other comprehensive income that will be reclassified to profit or loss		(9.778)	1.375
- Deferred tax (expense) income		*(9.778)*	*1.375*
OTHER COMPREHENSIVE INCOME		**259.361**	**19.613**
TOTAL COMPREHENSIVE INCOME		**1.660.888**	**790.341**
Distribution of Total Comprehensive Income for The Period			
Non-controlling interests		11.264	2.821
Owners of the parent		1.649.624	787.520

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

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

				Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss				Retained Earnings				
Audited	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Gains (loss) on hedging	Gain (loss) on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period	Equity attributable to owners of the parent	Non-controlling interests	Equity
Opening balance as of 1 January 2017	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Transfers	-	-	-	-	-	-	-	3.035	321.376	(324.411)	-	-	-
Total comprehensive income (loss)	-	-	-	(3.718)	28.503	(4.029)	(4.535)	-	-	771.299	787.520	2.821	790.341
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	*771.299*	*771.299*	*(571)*	*770.728*
- Other comprehensive income (loss)	-	-	-	*(3.718)*	*28.503*	*(4.029)*	*(4.535)*	-	-	-	*16.221*	*3.392*	*19.613*
Dividends	-	-	-	-	-	-	-	-	(120.292)	-	(120.292)	-	(120.292)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	(244)	-	(244)	-	(244)
Other changes	-	-	-	-	-	-	-	-	(40.948)	-	(40.948)	-	(40.948)
Closing balance as of 31 December 2017	370.000	3.475	300.984	(2.349)	154.480	(2.408)	67.240	197.180	1.115.816	771.299	2.975.717	32.597	3.008.314
Audited													
Opening balance as of 1 January 2018	370.000	3.475	300.984	(2.349)	154.480	(2.408)	67.240	197.180	1.115.816	771.299	2.975.717	32.597	3.008.314
Effect of changes in accounting policies (Note 2)	-	-	-	-	-	-	10.120	-	(4.729)	-	5.391	-	5.391
Revised balance as of 1 January 2018	370.000	3.475	300.984	(2.349)	154.480	(2.408)	77.360	197.180	1.111.087	771.299	2.981.108	32.597	3.013.705
Transfers	-	-	-	-	-	-	-	34.091	737.208	(771.299)	-	-	-
Total comprehensive income (loss)	-	-	-	1.003	198.228	31.761	15.571	-	-	1.403.061	1.649.624	11.264	1.660.888
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	*1.403.061*	*1.403.061*	*(1.534)*	*1.401.527*
- Other comprehensive income (loss)	-	-	-	*1.003*	*198.228*	*31.761*	*15.571*	-	-	-	*246.563*	*12.798*	*259.361*
Capital increase	-	-	-	-	-	-	-	-	-	-	-	7.807	7.807
Dividends	-	-	-	-	-	-	-	-	(248.693)	-	(248.693)	-	(248.693)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	5.140	5.140
Other changes	-	-	-	-	-	-	-	-	(14.452)	-	(14.452)	-	(14.452)
Closing balance as of 31 December 2018	370.000	3.475	300.984	(1.346)	352.708	29.353	92.931	231.271	1.585.150	1.403.061	4.367.587	56.808	4.424.395

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

	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		**2.245.731**	**1.829.978**
Profit for the Period		1.401.527	770.728
Adjustments to Reconcile Net Profit		451.028	218.474
- Depreciation and Amortization	14,15,16	189.906	136.995
- Impairment/Reversed Provision	31	3.557	-
- Provision Adjustments	9,20,22	159.957	197.781
- Dividend Income and Expenses	29	(8.164)	(8.612)
- Bargain Purchase Gain Adjustments	3,29	(15.631)	-
- Interest Income and Expense Adjustments	30	(86.984)	(19.540)
- Gain/Loss on Fair Valuation	7,29	(3.140)	97
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	13	(31.675)	(211.000)
- Allowance for Taxation	32	241.115	131.526
- Adjustments for Gain/Loss on Sale of Fixed Assets	29	2.172	(8.773)
- Adjustments for Gain/Loss on Sales of Assets Held for Sale	29	(85)	-
Movements in Working Capital		576.191	1.012.451
- Changes in Financial Investments	7	198.025	(222.005)
- Changes in Trade Receivables	9	402.896	(770.535)
- Changes in Other Assets		(65.715)	34.315
- Changes in Receivables from Ongoing Construction Contracts	12	(164.377)	220.583
- Changes in Inventories	11	(390.136)	11.262
- Changes in Prepaid Expenses	18	(152.821)	(242.176)
- Changes in Trade Payables	9	982.744	583.115
- Changes in Payables Related to Employee Benefits	22	16.643	1.883
- Changes in Ongoing Construction Progress Payments	12	152.918	407.823
- Changes in Other Liabilities		(10.521)	34.542
- Changes in Deferred Revenue	18	(393.465)	953.644
Cash Generated by Operating Activities		2.428.746	2.001.653
Interest Paid		(64.487)	(39.533)
Interest Received		170.704	101.456
Provision Paid Related to Employee Benefits	22	(75.479)	(95.546)
Other Provision Paid	20	(2.571)	(807)
Tax Paid/Return	32	(211.182)	(137.245)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(321.619)**	**(84.892)**
Acquisition of Non-controlling Interests' Shares		-	(244)
Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures	13	(20.814)	-
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	3,7	(183.816)	(43.984)
Proceeds from Sales of Tangible and Intangible Assets	15,16	4.888	9.918
Acquisition of Tangible and Intangible Assets	15,16	(261.165)	(209.204)
Acquisition of Investment Properties	14	(799)	(23.527)
Proceeds from Sales of Assets Held for Sale		427	-
Advances and Debts Given	18	547	1.513
Dividend Received	13,29	139.113	180.636
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(658.408)**	**(361.855)**
Proceeds from Borrowings		698.987	908.171
Repayments of Borrowings		(1.101.514)	(1.141.606)
Payments of Financial Lease Obligations		(7.188)	(8.128)
Dividend paid	24	(248.693)	(120.292)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		**1.265.704**	**1.383.231**
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		330.063	119.173
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**1.595.767**	**1.502.404**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.985.833	1.483.429
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	**4.581.600**	**2.985.833**

(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 2018, the Group has employees 19.180 (31 December 2017: 18.296) 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 2018 the details of registered names of the subsidiaries, joint ventures and branches, their nature of business, their countries of origin, their business segments and their direct / effective share participation rates are listed below:

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2018	2017	Business Segment
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	100	100	Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	100	100	Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Manufacturing	Turkey	100	100	Contracting
Cenub Tikinti Servis ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft "HMB"	Trading	Germany	100	100	Contracting
Tekfen International Limited "Tekfen International Ltd"	Investment	United Kingdom	100	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. "Tekfen Construction"	Construction	Ireland	100	100	Contracting
Gate İnşaat Taahhüt San. ve Tic. A.Ş. "Gate " (*)	Construction	Turkey	100	50	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Agriculture-Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. "Toros Terminal"	Service	Turkey	100	100	Agriculture
Toros Gemi Acenteliği ve Ticaret A.Ş. "Toros Gemi"	Shipping Agent	Turkey	100	100	Agriculture
Toros Kılavuzluk Römorkör Hizmetleri ve Denizcilik A.Ş. "Toros Kılavuzluk"	Port Services	Turkey	100	-	Agriculture
TST International Trading Limited "TST Trading" (**)	Trading	Ireland	-	100	Agriculture
TST International Limited "TST Ltd." (***)	Trading	United Kingdom	100	100	Agriculture
Industrial Supply and Trading Company Limited "Industrial Supply" (***)	Trading	United Kingdom	100	100	Agriculture
Petrofertil Trd. Ltd "Petrofertil Trading" (***)	Trading	United Kingdom	100	100	Agriculture

(*) Tekfen İnşaat, which holds 50% of the shares of Gate, purchased 50% of the shares of Gate, which belongs to Gama Endüstri Tesisleri İmalat ve Montaj A.Ş. in accordance with the agreement made on 25 July 2018. After the acquisition, direct share participation rate of the Group has reached 100% (Note: 17)

(**) Liquidated during the current year.

(***) Companies liquidated on 29 January 2019.

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

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

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2018	2017	Business Segment
Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. "Tekfen Tarım"	Manufacturing	Turkey	100	100	Agriculture
Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Ticaret A.Ş. "Alanar Meyve"	Fruit Manufacturing	Turkey	90	-	Agriculture
Alara Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş. "Alara Fidan"	Sapling Manufacturing	Turkey	90	-	Agriculture
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Real Estate
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. "Tekfen Emlak"	Real Estate	Turkey	100	100	Real Estate
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul"	Investment	Turkey	100	100	Other
Belpa Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. "Belpa"	Trading	Turkey	100	100	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Other
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Other
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Other
Antalya Stüdyoları A.Ş. "Antalya Stüdyoları" (*)	Studio Management	Turkey	-	100	Other
Tekfen Teknoloji Yatırım ve Ticaret A.Ş. "Tekfen Teknoloji"	Investment	Turkey	100	100	Other
Tekfen Ventures L.P. "Tekfen Ventures"	Investment	USA	100	100	Other
Tekfen Venture Management LLC "Venture Management"	Management Service	USA	100	100	Other
Petrofertil Shipping S.A. "Petrofertil Shipping"	Service	Panama	100	100	Agriculture/ Contracting/ Other

(*) Antalya Stüdyoları merged with Tekfen Agriculture by transferring all assets and liabilities. The merger was registered on 10 December 2018.

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2018	2017	Business Segment
Blacksea Gübre Ticaret A.Ş. "Black Sea" (**)	Fertizilier Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik"	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesi "Azfen"	Construction	Azerbaijan	40	40	Contracting
Denkmal in Dahlem Otto-Hahn-Platz GmbH "Denkmal Dahlem"	Construction	Germany	45	-	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. "Florya Gayrimenkul"	Real Estate	Turkey	50	50	Real Estate

(**) A Board of Directors decision has been taken to sell the shares held by the Group.

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

As of 31 December 2018, branches included in the Group's consolidation are as follows:

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

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

Contracting Group

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

Agricultural Group

Agricultural group has operations in chemical fertilizer, ground and vegetable grain, production, distribution and trade of seedling and sapling. In addition to these operations, terminal management, guidance, towage, agency and free zone operations are included in the operations of agricultural group. In the field of agricultural production, plant tissue, banana sapling cultivation, high quality potato seed, sesame, certified wheat germ production and sale activities are carried out. Also production, packaging and export operations of cherry, apricot, pomegranate, plum, persimmon and figs are made. Toros Tarım's income provided from the consolidation of H-T Fidecilik and Black Sea by equity method is disclosed in this group.

Real Estate Group

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

Other Operations

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

Approval of consolidated financial statements

Consolidated financial statements are approved by the Board of Directors and have been granted authorization to be published on the date of 21 February 2019. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

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

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

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

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

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

Functional and Reporting Currency

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

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

The exchange rates used in the consolidation process as of 31 December 2018 is; 1 USD= 5,2609 TRY, 1 EUR= 6,0280 TRY, 1 MAD= 0,5520 TRY, 1 SAR= 1,4029 TRY, 1 QAR= 1,4413 TRY (As of 31 December 2017; 1 USD= 3,7719 TRY, 1 EUR= 4,5155 TRY, 1 MAD= 0,4026 TRY, 1 SAR= 1,0058 TRY, 1 QAR= 1,0334 TRY)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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

Consolidation Principles

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

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

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

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

2.1 The Basis of Presentation (cont’d)

Consolidation Principles (cont’d)

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

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates or joint ventures are included in these consolidated financial statements using the equity method of accounting, except the ones that are classified as assets held for sale in accordance with Turkish Financial Reporting Standards (“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.

