TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

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

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

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

Tekfen Holding Anonim Şirketi
To the General Assembly of;

A. Audit of the Consolidated Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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

3. Key Audit Matters

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

Key Audit Matters	How The Matter is Handled

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

Accounting of contract revenue, profit margin, contract assets and liabilities arising from ongoing construction works	
The accounting policies about revenue recognition of the construction contracts of the Group also the significant accounting judgements, estimates and assumptions used are presented in the Note 2.5. The accompanying consolidated financial statements include the assumptions and the future expectations of the management on the evaluation of financial performance of ongoing construction projects as of the balance sheet date and in future.	The audit procedures within the scope of our audit work of revenue from the ongoing construction contracts and the associated assets and liabilities recognized are stated below: Evaluation of key controls determined by the management in relation to the calculation and recognition of revenue from construction contracts;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

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

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

Istanbul,
20 February 2020

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

Taceddin Yazar
Partner in Charge

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

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

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

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

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

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

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

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

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

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

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

The accompanying notes form an integral part of these consolidated financial statements.

Translated into English from the report originally issued in Turkish.

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

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

(1) Liquidated during the current year.

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

(3) Established and registered on 14 August 2019.

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

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

(1) Liquidated during the current year.

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

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

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

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

(6) Established and registered on 9 August 2019.

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

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

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

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

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

Contracting Group

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

Agricultural Group

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

Other Operations

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

Approval of consolidated financial statements

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

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

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

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

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

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

Functional and Reporting Currency

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

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

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

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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

Consolidation Principles

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

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

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

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

2.1 The Basis of Presentation (cont'd)

Consolidation Principles (cont'd)

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

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

Investments in associates and joint ventures

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

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

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

Combination of subsidiaries:

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

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

(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:

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

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

(*) Liquidated during the current year.

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

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

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

2.2 Changes in Accounting Policies

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

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

2.3 Changes in Accounting Estimates and Errors

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

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

2.4 Adoption of New and Amended Standards

New and revised standards and interpretations are presented below:

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

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

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

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

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

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

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

(d) First Time Adoption of TFRS 16:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies

Revenue

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

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

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

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

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

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

The Group recognizes revenue from the following major sources:

Sale of goods:

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

Rental income:

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

Construction Contracts:

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

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Revenue (cont’d)

Construction Contracts:

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

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

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

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

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

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.

Retention Receivables from Contractors

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

Retention Payables to Subcontractors

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

Inventories

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

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

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

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

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

Leases

As a lessee

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

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

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

Right-of-use asset

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

Right-of-use asset (cont'd)

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

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

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

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

Lease liability

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

Lease liability (cont'd)

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

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

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

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

Finance leases

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

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17. Based on an analysis of the finance leases as of 31 December 2019 and on the basis of the facts and circumstances that exist at that date, there isn't any material impact of this amendmend on the Group's consolidated financial statements.

Intangible Assets

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

Impairment of Assets

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

Borrowing Costs

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial Assets

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

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

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

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

Financial assets measured at fair value through profit or loss

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

Impairment

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

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

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

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

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

Financial Liabilities

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities (cont'd)

(c) contingent consideration recognized by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognized in profit or loss.

Recognition and Derecognition of Financial Assets And Liabilities

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

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

Foreign Currency Transactions

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions (cont'd)

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

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

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

Earnings Per Share

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

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

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

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

Warranties

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Reporting of Financial Information According to Segments

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

Government Grants and Incentives

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

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

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

Investment Property

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

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

Corporate Income Tax

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

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

Controlled foreign corporation income:

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

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

Current tax

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Corporate Income Tax (cont’d)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Assets Held For Sale

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

Employee Benefits

Termination and retirement benefits:

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Redeemed Shares

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

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

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

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

Business Combinations

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations (cont'd)

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

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

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

Goodwill

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

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

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

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

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

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

Deferred taxes

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

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

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

Income tax

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

Change in contract fee

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

Percentage of completion

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

Construction costing estimates

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

Non-current retention receivables

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

Fair value of derivatives and other financial instruments

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

3. BUSINESS COMBINATIONS

(a) Gate

Tekfen İnşaat, which holds %50 of the shares of Gate, purchased %50 of the shares of Gate, which belongs to Gama Endüstri Tesisleri İmalat ve Montaj A.Ş. in accordance with the agreement made on 25 July 2018 worth 127.993 (21.547.000 USD). After the acquisition, direct share participation rate of Tekfen İnşaat in Gate has reached 100%. Goodwill arising from business combination and impairment allowance has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019 (Note 17).

(b) CFS

A share acquisition agreement was signed on 31 May 2019 between the shareholders of CFS and Toros Tarım, a subsidiary of the Group, concerning acquisition of 100% of the paid in capital of CFS. Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019. Call option to Berna Yılmaz ile Albert Özmizrahi given pursuant to share acquisition agreement. Upon the call option, Nezahat Berna Yılmaz and Albert Özmizrahi will have the right to purchase 7,5% and 2,5% of the shares of CFS which is owned by the Group within ten years from the date of the agreement at an exercise price. Exercise price to be applied to the shares that will be subject to the purchase will be determined by the adaptation of the capital payments to be made after the date of purchase in USD (Note: 17).

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

3. BUSINESS COMBINATIONS (cont'd)

(c) Gönen Enerji

A share acquisition agreement was signed on 13 May 2019 between the shareholders of Gönen Enerji and Toros Tarım, a subsidiary of the Group, concerning acquisition of 70% of the paid in capital of Gönen Enerji. Share transfer transaction was completed on 31 July 2019. Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019 (Note: 17).

(d) Denkmal Dahlem

A share acquisition agreement was signed on 21 December 2018 between the shareholders of Denkmal Dahlem and HMB, a subsidiary of the Group, concerning acquisition of 80% of the paid in capital of Denkmal Dahlem. Share transfer transaction was completed on 30 July 2019. Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019 (Note: 17).

(e) Toros Agroport

A share acquisition agreement was signed on 29 July 2019 between the shareholders of Toros Agroport and Toros Tarım and Toros Terminal, subsidiaries of the Group, concerning acquisition of 100% of the paid in capital of Toros Agroport. Share transfer transaction was completed on 5 September 2019. Information related to business combination is as follows:

Subsidiary Acquired	Nature of Business	Date of Acquisition	Ratio of Shares Acquired	Acquisition Price
Toros Agroport	Agriculture	5 September 2019	100%	4.878

Breakdown of the acquisition price is as follows:

	Toros Agroport
Paid in cash	4.878
Acquisition liability	-
Acquisition price	**4.878**

The identifiable assets and liabilities detailed below are temporarily reported under TFRS provisions. During the measurement period allowed by the standard, the assets and liabilities will be reevaluated. The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Toros Agroport
Current assets	**38.913**
Cash and cash equivalents	768
Other current assets	38.145
Non-current assets	**8.547**
Tangible and intangible assets	8.474
Other non-current assets	73
Current liabilities	**35.682**
Non-current liabilities	**-**
Net assets	**11.778**

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

3. BUSINESS COMBINATIONS (cont'd)

(e) Toros Agroport (cont'd)

As a result of the acquisition, the Group obtained control of Toros Agroport so that bargain purchase gain arisen. Temporary bargain purchase gain arising from the acquisition is as follows:

	Toros Agroport
Acquisition price	4.878
Non-controlling interest	-
Less: Fair value of net assets of the acquired company	(11.778)
Bargain purchase gain (Note: 29)	**(6.900)**

Net cash outflow concerning the acquisition is as follows:

	Toros Agroport
Paid in cash	4.878
Less: Cash and cash equivalents of the acquired company	(768)
Net cash outflow	**4.110**

4. JOINT OPERATIONS

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

Financial information related to these joint operations is as follows:

	31 December 2019	31 December 2018
Current assets	152.684	171.988
Non-current assets	43.904	51.613
Current liabilities	616.041	391.324
Non-current liabilities	484	829
Shareholders' equity	(419.937)	(168.552)

	1 January- 31 December 2019	1 January- 31 December 2018
Revenue	373.413	256.528
Cost of revenue (-)	(581.774)	(302.242)
Loss for the period	(218.770)	(63.337)

Tubin-Tekfen-Özdemir J.V. liquidated during the current year.