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

Interests in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joints operations of the Group as of 31 December 2018 are as follows:

(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)

Interests in Joint Operations (cont'd)

Joint Operations	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2018	Direct/Effective Share Participation Rate % 2017	Business Segment
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V."	Construction	Turkey	25	25	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Contracting
Doğuş - Tekfen Adi Ortaklığı "Doğuş - Tekfen"	Construction	Turkey	50	50	Contracting
Tekfen - Al Jaber Engineering "Tekfen – Al Jaber J.V."	Construction	Qatar	50	50	Contracting
Tekfen Rönesans Adi Ortaklığı "Tekfen Rönesans"	Construction	Turkey	50	50	Real Estate
Tekfen - T Engineering Ortak Girişimi "Tekfen - T Engineering J.V. "	Construction	Turkey	85	-	Contracting

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

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

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

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In the current year, except the ones stated in Note 2.4(d) and 2.4(e), 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, except the ones stated in Note 2.4(d) and 2.4(e), 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. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Adoption of New and Revised Turkey Accounting Standards

New and revised standards and interpretations are presented below:

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

- TFRS 9, “Financial Instruments”, effective for annual periods beginning after 1 January 2018.
- TFRS 15, “Revenue from Contracts with Customers”, effective for annual periods beginning after 1 January 2018.
- TAS 40 (amendments), “Transfers of Investment Property”, effective for annual periods beginning after 1 January 2018.
- TFRS interpretation 22, “Foreign Currency Transactions and Advance Consideration”, effective for annual periods beginning after 1 January 2018.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2018, but not affecting the consolidated financial statements of the Group:

- TFRS 4 (amendments), “Insurance Contracts”, effective for annual periods beginning after 1 January 2018.
- TFRS 2 (amendments), “Classification and Measurement of Share-Based Payment Transactions”, effective for annual periods beginning after 1 January 2018.
- Annual Improvements to TFRS 2014-2016 Cycle (TFRS 1, TAS 28), effective for annual periods beginning after 1 January 2018.

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

- TFRS 9 (amendments) , “Financial Instruments”, effective for annual periods beginning after 1 January 2019.
- TFRS 10 and TAS 28 (amendments), “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”, effective for annual periods beginning after 1 January 2019.
- TAS 28 (amendments), “Long-term Interests in Associates and Joint Ventures”, effective for annual periods beginning after 1 January 2019.
- TFRS 16, “Leases”, effective for annual periods beginning after 1 January 2019.
- TFRS interpretation 23, “Uncertainty over Income Tax Treatments”, effective for annual periods beginning after 1 January 2019.
- TFRS 17 “Insurance Contracts”, effective for annual periods beginning after 1 January 2021.
- Annual Improvements to TFRS 2015-2017 Cycle (TFRS 3,TFRS 11, TAS 12, TAS 23), effective for annual periods beginning after 1 January 2019.
- TAS 19 (amendments), “Plan Amendment, Curtailment or Settlement”, effective for annual periods beginning after 1 January 2019.

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

(d) First Time Adoption of TFRS 9:

The Group applied TFRS 9 “Financial Instruments” which has superseded TAS 39 “Financial Instruments: Recognition and Measurement” as of 1 January 2018 and accounted retrospectively in the consolidated financial statements within the transition exemption defined in the related Standard’s paragraph numbered 7.2.15. In accordance with the mentioned exemption, the cumulative effect of initial application of this Standard is recognised under retained earnings and gain on revaluation and reclassification accounts of the annual reporting period that includes the date of initial application. Under this transition method, within the scope of first time adoption of TFRS 9, no restatement has been required in the comparative information of the consolidated financial statements.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarized below:

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

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

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

(d) First Time Adoption of TFRS 9 (cont'd):

Financial assets	Previous classification according to TAS 39	New classification according to TFRS 9
Trade receivables	Loans and receivables	Amortised cost
Derivative assets	Fair value through other comprehensive income	Fair value through other comprehensive income
Financial investments	Available-for-sale financial asset	Fair value through other comprehensive income
Financial investments	Fair value through profit or loss	Fair value through profit or loss

Financial liabilities	Previous classification according to TAS 39	New classification according to TFRS 9
Trade payables	Amortised cost	Amortised cost
Derivative liabilities	Fair value through other comprehensive income	Fair value through other comprehensive income
Borrowings	Amortised cost	Amortised cost

Information about the effect of the Group's application of TFRS 9 is given below:

Reconciliation of reclassified financial assets with balance sheet as first time adoption of TFRS 9

	Book Value Before TFRS 9 31 December 2017	Reclassification	Remeasurement	TFRS 9 Book Value 1 January 2018
Loans and receivables (Including cash and cash equivalents)				
Balance before reclassification	5.268.090	(5.268.090)	-	-
Reclassification to financial assets measured at amortized cost	-	5.268.090	-	5.268.090
Effect of the expected credit losses	-	-	(6.153)	(6.153)
Financial assets measured at amortized cost	**5.268.090**	**-**	**(6.153)**	**5.261.937**
Available-for-sale financial asset				
Balance before reclassification	170.651	(170.651)	-	-
Reclassification to financial assets measured at fair value through other comprehensive	-	170.651	-	170.651
Effect of remeasurement	-	-	10.727	10.727
Financial assets measured at fair value through other comprehensive income	**170.651**	**-**	**10.727**	**181.378**

Effect of application of TFRS 9 to the financial statements dated 1 January 2018

	31 December 2017 Reported	Effect of TFRS 9	1 January 2018 Revised
Cash and cash equivalents	2.985.833	(468)	2.985.365
Trade receivables (net)	1.952.131	(5.685)	1.946.446
Financial investments	181.971	10.727	192.698
Deferred tax assets	77.176	1.354	78.530
Deferred tax liabilities	61.049	537	61.586
Gain on revaluation and reclassification	67.240	10.120	77.360
Prior years' income	1.115.816	(4.729)	1.111.087

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

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

(e) First Time Adoption of TFRS 15:

TFRS 15 "Revenue from Contracts with Customers" has superseded TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations. The new five-step model in the standard provides the recognition and measurement requirements of revenue. TFRS 15 is effective for periods beginning on and after 1 January 2018 and the Group does not expect that application of TFRS 15 will have significant impact on its consolidated financial statements.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

The Group recognizes revenue from the following major sources:

Sale of goods:

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

Rental income:

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

Construction Contracts:

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

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

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

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

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

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

Dividend and interest income:

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Retention Receivables from Contractors

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

Retention Payables to Subcontractors

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

Inventories

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

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

Property, Plant and Equipment

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

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

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

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

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

Financial Leasing Operations

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets

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

Impairment of Assets

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

Borrowing Costs

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

Financial Instruments

<u>Financial Assets</u>

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

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

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

<u>Financial assets measured at amortized cost</u>

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.

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 amortized cost (cont'd)

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.

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. However, the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated balance sheet.

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)

Impairment (cont'd)

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.

The Group does not reclassify any financial liability.

Recognition and Derecognition of Financial Assets And Liabilities

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Derivative Financial Instruments and Hedge Accounting (cont'd)

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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

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

Warranties

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

Reporting of Financial Information According to Segments

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

Government Grants and Incentives

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

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

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

Investment Property

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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

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

Current and deferred tax for the period

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Assets Held For Sale

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

Employee Benefits

Termination and retirement benefits:

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

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

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

Redeemed Shares

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

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

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

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

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 IAS 12 Income Taxes and IAS 19 Employee Benefits respectively,
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date,
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations (cont'd)

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

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

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

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

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

Goodwill

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

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

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

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

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

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

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

Deferred taxes

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

Income tax

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

Change in contract fee

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

Percentage of completion

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

Construction costing estimates

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

Non-current retention receivables

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

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows (Note 35).

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

3. BUSINESS COMBINATIONS

(a) Alanar Meyve and Alara Fidan

Upon the resolution of the Board of Directors dated 3 November 2017, a share acquisition agreement was signed on 5 January 2018 concerning acquisition of 90% of the paid in capitals of Alanar Meyve and Alara Fidan by Tekfen Tarım. The transaction was approved by the Competition Authority on 8 February 2018 and following the ratification of the Competition Authority, the closing was held on 14 February 2018. Information related to business combinations are as follows:

Subsidiaries Acquired	Nature of Business	Ratio of Shares Acquired	Acquisition price
Alanar Meyve	Agricultural Manufacturing	90%	32.644
Alara Fidan	Agricultural Manufacturing	90%	384
			33.028

Breakdown of the acquisition price is as follows:

	Alanar Meyve	Alara Fidan	Total
Paid in cash	32.111	378	32.489
Contingent consideration	533	6	539
Acquisition price	**32.644**	**384**	**33.028**

The tangible and intangible assets of the acquiree's have been valued by an independent valuation firm in Alanar Meyve and Alara Fidan purchases. Fair values within the scope of TFRS 3 of the main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Alanar Meyve	Alara Fidan	Total
Current assets	**14.438**	**4.863**	**19.301**
Cash and cash equivalents	395	273	668
Other current assets	14.043	4.590	18.633
Non-current assets	**104.602**	**8.755**	**113.357**
Tangible and intangible assets	99.201	8.036	107.237
Other non-current assets	5.401	719	6.120
Current liabilities	**42.061**	**12.266**	**54.327**
Non-current liabilities	**23.441**	**824**	**24.265**
Net assets	**53.538**	**528**	**54.066**

As a result of the acquisitions, the Group obtained control of Alanar Meyve, Alara Fidan and Gate so that bargain purchase gain arisen. 10% of non-controlling interests in Alanar Meyve and Alara Fidan are measured at the proportionate share of the acquiree's identifiable net assets.Bargain purchase gain arising from the acquisitions is as follows:

	Alanar Meyve	Alara Fidan	Total
Acquisition price	32.644	384	33.028
Non-controlling interest	5.354	53	5.407
Less: Fair value of net assets of the acquired company	(53.538)	(528)	(54.066)
Bargain purchase gain (Note: 29)	**(15.540)**	**(91)**	**(15.631)**

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

3. BUSINESS COMBINATIONS (cont'd)

(a) Alanar Meyve and Alara Fidan (cont'd)

Net cash outflow concerning the acquisition is as follows:

	Alanar Meyve	**Alara Fidan**	**Total**
Paid in cash	32.111	378	32.489
Less: Cash and cash equivalents of the acquired company	(395)	(273)	(668)
Net cash outflow	**31.716**	**105**	**31.821**

(b) Gate

Tekfen İnşaat, which holds 50% of the shares of Gate, purchased 50% of the shares of Gate, which belongs to Gama Endüstri Tesisleri İmalat ve Montaj A.Ş. in accordance with the agreement made on 25 July 2018 worth 113.357 (21.547.000 USD). Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2018 (Note: 17).

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 2018	31 December 2017
Current assets	171.988	159.247
Non-current assets	51.613	50.887
Current liabilities	391.324	498.181
Non-current liabilities	829	2.222
Shareholders' equity	(168.552)	(290.269)

	1 January- 31 December 2018	1 January- 31 December 2017
Revenue	256.528	220.573
Cost of revenue (-)	(302.242)	(268.235)
Loss for the period	(63.337)	(116.611)

As a result of the acquisition of shares as disclosed in Note 3 (b), Gate, which classified as a joint operation in the prior year's consolidated financial statements, has no effect on the figures of the year 2018 due to reclassification as a subsidiary.

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

5. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	9.005.740	2.964.560	134.465	42.406	12.147.171
Cost of revenue (-)	(8.030.899)	(2.186.604)	(119.325)	(7.001)	(10.343.829)
GROSS PROFIT	**974.841**	**777.956**	**15.140**	**35.405**	**1.803.342**
General administrative expenses (-)	(158.465)	(55.897)	(10.799)	(84.050)	(309.211)
Marketing expenses (-)	(6.574)	(196.194)	(8.808)	-	(211.576)
Research and development expenses (-)	(135)	(2.813)	-	-	(2.948)
Other operating income	179.094	603.916	385	11.926	795.321
Other operating expenses (-)	(228.867)	(748.509)	(1.842)	(15.323)	(994.541)
Share on profit (loss) of investments valued using equity method	32.868	(1.184)	(9)	-	31.675
OPERATING PROFIT (LOSS)	**792.762**	**377.275**	**(5.933)**	**(52.042)**	**1.112.062**
Investment income	106	16.100	34	11.252	27.492
Investment expense (-)	(5.329)	(16)	(756)	(100)	(6.201)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**787.539**	**393.359**	**(6.655)**	**(40.890)**	**1.133.353**
Financial income	106.730	512.684	21.319	689.440	1.330.173
Financial expenses (-)	(33.199)	(399.746)	(44.098)	(345.106)	(822.149)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**861.070**	**506.297**	**(29.434)**	**303.444**	**1.641.377**
Tax (expense) income from continuing operations	(119.959)	(42.285)	4.686	(82.292)	(239.850)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**741.111**	**464.012**	**(24.748)**	**221.152**	**1.401.527**

For the year ended 31 December 2018, revenue amounting 5.009.253 was obtained from a non-related client of construction segment which constitute 41,2% of the Group's revenue.

The Group has 143.114 of revenue and 103.743 of operating income from terminal operations classified as agricultural operation in 2018.

(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 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	4.861.540	2.240.434	350.744	34.415	7.487.133
Cost of revenue (-)	(4.470.547)	(1.647.984)	(333.770)	(6.397)	(6.458.698)
GROSS PROFIT	**390.993**	**592.450**	**16.974**	**28.018**	**1.028.435**
General administrative expenses (-)	(120.557)	(38.365)	(8.129)	(47.614)	(214.665)
Marketing expenses (-)	(1.977)	(146.345)	(6.968)	-	(155.290)
Research and development expenses (-)	(47)	(1.860)	-	(23)	(1.930)
Other operating income	125.016	206.448	508	7.739	339.711
Other operating expenses (-)	(145.921)	(264.396)	(5.078)	(13.669)	(429.064)
Share on profit of investments valued using equity method	209.213	1.787	-	-	211.000
OPERATING PROFIT (LOSS)	**456.720**	**349.719**	**(2.693)**	**(25.549)**	**778.197**
Investment income	1.204	7.930	22	8.240	17.396
Investment expense (-)	-	(5)	-	(16)	(21)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**457.924**	**357.644**	**(2.671)**	**(17.325)**	**795.572**
Financial income	50.783	213.499	2.147	309.673	576.102
Financial expenses (-)	(32.451)	(200.174)	(18.659)	(218.136)	(469.420)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**476.256**	**370.969**	**(19.183)**	**74.212**	**902.254**
Tax (expense) income from continuing operations	(85.670)	(24.317)	5.315	(26.854)	(131.526)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**390.586**	**346.652**	**(13.868)**	**47.358**	**770.728**

For the year ended 31 December 2017, revenue amounting 1.883.403 was obtained from a non-related client of construction segment which constitute 25,2% of the Group's revenue.

The Group has 170.935 of revenue and 115.417 of operating income from terminal operations classified as agricultural operation in 2017.

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

5. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities

	31 December 2018				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	6.600.474	3.431.421	598.124	1.405.501	12.035.520
Current and non-current liabilities	5.384.173	1.631.851	375.695	219.406	7.611.125
Equity attributable to owners of the parents	959.375	1.653.408	(30.148)	1.784.952	4.367.587
Non-controlling interests	42.994	13.802	-	12	56.808

	31 December 2017				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	5.025.575	2.774.958	377.906	1.188.311	9.366.750
Current and non-current liabilities	4.424.252	1.379.507	425.941	128.736	6.358.436
Equity attributable to owners of the parents	219.136	1.181.919	(1.196)	1.575.858	2.975.717
Non-controlling interests	32.337	241	-	19	32.597

c) Segmental information related to property, plant and equipment, intangible assets, investment property and revenue

	1 January - 31 December 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	186.234	71.542	551	3.634	261.961
Depreciation and amortization expense for the period (*)	116.804	67.397	1.367	4.338	189.906
Intra-segment revenue	334.781	65.198	27	6.756	406.762
Inter-segment revenue	328	1.298	1.374	20.826	23.826

	1 January - 31 December 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	167.935	61.087	642	3.067	232.731
Depreciation and amortization expense for the period (*)	70.751	60.228	1.994	4.022	136.995
Intra-segment revenue	149.330	40.342	67	4.506	194.245
Inter-segment revenue	554	1.109	1.410	15.386	18.459

(*) Depreciation expense of 1.706 is added the cost of inventory (2017: 1.001 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	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2018)	5.697.535	1.103.624	-	5.673.624	102.976	(430.588)	12.147.171
Total assets (31 December 2018)	12.862.220	2.908.298	10.059	3.904.142	277.311	(7.926.510)	12.035.520
Capital expenditures (1 January - 31 December 2018)	123.024	51.600	-	86.429	908	-	261.961

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2017)	4.814.599	793.271	-	2.049.470	42.497	(212.704)	7.487.133
Total assets (31 December 2017)	9.821.715	2.768.683	45.340	2.461.092	116.552	(5.846.632)	9.366.750
Capital expenditures (1 January - 31 December 2017)	117.205	38.187	-	77.250	89	-	232.731

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

6. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	1.834	1.245
Cash at banks		
Demand deposits	228.175	228.382
Time deposits with maturity of three months or less	4.290.273	2.680.704
Other cash equivalents	61.318	75.502
	4.581.600	2.985.833

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 36.

7. FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2018	31 December 2017
Time deposits with maturity of longer than three months	132.101	330.126
Short-term financial investments total	132.101	330.126
Long-term financial investments		
Fair value through other comprehensive income financial investments	197.762	170.651
Fair value through profit or loss financial investments	70.757	11.320
Long-term financial investments total	268.519	181.971
Financial investments total	400.620	512.097

Short-term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 5% amounting to 132.101 (25.110 Thousand USD) (31 December 2017: 122.292 (32.422 Thousand USD) with annual interest rate of 4,06%, 207.834 (46.027 Thousand EUR) with annual interest rate of 2,10%).

(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 2018	Share %	31 December 2017
Fair value through other comprehensive income financial investments				
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	65.925	10,79	83.371
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.064	<1	1.667
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	41	<1	61
Turcas Petrolcülük A.Ş.	<1	4	<1	12
		67.034		85.111
Non-traded				
Toren Doğalgaz Depolama ve Madencilik A.Ş.	2,50	89.912	2,50	42.349
Gaz Depo ve Madencilik A.Ş.	2,50	39.132	2,50	41.501
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. (*)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	27,45	109	27,45	109
Other		236		242
		130.728		85.540
Fair value through profit or loss financial investments		70.757		11.320
Long-term financial investments total		268.519		181.971

(*) As of 31 December 2018 and 2017, 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.

The positive difference of 92.931 in the fair value of the fair value through other comprehensive income financial investments is directly recognized in equity (31 December 2017: 67.240 positive difference).

The positive difference of 3.140 in the fair value of the fair value through profit or loss financial investments is directly recognized in equity (Note 29) (31 December 2017: None).

Explanations about the nature and level of risks related to financial investments are provided in Note 36.

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

8. SHORT AND LONG-TERM BORROWINGS

	31 December 2018	31 December 2017
Short-term bank loans	740.233	605.081
Short-term portion of long-term bank loans and interest payments	152.774	108.693
Short-term portion of long-term obligations under finance leases	2.847	1.815
Total short-term borrowings	895.854	715.589
Long-term bank loans	221.342	463.894
Long-term obligations under finance leases	985	210
Total long-term borrowings	222.327	464.104
Total borrowings	1.118.181	1.179.693

The details of bank loans are as follows:

Original currency	Weighted average interest rate % Short-term	Weighted average interest rate % Long-term	31 December 2018 Short-term	31 December 2018 Long-term	31 December 2018 Total
US Dollars	5,05	-	316.012	-	316.012
EUR	1,29	2,64	293.837	143.315	437.152
TRY	16,52	17,54	283.158	78.027	361.185
			893.007	221.342	1.114.349

Original currency	Weighted average interest rate % Short-term	Weighted average interest rate % Long-term	31 December 2017 Short-term	31 December 2017 Long-term	31 December 2017 Total
US Dollars	4,41	-	386.740	-	386.740
EUR	1,17	2,66	176.672	214.108	390.780
TRY	14,49	16,36	150.362	249.786	400.148
			713.774	463.894	1.177.668

(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 2018	31 December 2017
To be paid within 1 year	893.007	713.774
To be paid within 1-2 year	221.342	291.660
To be paid within 2-3 year	-	172.234
	1.114.349	1.177.668

Group's bank loans; as of 31 December 2018 in the amounts of 60.068 Thousand USD (316.012), 24.871 Thousand EUR (149.922) and 361.341 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2017: 102.532 Thousand USD (386.740), 15.055 Thousand EUR (67.981), 400.148). Other bank loans are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk.

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) and ECA (Hermes) bank loans from Unicredit Bank Austria AG in August 2013 and Deutsche Bank AG in January 2014 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criterias obliged due to the agreement as of 31 December 2018. As of 31 December 2018, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 134.098 (22.246 Thousand EUR) and 151.725 (25.170 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG and Deutsche Bank AG for the year ended 31 December 2018 is 67.049 (11.123 Thousand EUR) and 75.862 (12.585 Thousand EUR) respectively. After the balance sheet date, principle payments made to the loans from Unicredit Bank Austria AG and Deutsche Bank AG is 33.522 (5.561 Thousand EUR) and 37.934 (6.293 Thousand EUR) respectively.

Details of obligations under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Obligations under finance leases				
Within one year	3.002	1.970	2.847	1.815
Within 2-5 year	1.024	223	985	210
	4.026	2.193	3.832	2.025
Less: finance expenses related to following years	(194)	(168)	-	-
Present value of obligations finance leases	3.832	2.025	3.832	2.025
Less: Payments within 12 months (in short-term payables)			2.847	1.815
Due beyond 12 months			985	210

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term is 36 months (2017: 36 – 48 months). For the year ended 31 December 2018 effective weighted average interest is 15,46 for TRY, 5,04% for USD and 4,20% for EUR (31 December 2017: 4,35% for USD, 5,65% for EUR). Financial lease obligations currency type distribution is disclosed in Note 36. The fair value of the Group's lease obligations approximates their carrying amount.

Explanations about the nature and level of risks related to financial debts are provided in Note 36.

(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 2018	31 December 2017
Receivables from Contracting group operations	806.231	1.402.427
Receivables from Agriculture group operations	212.235	190.873
Receivables from Real Estate group operations	31.223	15.770
Receivables from Other group operations	7.425	7.118
Provision for doubtful receivables	(39.568)	(32.998)
Retention receivables (Note: 12)	361.038	283.764
Due from related parties (Note: 34)	57.836	14.468
Other	7.864	8.592
	1.444.284	1.890.014
Long-term trade receivables		
Retention receivables (Note: 12)	177.941	64.374
Receivables from Real Estate group operations	16.624	12.211
	194.565	76.585

Postdated cheques amounting to 79.168 (31 December 2017: 126.185), notes receivables amounting to 44.697 (31 December 2017: 23.459), negative foreign currency differences amounting to 2.581 (31 December 2017: positive foreign currency differences amounting to 73) 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 2017: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 82 days (31 December 2017: 135 days), for domestic projects is 44 days (31 December 2017: 39 days), for Agriculture group is 47 days (31 December 2017: 43 days), for Real Estate group for short-term trade receivables are 148 days, for long-term trade receivables is 764 days (31 December 2017: short-term trade receivables is 150 days, long-term trade receivables are 770 days) and for other segment is 24 days (31 December 2017: 27 days).

As of 31 December 2018, receivables amounting 425.220 was obtained from a non-related client which constitute 27% of the Group's receivables (31 December 2017: 935.627, 48%).

As of 31 December 2018, 39.568 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (31 December 2017: 32.998).