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

5. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2019			
	Contracting	Agriculture	Other	Total
Revenue	10.539.071	3.983.284	80.999	14.603.354
Cost of revenue (-)	(9.009.317)	(3.153.812)	(38.663)	(12.201.792)
GROSS PROFIT	**1.529.754**	**829.472**	**42.336**	**2.401.562**
General administrative expenses (-)	(267.630)	(61.563)	(130.503)	(459.696)
Marketing expenses (-)	(11.633)	(297.458)	(172)	(309.263)
Research and development expenses (-)	(968)	(4.229)	-	(5.197)
Other operating income	243.379	298.472	6.555	548.406
Other operating expenses (-)	(219.420)	(351.162)	(6.373)	(576.955)
Share on profit of investments valued by equity method	2.845	1.689	-	4.534
OPERATING PROFIT (LOSS)	**1.276.327**	**415.221**	**(88.157)**	**1.603.391**
Investment income	14.768	6.837	30.303	51.908
Investment expense (-)	(93.166)	(12)	(16.028)	(109.206)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**1.197.929**	**422.046**	**(73.882)**	**1.546.093**
Financial income	115.901	156.684	392.139	664.724
Financial expenses (-)	(51.437)	(142.848)	(239.525)	(433.810)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	**1.262.393**	**435.882**	**78.732**	**1.777.007**
Tax expense from continuing operations (-)	(278.018)	(50.381)	(33.749)	(362.148)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	**984.375**	**385.501**	**44.983**	**1.414.859**

For the year ended 31 December 2019, revenue amounting 4.951.217 was obtained from a non-related client of construction segment which constitute 34% of the Group's revenue.

The Group has 144.555 of revenue and 86.143 of operating income from terminal operations classified as agricultural operation in 2019.

(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 2018			
	Contracting	Agriculture	Other	Total
Revenue	9.108.507	2.964.560	74.104	12.147.171
Cost of revenue (-)	(8.120.189)	(2.186.604)	(37.036)	(10.343.829)
GROSS PROFIT	**988.318**	**777.956**	**37.068**	**1.803.342**
General administrative expenses (-)	(167.536)	(55.897)	(85.778)	(309.211)
Marketing expenses (-)	(15.288)	(196.194)	(94)	(211.576)
Research and development expenses (-)	(135)	(2.813)	-	(2.948)
Other operating income	179.367	603.916	12.038	795.321
Other operating expenses (-)	(230.696)	(748.509)	(15.336)	(994.541)
Share on profit (loss) of investments valued by equity method	32.859	(1.184)	-	31.675
OPERATING PROFIT (LOSS)	**786.889**	**377.275**	**(52.102)**	**1.112.062**
Investment income	140	16.100	11.252	27.492
Investment expense (-)	(6.085)	(16)	(100)	(6.201)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**780.944**	**393.359**	**(40.950)**	**1.133.353**
Financial income	127.184	512.684	690.305	1.330.173
Financial expenses (-)	(77.297)	(399.746)	(345.106)	(822.149)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	**830.831**	**506.297**	**304.249**	**1.641.377**
Tax expense from continuing operations (-)	(114.978)	(42.285)	(82.587)	(239.850)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	**715.853**	**464.012**	**221.662**	**1.401.527**

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

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

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

5. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities

	31 December 2019			
Balance sheet	Contracting	Agriculture	Other	Total
Total assets	7.004.906	3.786.449	1.871.793	12.663.148
Current and non-current liabilities	5.029.956	1.968.305	168.017	7.166.278
Equity attributable to owners of the parents	1.668.647	1.976.980	1.783.053	5.428.680
Non-controlling interests	49.819	18.358	13	68.190

	31 December 2018			
Balance sheet	Contracting	Agriculture	Other	Total
Total assets	7.189.327	3.431.421	1.414.772	12.035.520
Current and non-current liabilities	5.756.233	1.631.851	223.041	7.611.125
Equity attributable to owners of the parents	917.483	1.653.408	1.796.696	4.367.587
Non-controlling interests	42.994	13.802	12	56.808

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

	1 January - 31 December 2019			
	Contracting	Agriculture	Other	Total
Capital expenditures	107.720	166.967	17.097	291.784
Depreciation and amortization expense for the period (*)	195.626	86.021	7.461	289.108
Intra-segment revenue	144.363	69.938	9.506	223.807
Inter-segment revenue	190	1.170	24.783	26.143

	1 January - 31 December 2018			
	Contracting	Agriculture	Other	Total
Capital expenditures	186.544	71.542	3.875	261.961
Depreciation and amortization expense for the period (*)	117.549	67.397	4.960	189.906
Intra-segment revenue	334.781	65.198	7.199	407.178
Inter-segment revenue	328	1.298	21.784	23.410

(*) Depreciation expense of 1.734 is deducted from the cost of inventory (2018: 1.706 added to the cost of inventory).