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

	2018	2017
Provision as at 1 January	(32.998)	(30.850)
Effect of changes in accounting policies (Note 2)	(5.685)	-
Effect of business combinations	(410)	-
Charge for the year	(1.148)	(1.959)
Collected	421	808
Provision released	4.049	-
Write off of bad debt	106	6
Currency translation effect	(3.903)	(1.003)
Provision as at 31 December	(39.568)	(32.998)

All of doubtful receivable expense has been charged to general administrative expenses (2017: 1.006 and 953 of doubtful receivable expense has been charged to cost of revenue and general administrative expenses respectively).

Explanations about the nature and level of risks related to trade receivables are provided in Note 36.

(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 2018	31 December 2017
Payables from Contracting group operations	1.592.437	1.063.448
Payables from Agriculture group operations	1.113.727	836.921
Payables from Real Estate group operations	3.090	5.105
Payables from Other group operations	24.151	12.707
Due to related parties (Note: 34)	29.518	6.128
Retention payables (Note: 12)	100.653	114.159
Other trade payables	193	161
	2.863.769	2.038.629

Long-term trade payables	31 December 2018	31 December 2017
Payables from Agriculture group operations	46.416	60.869
Retention payables (Note: 12)	280.281	55.674
Trade payables from Contracting group operations	780	799
	327.477	117.342

Foreign currency differences amounting to 520.220 (31 December 2017: 218.219) and notes payables amounting to 784 (31 December 2017: None) are included in short and long-term trade payables. There are not any postdated cheques in the current year (31 December 2017: None)

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2017: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 107 days (31 December 2017: 172 days) whereas average payable period for domestic purchases is 30 days (31 December 2017: 30 days). For Contracting group, import purchases through letter of credit constitute 1% (31 December 2017: 3%) of trade payables as at balance sheet date. The average payable period for these import purchases is 137 days (31 December 2017: 87 days) whereas the average payable period for other purchases is 79 days (31 December 2017: 90 days). The average payable period for Real Estate group is 38 days (31 December 2017: 35 days). For the other operations of the Group, the average payable period is 67 days (31 December 2017: 61 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 36.

(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 2018	31 December 2017
Related party receivables (Note: 34)	58.797	-
Deposits and guarantees given	16.797	10.999
VAT receivables	2.523	9.865
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	2.020	2.654
	80.137	23.518

Other long-term receivables		
Deposits and guarantees given	6.551	4.235
	6.551	4.235

b) Other Payables:

Other short-term payables	31 December 2018	31 December 2017
Taxes and funds payable	66.837	69.565
Deposits and guarantees received	1.987	6.341
Payables related to share acquisitions	11.260	-
Related party payables (Note: 34)	539	-
Other payables	1.049	2.534
	81.672	78.440

Other long-term payables		
Fair value of reedemed shares	80.497	66.045
Deposits and guarantees received	6.069	4.101
	86.566	70.146

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 36.

11. INVENTORIES

	31 December 2018	31 December 2017
Raw materials	217.894	144.221
Work in progress	358.159	146.499
Finished goods	37.502	19.138
Trading goods	169.888	72.868
Goods in transit	13.817	30.800
Inventory from real estate projects	216.287	256.473
Inventory at construction sites	300.278	225.214
Other inventories	56.740	53.576
	1.370.565	948.789

During the year ended 31 December 2018, borrowing costs added to inventory amount to 15.990 (31 December 2017: Borrowing costs deducted 4.886).

The Group does not have any inventories whose net realizable value is less than its current cost (31 December 2017: None). Accordingly, there is not any provision for allowance for impairment on inventory (31 December 2017: None).

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

12. CONSTRUCTION CONTRACTS

	31 December 2018	31 December 2017
Cost incurred on uncompleted contracts	22.386.831	16.125.698
Recognised gain less losses (net)	2.067.774	1.140.279
	24.454.605	17.265.977
Less: Billings to date (-)	(25.110.449)	(17.887.221)
	(655.844)	(621.244)

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

	31 December 2018	31 December 2017
From customers under construction contracts	348.014	171.361
To customers under construction contracts	(1.003.858)	(792.605)
	(655.844)	(621.244)

	31 December 2018	31 December 2017
<u>Receivables from uncompleted contracts</u>		
Contracts undersigned abroad	295.951	125.117
Contracts undersigned in Turkey	52.063	46.244
	348.014	171.361
<u>Payables from uncompleted contracts</u>		
Contracts undersigned abroad	(907.743)	(503.887)
Contracts undersigned in Turkey	(96.115)	(288.718)
	(1.003.858)	(792.605)
	(655.844)	(621.244)

The Group has 389.274 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2017: 292.548). Also, the Group has 1.229.353 of advances received for contracting projects classified in deferred revenue (31 December 2017: 1.559.333) (Note 18).

As of 31 December 2018, the Group has 380.934 of retention payables to subcontractors (31 December 2017: 169.833). Also, the amount of retention receivables is 538.979 (31 December 2017: 348.138) (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 2018		31 December 2017			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50 %	10.530	50 %	11.543	50 %	Agriculture
Azfen	Azerbaijan	40 %	24.597	40 %	94.227	40 %	Construction
Black Sea	Turkey	30 %	1.077	30 %	1.092	30 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50 %	88.252	50 %	87.648	50 %	Real Estate
Denkmal Dahlem (*)	Germany	45 %	20.184	-	-	45 %	Construction
			144.640		194.510		

(*) A Board of Directors decision was taken on 18 December 2018 to purchase 45% of the shares of Denkmal Dahlem, which is settled in Germany, by HMB, a subsidiary of the Group. The transaction took place on 28 December 2018.

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

	2018	2017
Opening balance as at 1 January	194.510	118.445
Group's share on profit	31.675	211.000
Group's share on other comprehensive income	156	(225)
Effect of the joint ventures purchased	20.184	-
Dividends	(130.949)	(172.024)
Capital increases	630	29.635
Currency translation effect	28.451	9.430
Profit eliminations	(17)	(1.751)
Closing balance as at 31 December	144.640	194.510

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

	2018	2017
H-T Fidecilik	(1.169)	1.729
Azfen	32.868	209.213
Black Sea	(15)	58
Florya Gayrimenkul	(9)	-
Shares on profit of joint ventures consolidated by equity method	31.675	211.000

(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 2018	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Cash and cash equivalents	95	87.257	2.854	2	319	90.527
Other current assets	54.576	289.362	784	58.342	155.378	558.442
Other non-current assets	21.293	58.207	9	121.766	1.905	203.180
Total Assets	75.964	434.826	3.647	180.110	157.602	852.149
Short-term financial debts	30.814	-	-	-	60.714	91.528
Other short-term liabilities	22.107	362.874	40	1.122	1.039	387.182
Long-term financial debts	138	-	-	-	-	138
Other long-term liabilities	1.846	10.460	17	2.484	50.995	65.802
Total Liabilities	54.905	373.334	57	3.606	112.748	544.650
Net Assets	21.059	61.492	3.590	176.504	44.854	307.499
Group's Ownership Rate	50%	40%	30%	50%	45%	
Group's share on Net Assets	10.530	24.597	1.077	88.252	20.184	144.640

31 December 2017	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Cash and cash equivalents	98	153.208	2.698	294	-	156.298
Other current assets	48.872	299.910	1.169	57.666	-	407.617
Other non-current assets	22.279	52.435	12	120.396	-	195.122
Total Assets	71.249	505.553	3.879	178.356	-	759.037
Short-term financial debts	26.937	-	-	-	-	26.937
Other short-term liabilities	18.253	260.971	223	596	-	280.043
Long-term financial debts	835	-	-	-	-	835
Other long-term liabilities	2.139	9.014	17	2.465	-	13.635
Total Liabilities	48.164	269.985	240	3.061	-	321.450
Net Assets	23.085	235.568	3.639	175.295	-	437.587
Group's Ownership Rate	50%	40%	30%	50%	-	
Group's share on Net Assets	11.543	94.227	1.092	87.648	-	194.510

(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 :

31 December 2018	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Revenue	67.136	1.340.853	-	-	-	1.407.989
Depreciation and amortization expense	2.512	34.191	4	-	-	36.707
Operating profit (loss)	4.084	101.296	(1.208)	-	-	104.172
Financial income	4	1.429	1.977	1	-	3.411
Financial expense (-)	(6.462)	-	(815)	-	-	(7.277)
Tax expense (-)	(31)	(20.539)	(6)	(19)	-	(20.595)
Profit (Loss) for the Period	(2.337)	82.169	(51)	(18)	-	79.763
Group's Ownership Rate	50%	40%	30%	50%	45%	
Group's Share on Profit (Loss) for the Period	(1.169)	32.868	(15)	(9)	-	31.675

31 December 2017	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Revenue	65.773	1.751.478	138.708	-	-	1.955.959
Depreciation and amortization expense	2.001	28.179	20	-	-	30.200
Operating profit (loss)	7.337	671.454	(986)	-	-	677.805
Financial income	8	970	5.924	7	-	6.909
Financial expense (-)	(3.269)	-	(4.746)	-	-	(8.015)
Tax (expense) income	(868)	(147.042)	1	(7)	-	(147.916)
Profit for the Period	3.458	523.033	193	-	-	526.684
Group's Ownership Rate	%50	%40	%30	%50	-	
Group's Share on Profit for the Period	1.729	209.213	58	-	-	211.000

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

14. INVESTMENT PROPERTY

Cost	Land	Buildings	Total
Opening balance as at 1 January 2018	43.735	91.776	135.511
Currency translation effect	10.074	-	10.074
Additions	-	799	799
Disposals	-	(2.680)	(2.680)
Transfers from inventory	-	272	272
Transfers	-	(1.846)	(1.846)
Closing balance as at 31 December 2018	53.809	88.321	142.130
Accumulated Depreciation			
Opening balance as at 1 January 2018	-	(31.645)	(31.645)
Charge for the year	-	(2.649)	(2.649)
Disposals	-	55	55
Transfers	-	458	458
Closing balance as at 31 December 2018	-	(33.781)	(33.781)
Carrying value as at 31 December 2018	53.809	54.540	108.349

Cost	Land	Buildings	Total
Opening balance as at 1 January 2017	21.403	91.308	112.711
Currency translation effect	1.153	-	1.153
Additions	21.179	2.348	23.527
Transfers from inventory	-	2.803	2.803
Transfers	-	(4.683)	(4.683)
Closing balance as at 31 December 2017	43.735	91.776	135.511
Accumulated Depreciation			
Opening balance as at 1 January 2017	-	(30.152)	(30.152)
Charge for the year	-	(2.795)	(2.795)
Transfers	-	1.302	1.302
Closing balance as at 31 December 2017	-	(31.645)	(31.645)
Carrying value as at 31 December 2017	43.735	60.131	103.866

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 (2017: Depreciation expense has been charged to cost of revenue)

For the year ended 31 December 2018 total rental income earned from investment properties is 39.929 (31 December 2017: 34.072). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 7.079 (31 December 2017: 6.473).

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise which has no connection with the Group and is one of the independent valuers accredited by Capital Market Board. Valuation work has been concluded based on fair value of similar properties. The fair value of the investment properties as of 31 December 2018 is 493.530 (31 December 2017: 490.251) according to the valuation carried out by independent expert. There are not any restrictions on the realizability of property, plant and equipment, intangible assets and 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 2018	513.956	460.272	2.278.253	65.608	117.140	14.106	160.359	3.609.694
Currency translation effect	143.739	57.741	443.776	25.093	38.140	984	6.707	716.180
Additions	62.883	3.899	83.983	8.322	28.517	60.086	4.532	252.222
Acquired through business combination	94.369	466	32.667	4.629	2.198	587	3.083	137.999
Disposals	(66)	(1.201)	(13.368)	(4.405)	(665)	-	(20)	(19.725)
Transfers	27.374	(6.807)	5.662	12.549	1.632	(43.003)	(2.509)	(5.102)
Closing balance as at 31 December 2018	842.255	514.370	2.830.973	111.796	186.962	32.760	172.152	4.691.268
Accumulated Depreciation								
Opening balance as at 1 January 2018	(203.829)	(209.622)	(1.373.800)	(42.380)	(89.202)	-	(93.552)	(2.012.385)
Currency translation effect	(81.216)	(30.048)	(358.749)	(16.930)	(30.976)	-	(1.556)	(519.475)
Charge for the year	(22.804)	(10.672)	(116.207)	(15.662)	(11.391)	-	(8.287)	(185.023)
Disposals	35	397	9.926	4.387	533	-	12	15.290
Transfers	(983)	525	5.681	(6.262)	590	-	-	(449)
Closing balance as at 31 December 2018	(308.797)	(249.420)	(1.833.149)	(76.847)	(130.446)	-	(103.383)	(2.702.042)
Carrying value as at 31 December 2018	533.458	264.950	997.824	34.949	56.516	32.760	68.769	1.989.226

Property, plant and equipment include fixed assets with carrying value of 5.630 purchased through financial lease. These property, plant and equipment purchased through financial lease consist of various prefabricated buildings, machinery, equipment and vehicles employed in construction sites. During the current period, there are no property, plant and equipment purchases through financial lease (31 December 2017: None). For the year ended 31 December 2018, no additional capitalized borrowing costs are included in property, plant and equipment (31 December 2017:None). There are not any restrictions on the realizability of property, plant and equipment 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 (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 2017	472.398	416.442	2.082.689	41.080	96.888	42.605	146.544	3.298.646
Currency translation effect	26.153	16.849	70.642	3.184	5.620	(132)	913	123.229
Additions	8.740	8.476	84.371	21.560	12.565	57.040	11.673	204.425
Disposals	(1.076)	-	(12.375)	(1.426)	(148)	-	(5.110)	(20.135)
Transfers	7.741	18.505	52.926	1.210	2.215	(85.407)	6.339	3.529
Closing balance as at 31 December 2017	513.956	460.272	2.278.253	65.608	117.140	14.106	160.359	3.609.694
Accumulated Depreciation								
Opening balance as at 1 January 2017	(179.301)	(187.644)	(1.237.063)	(37.743)	(77.076)	-	(92.146)	(1.810.973)
Currency translation effect	(11.975)	(11.269)	(57.818)	(2.400)	(4.812)	-	(407)	(88.681)
Charge for the year	(13.144)	(9.407)	(90.738)	(3.566)	(7.457)	-	(6.109)	(130.421)
Disposals	591	-	11.819	1.329	143	-	5.110	18.992
Transfers	-	(1.302)	-	-	-	-	-	(1.302)
Closing balance as at 31 December 2017	(203.829)	(209.622)	(1.373.800)	(42.380)	(89.202)	-	(93.552)	(2.012.385)
Carrying value as at 31 December 2017	310.127	250.650	904.453	23.228	27.938	14.106	66.807	1.597.309

Property, plant and equipment include fixed assets with carrying value of 8.540 purchased through financial lease.

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

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

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

	Useful life
Land and land improvements	2-50 years
Buildings	5-50 years
Machinery and equipment	2-50 years
Vehicles	2-30 years
Furniture and fixtures	2-50 years
Leasehold improvements	4-50 years

Depreciation expense of 176.783 (2017: 126.809) has been charged to cost of revenue, 1.543 (2017: 895) to marketing expenses, 4.927 (2017: 3.707) to general administrative expenses, 64 (2017: 11) to research and development expenses. Depreciation expense of 1.706 is added to the cost of inventory (2017: 1.001 deducted from the cost of inventory).

16. OTHER INTANGIBLE ASSETS

Cost value	Rights	Other	Total
Opening balance as at 1 January 2018	51.150	3.804	54.954
Currency translation effect	13.768	(188)	13.580
Additions	5.954	2.986	8.940
Acquired through business combination	209	-	209
Transfers	6.939	-	6.939
Closing balance as at 31 December 2018	78.020	6.602	84.622
Accumulated amortization			
Opening balance as at 1 January 2018	(34.319)	(399)	(34.718)
Currency translation effect	(10.738)	(110)	(10.848)
Charge for the year	(3.938)	(2)	(3.940)
Closing balance as at 31 December 2018	(48.995)	(511)	(49.506)
Carrying value as at 31 December 2018	29.025	6.091	35.116

Cost value	Rights	Other	Total
Opening balance as at 1 January 2017	43.732	3.188	46.920
Currency translation effect	2.125	64	2.189
Additions	4.227	552	4.779
Disposals	(88)	-	(88)
Transfers	1.154	-	1.154
Closing balance as at 31 December 2017	51.150	3.804	54.954
Accumulated amortization			
Opening balance as at 1 January 2017	(29.899)	(343)	(30.242)
Currency translation effect	(1.728)	(56)	(1.784)
Charge for the year	(2.778)	-	(2.778)
Disposals	86	-	86
Closing balance as at 31 December 2017	(34.319)	(399)	(34.718)
Carrying value as at 31 December 2017	16.831	3.405	20.236

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 2.669 (2017: 2.305) has been charged to general administrative expenses, 1.271 (2017: 473) to cost of revenue.

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17. GOODWILL

Tekfen İnşaat, acquired 50% of the shares of Gate, which belongs to Gama Endüstri Tesisleri İmalat ve Montaj A.Ş. in accordance with the agreement made on 25 July 2018. After the acquisition, direct share participation rate of Tekfen İnşaat in Gate has reached 100%. Information related to acquisition is as follows:

Subsidiary Acquired	**Nature of Business**	**Ratio of Shares Acquired**	**Acquisition Price**
Gate	Construction	50%	113.357
			113.357

The identifiable assets and liabilities detailed below are temporarily reported under TFRS provisions . During the measurement period allowed by the standard, the assets and liabilities will be reevaluated.

Gate	**25 July 2018**
Current assets	**215.388**
Cash and cash equivalents	11.495
Other current assets	203.893
Non-current assets	**141.242**
Tangible and intangible assets	67.466
Other non-current assets	73.776
Current liabilities	**286.282**
Non-current liabilities	**3.430**
Net assets	**66.918**

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

	25 July 2018
Acquisition price	113.357
Fair value of previously-held interest in the acquired company	33.457
Less: Fair value of net assets of the acquired company	(66.918)
Goodwill	**79.896**

Net cash outflow concerning the acquisition is as follows:

	25 July 2018
Paid in cash	113.357
Less: Cash and cash equivalents of the acquired company	(5.748)
Net cash outflow	**107.609**

Movement of Goodwill is as follows:

	2018	2017
Opening balance as at 1 January	-	-
Effect of business combinations	79.896	-
Closing balance as at 31 December	79.896	-

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

18. PREPAID EXPENSES AND DEFERRED REVENUE

Short-term prepaid expenses	31 December 2018	31 December 2017
Advances paid for construction projects (Note: 12)	389.274	292.548
Prepaid expenses	98.953	37.555
Order advances given	16.846	5.036
Business advances given	1.866	615
	506.939	335.754

Long-term prepaid expenses		
Prepaid expenses	617	1.860
Advances given for fixed assets	63	610
	680	2.470

Short-term deferred revenue		
Advances received for Real Estate projects	15.794	9.437
Advances received for construction projects (Note: 12)	1.229.353	1.559.333
Other advances received	20.258	58.651
Income relating to future months	7.811	11.476
	1.273.216	1.638.897

19. GOVERMENT GRANTS AND INCENTIVES

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

In the plant production section of Tekfen Tarım, the application made to the Ministry of Industry and Technology has been concluded as positive and as of 22 November 2018, Tekfen Tarım has been granted the Research and Development ("R&D") Center Certificate for Adana-Agripark facilities. In this context, it can benefit from the discounts and supports specified in the Law No. 5746.

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

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

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

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

Project for the development of the welding process for the manufacture of titanium equipment to be used in petrochemical, nuclear power plant and textile industry in line with ASME and PED standards of Timaş in its Derince factory was approved by TÜBİTAK on 4 January 2018. Within the scope of the project's income tax withholding support and insurance employer premium support, incentives for the periods of 2017/1 and 2018/1 were collected in 2018 for the expenses of the personnel involved in R&D activities until 1 August 2017 and 30 September 2018.

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20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short-term other provisons	31 December 2018	31 December 2017
Provision for litigation	12.803	17.873
Other provisions	184.068	94.581
	196.871	112.454

Long-term other provisons	31 December 2018	31 December 2017
Other provisions	87	72
	87	72

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2018	17.873	94.653	112.526
Effect of business combinations	180	-	180
Currency translation effect	1.181	39.999	41.180
Charge for the period	3.447	93.862	97.309
Provision paid	(2.571)	-	(2.571)
Provision released	(7.307)	(44.359)	(51.666)
Closing balance as at 31 December 2018	12.803	184.155	196.958
Opening balance as at 1 January 2017	9.998	113	10.111
Currency translation effect	198	3.105	3.303
Charge for the period	12.232	91.453	103.685
Provision paid	(789)	(18)	(807)
Provision released	(3.766)	-	(3.766)
Closing balance as at 31 December 2017	17.873	94.653	112.526

b) Contingent Assets and Liabilities

Contractual Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group's subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods 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 2018, except Libya counterclaim, lawsuit filed against the Group is totally 186.701 (31 December 2017: 138.468) and the management has decided to accrue 12.803 (31 December 2017: 17.873) 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.

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

b) Contingent Assets and Liabilities (cont'd)

Litigations (cont'd):

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 State of Libya on the basis of the Agreement on the Mutual Promotion and Protection of Investments signed between the Libyan and Turkish States. The partial award handed down in relation to the contractual arbitration case filed with the ICC on the basis of this Agreement has been notified to the Tekfen TML J.V.

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

The Tekfen TML J.V. will submit the above-mentioned additional petition, will continue the arbitration process, and will begin the process of enforcement of the above-mentioned enforceable figures. The decision of the ICC is final, and the parties have the right to file an annulment action with the Swiss Federal Court in Switzerland, the seat of legal arbitration. Since Tekfen TML J.V. claims the Libyan state is also responsible for the loss, it filed a lawsuit with the Swiss Federal Court for annulment of the decision of the ICC concerning contrary situation.

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.

Above mentioned arbitration case is the judicial remedy for the Contract between the Tekfen TML J.V. and the MMRA/Libya. An additional ongoing arbitration that is based on the Agreement on the Mutual Promotion and Protection of Investments between Turkey and Libya, is currently in progress; and the hearings will take place in May 2019.

Other

The financial, economic, and social policies of the foreign countries in which the Group has operations may affect the Group's profitability. National and international commodity market price volatility may affect the Group operations and profitability.

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

21. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2018 and 2017 is as follows:

31 December 2018	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	14.706.497	1.958.995	63.763	4.016.059
-Guarantee	*14.603.258*	*1.958.995*	*47.383*	*4.011.559*
-Pledge	-	-	-	-
-Mortgage	*103.239*	-	*16.380*	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	51.517	-	-	51.517
-Guarantee	*51.517*	-	-	*51.517*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2018	14.758.014	1.958.995	63.763	4.067.576

31 December 2017	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	10.299.998	1.856.593	35.538	3.136.644
-Guarantee	*10.295.498*	*1.856.593*	*35.538*	*3.132.144*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	113.681	-	-	113.681
-Guarantee	*113.681*	-	-	*113.681*
-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 2017	10.413.679	1.856.593	35.538	3.250.324

Since there are not any GPMs mentioned in D item, the ratio to the total equity is not presented.

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

22. EMPLOYEE BENEFITS

Employee benefit payables	31 December 2018	31 December 2017
Salary accruals	66.138	43.614
Social security witholding payables	23.150	28.718
	89.288	72.332

Short-term provisions attributable to employee benefits	31 December 2018	31 December 2017
Retirement pay provision	32.897	18.811
Unused vacation pay liability provision	40.841	25.268
Premium provision	37.332	21.534
	111.070	65.613

Long-term provisions attributable to employee benefits	31 December 2018	31 December 2017
Retirement pay provision	73.741	57.924
	73.741	57.924

	31 December 2018	31 December 2017
Short-term retirement pay provision	32.897	18.811
Long-term retirement pay provision	73.741	57.924
	106.638	76.735

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

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

Retirement pay provision for Turkish personnel employed in Turkey:

Group is obliged to pay severance pay to each employee who is retiring (58 years for women and 60 years for men) after over 25 years working life by completing at least one year of service, whose business relationship is terminated, who is called for military service or who is died, according to the Turkish Labor Law.

Group has calculated current year's amount by using the upper limit 6.017,60 TRY which is effective on or after 1 January 2019 (31 December 2017: 5.001,76 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 2018.

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.)

22. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the consolidated financial statements as of 31 December 2018, 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 2018, the provisions have been calculated by taking the real discount rate as approximately 5,71% (31 December 2017: 4,11%). 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 2018	76.735	21.534	25.268	123.537
Effect of business combinations	1.788	-	848	2.636
Currency translation effect	11.070	4.467	5.964	21.501
Charge for the period	52.558	38.313	22.997	113.868
Interest expense	2.055	-	-	2.055
Provision paid	(35.507)	(26.982)	(12.990)	(75.479)
Provision released	(1.090)	-	(1.246)	(2.336)
Actuarial gain	(971)	-	-	(971)
Closing balance as at 31 December 2018	106.638	37.332	40.841	184.811
Opening balance as at 1 January 2017	80.537	13.969	18.453	112.959
Currency translation effect	3.546	603	910	5.059
Charge for the period	43.890	26.323	25.010	95.223
Interest expense	2.062	-	-	2.062
Provision paid	(57.654)	(19.361)	(18.531)	(95.546)
Provision released	-	-	(574)	(574)
Actuarial loss	4.354	-	-	4.354
Closing balance as at 31 December 2017	76.735	21.534	25.268	123.537

48.078 (2017: 41.218) of current year charge and released provision for retirement pay has been included in cost of revenue, 4.656 (2017: 3.301) has been included in general administrative expenses, 175 (2017: 912) has been included in research and development expenses and 614 (2017: 521) has been included in marketing expenses.

1.844 (2017: 2.536), 34.899 (2017: 22.503), 151 (2017: None) and 1.419 (2017: 1.284) 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.

16.825 (2017: 22.485) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 4.833 (2017: 1.844) has been included in general administrative expenses and 93 (2017: 107) has been included in marketing expenses.

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

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

Other current assets	31 December 2018	31 December 2017
VAT receivables	181.754	221.539
Witholding tax of ongoing construction contracts	6.007	2.938
Other current assets	1.590	3.593
	189.351	228.070

Other non-current assets	31 December 2018	31 December 2017
Witholding tax of ongoing construction contracts	151.086	94.472
VAT receivables	7.037	-
	158.123	94.472

Other short-term liabilities	31 December 2018	31 December 2017
VAT calculated	9.293	8
Other	605	453
	9.898	461

24. SHAREHOLDERS' EQUITY

a) Share Capital

After the changes in the shareholders' structure during the period, the structure of the paid in capital as of 31 December 2018 and 2017 is as follows:

Shareholders	(%)	31 December 2018	(%)	31 December 2017
Berker family	22,55%	83.422	22,28%	82.422
Gökyiğit family	22,02%	81.480	22,78%	84.272
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,54%	5.683	1,48%	5.480
Publicly traded	47,24%	174.804	46,81%	173.215
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 2017: 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.)

24. SHAREHOLDERS' EQUITY (cont'd)

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

	31 December 2018	31 December 2017
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Profit (loss) on revaluation of defined retirement benefit plans	(1.346)	(2.349)
	(1.346)	(2.349)
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	352.708	154.480
- Gain on revaluation and reclassification (Note: 7)	92.931	67.240
- Gain (loss) on hedging (Note: 35)	29.353	(2.408)
	474.992	219.312

Gain (loss) on revaluation and remeasurement:

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

Currency Translation Reserve:

Group's consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group's consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 352.708 (31 December 2017: 154.480).

Gain / (loss) on revaluation and reclassification:

Gain (loss) on revaluation and reclassification consists of changes in fair value of fair value through other comprehensive income financial investments. In the event of the disposition of a revalued financial investment at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss.

Gains (loss) on hedging:

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

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

24. SHAREHOLDERS' EQUITY (cont'd)

c) Restricted Profit Reserves

	31 December 2018	31 December 2017
Restricted profit reserves	231.271	197.180

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Profit Distribution:

Listed companies distribute profit in accordance with the Communiqué No. II-19.1 issued by CMB which is effective from 1 February 2014.

Companies distribute profit in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute profit in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

In accordance with TCC, unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

As of 21 February 2019, Board of Directors offered to pay shareholders 1,14 TRY (2017: 0,63 TRY) gross dividends per share. That dividend payment is subject to approval of the shareholders in General Shareholders' Meeting and so that the amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount to be paid to shareholders and the holders of the redeemed shares is 421.526 (2017: 232.530) and 29.446 (2017: 16.163), respectively.

Resources That Can Be Subject To Profit Distribution:

Total amount of other resources that may be subject to profit distribution in the statutory records of Tekfen Holding A.Ş. is 2.112.694 (31 December 2017: 1.583.938). 1.769.455 portion of this amount belongs to shares issued and 343.239 portion of this amount belongs to bonus shares issued (31 December 2017: shares issued 1.240.699, 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.

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

25. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2018	1 January - 31 December 2017
Contract revenue	9.005.740	4.861.540
- Contract revenue – abroad	*6.416.060*	*2.765.067*
- Contract revenue – domestic	*2.333.294*	*1.927.434*
- Joint operations – abroad	*179.660*	*78.433*
- Joint operations – domestic	*76.726*	*90.606*
Good and merchandise sales	2.964.791	2.240.199
- Domestic goods and merchandise sales	*2.458.702*	*2.040.296*
- Export goods and merchandise sales	*515.733*	*208.317*
- Sales returns and discounts from goods and merchandise sales (-)	*(9.644)*	*(8.414)*
Other sales	176.640	385.394
- Real estate development revenues	*103.812*	*324.428*
- Other revenues	*73.873*	*62.891*
- Other sales returns and discounts (-)	*(1.045)*	*(1.925)*
	12.147.171	7.487.133

Cost of revenue (-)	1 January - 31 December 2018	1 January - 31 December 2017
Subcontractor expenses	(4.136.337)	(2.064.602)
Cost of raw materials used	(3.324.838)	(2.183.633)
Personnel expenses	(1.215.878)	(887.329)
Construction site expenses	(351.749)	(282.416)
Machinery, vehicle and other rent expenses	(236.813)	(257.388)
Consultancy expenses	(214.521)	(110.141)
Depreciation expenses (Note: 14, 15, 16)	(180.704)	(130.077)
Energy and fuel expenses	(106.030)	(73.882)
Maintenance expenses	(85.044)	(47.083)
Engineering expenses	(79.195)	(78.791)
Custom expenses	(46.529)	(15.678)
Insurance expenses	(44.183)	(34.459)
Transportation expenses	(40.275)	(36.735)
Project loss provisions	(33.182)	(63.854)
Outsourcing expenses	(29.407)	(35.798)
Consumable and other material expenses	(1.934)	(1.907)
Cost of merchandises sold	(959)	(2.387)
Provision for doubtful receivables (Note: 9)	-	(1.006)
Other	(216.251)	(151.532)
	(10.343.829)	(6.458.698)

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

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

	1 January - 31 December 2018	1 January - 31 December 2017
General administrative expenses (-)	(309.211)	(214.665)
Marketing expenses (-)	(211.576)	(155.290)
Research and development expenses (-)	(2.948)	(1.930)
	(523.735)	(371.885)

Details of general administrative expenses	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	(206.964)	(138.447)
Office and administration expenses	(26.659)	(17.960)
Consultancy expenses	(15.275)	(16.051)
Communication expenses	(7.763)	(4.093)
Depreciation and amortization expenses (Note: 15, 16)	(7.596)	(6.012)
Rent expenses	(7.052)	(4.485)
Traveling expenses	(3.903)	(2.587)
Tender preparation expenses	(2.733)	(653)
Duties, charges and other tax expenses	(2.529)	(2.435)
Bank and notary expenses	(2.041)	(1.459)
Hospitality expenses	(1.435)	(1.301)
Provision for doubtful receivables (Note: 9)	(1.148)	(953)
Energy and fuel expenses	(1.032)	(692)
Maintenance expenses	(768)	(1.337)
Reversal of doubtful receivable provision (Note: 9)	4.470	808
Other expenses	(26.783)	(17.008)
	(309.211)	(214.665)

Details of marketing expenses		
Transportation expenses	(118.403)	(121.005)
Personnel expenses	(30.244)	(12.021)
Services obtained from third parties	(11.033)	(2.266)
Advertisement expenses	(8.075)	(7.080)
Rent expenses	(3.915)	(1.033)
Energy and fuel expenses	(2.477)	(996)
Traveling expenses	(2.235)	(903)
Depreciation and amortization expenses (Note: 15)	(1.543)	(895)
Duties, charges and other tax expenses	(1.071)	(1.148)
Maintenance expenses	(937)	(605)
Consultancy expenses	(810)	(462)
Hospitality expenses	(555)	(468)
Office and administration expenses	(527)	(414)
Communication expenses	(374)	(302)
Other expenses	(29.377)	(5.692)
	(211.576)	(155.290)

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

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

Details of research and development expenses	1 January - 31 December 2018	1 January - 31 December 2017
Payroll expenses and fringe benefits	(2.749)	(1.849)
Depreciation and amortization expenses (Note: 15)	(64)	(11)
Other expenses	(135)	(70)
	(2.948)	(1.930)

27. QUALITATIVE EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	(239.957)	(152.317)
Transportation expenses	(118.403)	(121.005)
Office and administration expenses	(27.186)	(18.374)
Consultancy expenses	(16.085)	(16.513)
Services obtained from third parties	(11.033)	(2.266)
Rent expenses	(10.967)	(5.518)
Depreciation and amortization expenses (Note: 15, 16)	(9.203)	(6.918)
Communication expenses	(8.137)	(4.395)
Advertisement expenses	(8.075)	(7.080)
Traveling expenses	(6.138)	(3.490)
Duties, charges and other tax expenses	(3.600)	(3.583)
Energy and fuel expenses	(3.509)	(1.688)
Tender preparation expenses	(2.733)	(653)
Bank and notary expenses	(2.041)	(1.459)
Hospitality expenses	(1.990)	(1.769)
Maintenance expenses	(1.705)	(1.942)
Provision for doubtful receivables (Note: 9)	(1.148)	(953)
Reversal of doubtful receivable provision (Note: 9)	4.470	808
Other expenses	(56.295)	(22.770)
	(523.735)	(371.885)

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

28. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	557.513	266.379
Hedging income (Note: 35)	148.764	1.519
Due date difference income	43.144	30.501
Discount income	14.578	1.636
Rent income	5.476	4.306
Government grants and incentives income (Note: 19)	3.985	3.028
Reversal of litigation provision (Note: 20)	3.738	3.766
Refundment income of social benefit	3.308	2.699
Indemnity income	1.432	17.853
Scrap sale income	1.201	1.262
Other income	12.182	6.762
	795.321	339.711
Other operating expenses (-)		
Foreign exchange losses	(867.710)	(329.587)
Written off VAT receivables	(46.795)	-
Due date difference expenses	(27.018)	(14.714)
Hedging expenses (Note: 35)	(11.190)	(23.311)
Discount expenses	(10.156)	(15.033)
Litigation provision (Note: 20)	(3.447)	(12.232)
Penalty and damages expenses	(2.357)	(351)
Grants and contributions	(2.019)	(3.792)
Other provision expenses	(1.446)	(524)
Rent expenses	(342)	(290)
Damages subject to litigation	(102)	(97)
Additional tax expenses	(41)	(69)
Other expenses	(21.918)	(29.064)
	(994.541)	(429.064)

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

29. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2018	1 January - 31 December 2017
Bargain purchase gain (Note: 3)	15.631	-
Dividend income	8.164	8.612
Gain on remeasurement of associates (Note: 7)	3.140	-
Gain on sale of fixed asset	472	8.778
Gain on sale of assets classified as held for sale	85	-
Other	-	6
	27.492	17.396

Investment expense (-)	1 January - 31 December 2018	1 January - 31 December 2017
Impairment of fixed assets (Note: 31)	(3.557)	-
Loss on sale of fixed assets	(2.644)	(5)
Other	-	(16)
	(6.201)	(21)

30. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	1.127.629	462.702
Interest income	186.628	110.156
Currency translation reserve gains	15.916	3.244
	1.330.173	576.102

Financial expenses (-)	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange losses	(730.485)	(404.134)
Interest expenses	(57.404)	(61.691)
Other finance expenses	(50.382)	(21.532)
Currency translation reserve losses	-	(2.651)
Less: Financial expenses included in costs of inventories	16.122	20.588
	(822.149)	(469.420)

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

31. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale consist of Group's assets which are being actively marketed at a price that is reasonable.

	31 December 2018	31 December 2017
Assets classified as held for sale	34.139	28.397
	34.139	28.397

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

	2018	2017
Net book value as at 1 January	28.397	24.181
Currency translation effect	9.641	4.216
Allowance for impairment (Note: 29)	(3.557)	-
Disposals	(342)	-
Net book value as at 31 December	34.139	28.397

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

Assets related to current tax	31 December 2018	31 December 2017
Prepaid corporate tax	197.854	65.598
	197.854	65.598

Current tax liability	31 December 2018	31 December 2017
Corporate tax provision	236.761	62.100
Less: Prepaid taxes and funds	(197.854)	(65.598)
	38.907	(3.498)

Tax expense in the statement of profit or loss:

Tax expense comprises as follows:	1 January - 31 December 2018	1 January - 31 December 2017
Current tax provision	253.586	125.009
Deferred tax income	(13.736)	6.517
	239.850	131.526

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

Tax legislation in Turkey:

Corporate Tax:

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

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

The effective rate of tax in 2018 is 22% (2017: 20%). In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2018 is 22% (2017: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its losses carried forward occurred in 2018 until 2023.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1-25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

As of 31 December 2018, 50% of sale proceeds from subsidiary and fixed asset acquisitions are exempt from corporate tax with the condition that these assets are held more than two years and the proceeds are included in equity for five years. There are not any restrictions for these proceeds to be added to capital.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies.

The rate of income withholding tax is 10% between 24 April 2003 and 22 July 2006. This rate was changed to 15% commencing from 22 July 2006 with the Cabinet Decision 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Taxation of Foreign Subsidiaries and Operations:

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

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

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

Countries	Corporate Tax Rate %	Witholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%	15% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	15% - 18%	0% - 15%
Ireland	12,5% - 25%	0% - 20%
United Kingdom	19%	0% - 20%
Morocco	31%	10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 7%
Turkmenistan	0% - 20%	15%
Iraq	20%	15%

<u>Exemption of Foreign Branch Earnings:</u>

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

General Directorate of Exports of Ministry of Economy of Turkey has given tax, duties and charge incentive for the below mentioned contract undertaken by Tekfen İnşaat and its joint operations.

- Ankara – İzmir High Speed Train Project's Afyonkarahisar-Uşak (Banaz) Section and Afyonkarahisar Transpassing's Infrastructure. Incentive will be applied until 8 May 2019.

<u>Investment Incentive Tax Exemption:</u>

Upon the Decree of the Council of Ministers numbered 2016/9139, it's been decided to apply reduced income and corporate tax to the investors' other income during the investment period, as long as not to exceed investment expenditure amount and 80% investment contribution ratio. In addition, upon the law numbered 6745, provided that the investment is complete, remaining portion of the contribution is taken into consideration by being increased with the revaluation ratio in accordance with Tax Procedures Law in the following years.

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.

- 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.

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

Investment Incentive Tax Exemption (cont'd):

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.

Toros Tarım has obtained 2nd Area Investment Incentive Certificate as of 1 June 2015 from Ministry of Economy for its crane investment. 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.

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 76.944 on the basis of two years over Toros Tarım's profit projections. (2017: 50.029).

Deferred Tax:

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

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2017: 20%).

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

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

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

Deferred Tax (cont'd):

Components of deferred tax (assets) liabilities bases:	31 December 2018	31 December 2017
Restatement and depreciation / amortization differences of tangible and intangible assets	290.736	154.085
Provision for retirement benefits and vacation liability	(71.873)	(62.045)
Investment incentive undertaken	(349.745)	(250.147)
Contract costs and progress billings (net)	460.968	255.068
Undistributed profits of joint operations	(84.002)	(62.235)
Provision for doubtful receivables	(14.581)	(10.140)
Effect of income accruals	-	877
Tax losses carried forward	(111.787)	(37.876)
Provision for litigation	(11.436)	(13.197)
Fair value differences of financial assets	97.823	70.706
Provision for premium payments	(35.975)	(21.437)
Derivative instruments	37.639	(3.087)
Other	(63.385)	(34.098)
Deferred tax liabilities / (assets)	144.382	(13.526)

Components of deferred tax (assets) liabilities:	31 December 2018	31 December 2017
Restatement and depreciation / amortization differences of tangible and intangible assets	54.363	26.795
Provision for retirement benefits and vacation liability	(15.265)	(13.153)
Investment incentive undertaken	(76.944)	(50.029)
Contract costs and progress billings (net)	108.770	55.540
Undistributed profits of joint operations	(18.425)	(13.042)
Provision for doubtful receivables	(2.642)	(2.228)
Effect of income accruals	-	193
Tax losses carried forward	(28.479)	(8.330)
Provision for litigation	(2.516)	(2.904)
Fair value differences of financial assets	4.891	3.535
Provision for premium payments	(7.915)	(4.716)
Derivative instruments	8.281	(679)
Other	(13.813)	(7.109)
Deferred tax liabilities / (assets)	10.306	(16.127)
Deferred tax assets	(127.232)	(77.176)
Deferred tax liabilities	137.538	61.049
	10.306	(16.127)

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

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

Deferred Tax (cont'd):

Movement of deferred tax assets and liabilities for the year ended 31 December 2018 is as follows:

Movement of deferred tax liabilities (assets)	2018	2017
Opening balance as at 1 January	(16.127)	(23.639)
Effect of changes in accounting policies (Note 2)	(1.354)	-
Deferred tax (income) expense	(13.736)	7.059
Effect of changes in fair value of financial assets	1.357	(240)
Effect of actuarial gain (loss) in comprehensive income	175	(870)
Effect of business combinations	12.554	-
Hedge effect	8.960	(1.085)
Effect of tax rate change	-	(542)
Currency translation effect	18.477	3.190
Closing balance as at 31 December	10.306	(16.127)

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

Reconciliation of taxation:	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	1.641.377	902.254
Expected taxation (*)	462.561	193.691
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	5.580	4.771
- Dividend and other non-taxable income	(148.480)	(40.698)
- Carryforward tax losses deducted in current year	(445)	(17.631)
- Effects of unrealizable tax (losses) income (net)	(16.366)	51.315
- Investment incentive undertaken	(60.911)	(42.085)
- Effects of joint ventures	(201)	(12.097)
- Effect of change in tax rates and consolidation adjustments	780	(6.925)
- Other	(2.668)	1.185
Income tax expense recognized in statement of profit or loss	239.850	131.526

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

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

33. EARNINGS PER SHARE

Calculation of earnings per share for the current year is made in accordance with TAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2018 and 2017, 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 2018	1 January - 31 December 2017
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the Parent (Thousands TRY)	1.403.061	771.299
Earnings per share from operations (TRY)	3,792	2,085

34. RELATED PARTY TRANSACTIONS

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

Due from and due to balances are unsecured and will be settled in cash. No bad debt provision is made for balances due from related parties in the current year.

Transactions with related parties are distinct and measurable.

	31 December 2018		31 December 2017	
	Due from	Due to	Due from	Due to
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Trade				
Azfen [1]	43.205	-	5.819	-
Florya Gayrimenkul [1]	139	-	71	-
Agromak	11	3	71	3
H-T Fidecilik [1]	61	24	65	4
Tekzen	1.158	400	950	552
Turquiose Construction [2]	-	27.218	-	4.241
Pelit Yapı Çelik	-	-	-	966
Other	45	841	109	163
Shareholders and key management	177	68	162	61
Joint operations	13.040	964	7.221	138
	57.836	29.518	14.468	6.128
Other				
Denkmal Dahlem [1]	50.997	-	-	-
Yavuz Taner [4]	7.800	539	-	-
	58.797	539	-	-
	116.633	30.057	14.468	6.128

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

[2] Includes balances of subcontracting services received by the Group in various projects.

[3] Includes the balances from the Group's joint arrangement participants in various contracting works.

[4] Includes the balances arising from non-controlling interests within the scope of business combinations disclosed in Note 3.

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

34. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2018							
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	-	1	-	-	-	-	-	-
Azfen	-	10.766	-	130.949	2.952	-	-	-
Agromak	-	246	-	-	-	-	-	-
H-T Fidecilik	-	65	-	-	-	-	12	-
Florya Gayrimenkul	-	143	4	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	1.052	-	-	-	-
Tekzen	4.500	1.071	-	-	-	-	-	-
Üçgen Bakım	51	176	-	179	-	-	-	98
Akmerkez Gayrimenkul	-	4	-	6.753	-	943	-	-
Pelit Yapı	836	-	-	-	-	-	-	-
Tekfen Vakfı	-	4	-	-	2	-	-	-
Turquiose Construction	52.438	-	-	-	-	-	-	-
Other	288	143	-	180	-	-	-	-
Shareholders and key management	-	149	-	-	2	-	-	-
Joint operations	-	2.919	-	-	-	-	-	-
	58.113	15.687	4	139.113	2.956	943	12	98

	1 January - 31 December 2017							
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	-	8.567	-	-	-	-	564	564
Azfen	-	4.042	-	172.024	6.883	-	-	-
Agromak	-	300	889	-	-	-	-	516
H-T Fidecilik	-	23	-	-	-	-	44	-
Florya Gayrimenkul	-	1.205	1.624	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	331	-	-	-	1
Tekzen	10.371	964	-	-	-	-	-	-
Üçgen Bakım	241	159	-	134	-	-	-	90
Akmerkez Gayrimenkul	-	24	-	7.638	-	830	-	-
Pelit Yapı	10.281	-	-	-	-	-	-	-
Tekfen Vakfı	-	27	-	-	2	-	-	-
Turquiose Construction	2.109	-	-	-	-	-	-	-
Other	184	118	-	509	-	-	-	-
Shareholders and key management	-	422	-	-	2	-	-	-
Joint operations	-	1.860	2.407	-	-	-	-	-
	23.186	17.711	4.920	180.636	6.887	830	608	1.171

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

34. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

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

	31 December 2018	31 December 2017
Salaries and other short-term benefits	17.775	14.479
	17.775	14.479

35. DERIVATIVE INSTRUMENTS

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	37.639	-	6.460	9.547
Current	37.639	-	6.460	9.547
Non-current	-	-	-	-
	37.639	-	6.460	9.547

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 2018	31 December 2017
Forward foreign exchange contracts	446.476	399.347
	446.476	399.347

As of 31 December 2018, the fair value of the Toros Tarım's currency derivatives is estimated to be 37.639 assets which is positive 37.639 (31 December 2017: assets 6.460, liabilities 9.547, negative 3.087). 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 2017: 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 29.353 has been deferred in equity (31 December 2017: negative 2.408). During the period, there is not any ineffective cash flow hedges (31 December 2017: Ineffective 87 loss). Gains amounting to 148.764 and losses amounting to 11.190 concerning matured derivative contracts during the period have been recognized in profit or loss (31 December 2017: 1.519 gain, 23.224 loss).

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital Risk Management

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

The capital structure of the Group consists of financial debts as explained in Note 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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Total Financial Debts	(1.118.181)	(1.179.693)
Less: Cash and cash equivalents	4.581.600	2.985.833
Less: Time deposits with maturity of longer than three months	132.101	330.126
Net Cash Position	3.595.520	2.136.266

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.)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2018	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	57.836	1.581.013	58.797	27.891	4.649.723
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	59.408	-	-	-
A. Net book value of not due or not impaired financial assets	50.720	1.066.744	58.797	27.891	4.649.723
B. Net book value of assets that are due but not impaired	7.116	514.269	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	38.978	-	571	-
- Impairment (-)	-	(38.978)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	590	-	-	826
- Impairment (-)	-	(590)	-	-	(826)
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2017					
Minimum credit risk exposure at balance sheet date (*)	14.468	1.952.131	-	27.753	3.239.212
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	75.885	-	-	-
A. Net book value of not due or not impaired financial assets	9.119	1.386.776	-	27.753	3.239.212
B. Net book value of assets that are due but not impaired	5.349	565.355	-	-	-
- Secured portion via guarantee or etc.	-	57	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	32.958	-	571	-
- Impairment (-)	-	(32.958)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	40	-	-	-
- Impairment (-)	-	(40)	-	-	-
- 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.)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

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

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

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

31 December 2018	Trade Receivables	Other Receivables	Total
Not due receivables	1.118.054	86.688	1.204.742
Overdue by 1-30 days	30.322	-	30.322
Overdue by 1-3 months	4.151	-	4.151
Overdue by 3-12 months	28.120	-	28.120
Overdue 1-5 years	476.199	-	476.199
Overdue by more than 5 years	21.571	571	22.142
Total receivables	1.678.417	87.259	1.765.676
Total overdue receivables	560.363	571	560.934
Secured portion via guarantee or etc.	-	-	-
Total provision provided for overdue receivables	(38.978)	(571)	(39.549)
Total provision provided for undue receivables	(590)	-	(590)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2017	Trade Receivables	Other Receivables	Total
Not due receivables	1.395.935	27.753	1.423.688
Overdue by 1-30 days	127.003	-	127.003
Overdue by 1-3 months	1.027	-	1.027
Overdue by 3-12 months	3.591	-	3.591
Overdue 1-5 years	460.975	-	460.975
Overdue by more than 5 years	11.066	571	11.637
Total receivables	1.999.597	28.324	2.027.921
Total overdue receivables	603.662	571	604.233
Secured portion via guarantee or etc.	57	-	57
Total provision provided for overdue receivables	(32.958)	(571)	(33.529)
Total provision provided for undue receivables	(40)	-	(40)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

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

As at balance sheet date, there are no collaterals held for the past due trade receivables which are not impaired (2017: 57). There are no collaterals held for the past due trade receivables which are impaired (2017: 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 2018

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.114.349	1.119.269	496.389	399.666	223.214	-
Finance lease obligations	3.832	4.026	1.067	1.935	1.024	-
Trade payables (due to related parties included)	3.191.246	3.200.213	2.089.868	782.868	327.477	-
Employee benefit payables	89.288	89.288	89.288	-	-	-
Other payables (due to related parties included)	168.238	168.238	74.928	6.744	86.190	376
Total liabilities	4.566.953	4.581.034	2.751.540	1.191.213	637.905	376

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	37.639	466.921	308.706	158.215	-	-
Cash outflows	-	446.476	284.540	161.936	-	-

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

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

31 December 2017

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.177.668	1.274.280	420.812	356.706	496.762	-
Finance lease obligations	2.025	2.193	1.365	605	223	-
Trade payables (due to related parties included)	2.155.971	2.164.039	1.316.029	730.668	117.342	-
Employee benefit payables	72.332	72.332	72.332	-	-	-
Other payables (due to related parties included)	148.586	148.586	76.956	1.484	69.867	279
Total liabilities	3.556.582	3.661.430	1.887.494	1.089.463	684.194	279

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	(3.087)	382.452	164.105	218.347	-	-
Cash outflows	-	399.347	176.133	223.214	-	-

b.3) Market risk management

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

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

b.3.1) Foreign currency risk management

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

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

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

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

31 December 2018	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	311.151	17.525	17.795	281	109.816
2. Monetary Financial Assets	1.841.640	240.541	91.838	8	22.525
3. Other	13.273	1.144	741	13	2.701
4. CURRENT ASSETS	2.166.064	259.210	110.374	302	135.042
5. Trade Receivables	647	-	-	-	647
6. Monetary Financial Assets	594	-	-	-	594
7. Other	113	10	10	-	-
8. NON-CURRENT ASSETS	1.354	10	10	-	1.241
9. TOTAL ASSETS	2.167.418	259.220	110.384	302	136.283
10. Trade Payables	1.570.204	199.239	20.100	17	400.752
11. Financial Liabilities	167.735	1.509	26.509	-	-
12. Monetary Other Liabilities	160.182	101	3.079	-	141.090
12b. Non-Monetary Other Liabilities	11.669	1.453	558	78	142
13. CURRENT LIABILITIES	1.909.790	202.302	50.246	95	541.984
14. Trade Payables	17.135	-	714	-	12.831
15. Financial Liabilities	143.810	-	23.857	-	-
16. Monetary Other Liabilities	26.815	1.058	4	-	21.225
17. NON-CURRENT LIABILITIES	187.760	1.058	24.575	-	34.056
18. TOTAL LIABILITIES	2.097.550	203.360	74.821	95	576.040
19. Off-balance sheet derivative instruments net position (19a-19b)	466.921	88.753	-	-	-
19a. Derivative assets	466.921	88.753	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	536.789	144.613	35.563	207	(439.757)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	68.151	56.159	35.370	272	(442.316)
22. Fair value of derivative instruments held for hedging	37.639	7.155	-	-	-

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

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

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

31 December 2017	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	126.011	6.761	1.959	-	91.663
2. Monetary Financial Assets	1.509.366	305.339	72.420	17	30.559
3. Other	33.469	1.278	1.555	27	21.490
4. CURRENT ASSETS	1.668.846	313.378	75.934	44	143.712
5. Trade Receivables	198	-	-	-	198
6. Monetary Financial Assets	532	-	-	-	532
7. Other	9.556	10	2.108	-	-
8. NON-CURRENT ASSETS	10.286	10	2.108	-	730
9. TOTAL ASSETS	1.679.132	313.388	78.042	44	144.442
10. Trade Payables	1.303.355	214.597	25.658	69	377.707
11. Financial Liabilities	109.062	98	24.071	-	-
12. Monetary Other Liabilities	143.355	93	2.626	-	131.147
12b. Non-Monetary Other Liabilities	4.400	1.157	8	-	-
13. CURRENT LIABILITIES	1.560.172	215.945	52.363	69	508.854
14. Trade Payables	3.695	-	39	-	3.519
15. Financial Liabilities	214.107	-	47.416	-	-
16. Monetary Other Liabilities	25.710	995	4	-	21.939
17. NON-CURRENT LIABILITIES	243.512	995	47.459	-	25.458
18. TOTAL LIABILITIES	1.803.684	216.940	99.822	69	534.312
19. Off-balance sheet derivative instruments net position (19a-19b)	382.452	101.395	-	-	-
19a. Derivative assets	382.452	101.395	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	257.900	197.843	(21.780)	(25)	(389.870)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(163.177)	96.317	(25.435)	(52)	(411.360)
22. Fair value of derivative instruments held for hedging	(3.087)	(818)	-	-	-

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity

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

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

	31 December 2018	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	38.040	(38.040)
	If Euro changes 5% against TL	
Euro net assets / liabilities	10.719	(10.719)
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(21.920)	21.920
TOTAL	26.839	(26.839)

	31 December 2017	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	37.312	(37.312)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(4.917)	4.917
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(19.500)	19.500
TOTAL	12.895	(12.895)

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**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Buy USD (Thousand USD / Thousand TRY)								
Less than 3 months	4,85	4,05	58.679	43.507	284.540	176.133	21.804	(9.084)
3 to 12 months	5,38	3,86	30.074	57.888	161.936	223.214	15.835	5.997
							37.639	(3.087)

As of 31 December 2018, 29.353 of unrealized gain arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2017: Unrealized loss 2.408).

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

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

Interest rate sensitivity

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

	31 December 2018	31 December 2017
Financial liabilities - Fixed Interest Rate Instruments	831.107	856.894
Financial liabilities - Floating Interest Rate Instruments	287.074	322.799

At 31 December 2018 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 1.435 (31 December 2017: 1.614).

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 6.369 (31 December 2017: 8.079 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 financial investments.

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

37. FINANCIAL INSTRUMENTS

Classes and fair values of financial instruments

31 December 2018	Financial assets at amortized cost	Financial investments measured at fair value	Financial liabilities at amortized cost	Fair Value	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	4.581.600	-	-	-	4.581.600	6
Trade receivables (due from related parties included)	1.638.849	-	-	-	1.638.849	9, 36
Financial investments	132.101	268.519	-	-	400.620	7
Other current and non-current assets (due from related parties included)	86.688	-	-	-	86.688	10, 36
Derivative instruments	-	-	-	37.639	37.639	35, 36
Financial liabilities						
Financial debts	-	-	1.118.181	-	1.118.181	8, 36
Trade payables (due to related parties included)	-	-	3.191.246	-	3.191.246	9, 36
Employee benefit payables	-	-	89.288	-	89.288	22, 36
Other short and long-term liabilities	-	-	168.238	-	168.238	10, 36
Derivative instruments	-	-	-	-	-	35, 36
31 December 2017						
Financial assets						
Cash and cash equivalents	2.985.833	-	-	-	2.985.833	6
Trade receivables (due from related parties included)	1.966.599	-	-	-	1.966.599	9, 36
Financial investments	330.126	181.971	-	-	512.097	7
Other current and non-current assets (due from related parties included)	27.753	-	-	-	27.753	10, 36
Derivative instruments	-	-	-	6.460	6.460	35, 36
Financial liabilities						
Financial debts	-	-	1.179.693	-	1.179.693	8, 36
Trade payables (due to related parties included)	-	-	2.155.971	-	2.155.971	9, 36
Employee benefit payables	-	-	72.332	-	72.332	22, 36
Other short and long-term liabilities	-	-	148.586	-	148.586	10, 36
Derivative instruments	-	-	-	9.547	9.547	35, 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.)

37. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

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

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

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

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

The fair values of financial assets are as follows:

		Fair value level as of reporting date		
Financial instruments	31 December 2018	Level 1	Level 2	Level 3
Fair value through other comprehensive income financial investments	197.762	67.034	130.728	-
Fair value through profit or loss financial investments	70.757	-	70.757	-
Derivative instruments	37.639	-	37.639	-
Total	306.158	67.034	239.124	-

		Fair value level as of reporting date		
Financial instruments	31 December 2017	Level 1	Level 2	Level 3
Fair value through other comprehensive income financial investments	170.651	85.111	85.540	-
Fair value through profit or loss financial investments	11.320	-	11.320	-
Derivative instruments	(3.087)	-	(3.087)	-
Total	178.884	85.111	93.773	-

38. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

Tekfen İnşaat has signed an agreement with Saudi Arabian Oil Company for the construction works of the Haradh Gas Increment Program – Satellite Gas Compression Plants Pipelines, Saudi Arabia. The duration of the Project shall be 33 months and the value of the contract is approximately 3.103.931 (590.000.000 USD).

39. SUBSEQUENT EVENTS

None.