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

5. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2019)	6.506.009	1.266.734	-	7.041.187	39.374	(249.950)	14.603.354
Total assets (31 December 2019)	13.772.912	3.686.668	915	4.179.455	1.334.273	(10.311.075)	12.663.148
Capital expenditures (1 January - 31 December 2019)	221.887	29.014	-	40.679	204	-	291.784

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2018)	5.697.535	1.103.624	-	5.673.624	102.976	(430.588)	12.147.171
Total assets (31 December 2018)	12.862.220	2.908.298	10.059	3.904.142	277.311	(7.926.510)	12.035.520
Capital expenditures (1 January - 31 December 2018)	123.024	51.600	-	86.429	908	-	261.961

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

6. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	2.347	1.834
Cash at banks		
Demand deposits	498.203	228.175
Time deposits with maturity of three months or less	3.456.260	4.290.273
Other cash equivalents	137.815	61.318
	4.094.625	4.581.600

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

7. FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2019	31 December 2018
Time deposits with maturity of longer than three months	12.782	132.101
	12.782	132.101
Long-term financial investments		
Fair value through other comprehensive income financial investments	230.962	197.762
Fair value through profit or loss financial investments	162.906	70.757
	393.868	268.519
Financial investments total	406.650	400.620

Short-term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 2,4% amounting to 12.782 (2.152 Thousand USD) (31 December 2018: 132.101 (25.110 Thousand USD) with annual interest rate of 5%).

(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 2019	Share %	31 December 2018
Fair value through other comprehensive income financial investments				
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	95.753	10,79	65.925
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.629	<1	1.064
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	57	<1	41
Turcas Petrolcülük A.Ş.	<1	12	<1	4
		97.451		67.034
Non-traded				
Toren Doğalgaz Depolama ve Madencilik A.Ş.	2,50	51.636	2,50	89.912
Gaz Depo ve Madencilik A.Ş.	2,50	25.509	2,50	39.132
Cording Dortmund Hiltropwall SCSp	12,58	19.240	-	-
Berlin Light JV S.a.r.l	11,44	33.229	-	-
Altaca Meram Yeşil Enerji Üretim A.Ş. (*)	9,88	2.314	-	-
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. (**)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (**)	27,45	109	27,45	109
Other		135		236
		133.511		130.728
Fair value through profit or loss financial investments		162.906		70.757
Long-term financial investments total		393.868		268.519

(*) A share acquisition agreement was signed on 18 December 2019 between the shareholders of Gönen Enerji, a subsidiary of Toros Tarım with 70% share participation rate, and Altaca Meram Yeşil Enerji Üretim A.Ş. ("Altaca Meram") concerning acquisition of 99,9% of the paid in capital of Altaca Meram. As of balance sheet date, transfer of 9,88% portion of the share has been completed. EPDK approval for the transfer of the remaining 90.02% shares was received on 20 January 2020 and the transfer was completed on 14 February 2020.

(**) As of 31 December 2019 and 2018, entities classified as financial investment are not included in the consolidation due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.

Cumulative positive difference of 87.717 in the fair value of the fair value through other comprehensive income financial investments is recognized in equity (31 December 2018: 92.931 positive difference). Impairment amount of 15.993 related to fair value through other comprehensive income financial investments is recognized in the statement of profit or loss (Note 29) (31 December 2018: None).

The positive difference of 20.133 in the fair value of the fair value through profit or loss financial investments is recognized in in the statement of profit or loss (Note 29) (31 December 2018: 3.140 positive).

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

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

8. SHORT AND LONG-TERM BORROWINGS

	31 December 2019	31 December 2018
Short-term bank loans	407.897	740.233
Short-term portion of long-term bank loans and interest payments	186.851	152.774
Short-term portion of long-term lease payables	25.740	2.847
Total short-term borrowings	620.488	895.854
Long-term bank loans	183.331	221.342
Long-term lease payables	32.127	985
Total long-term borrowings	215.458	222.327
Total borrowings	835.946	1.118.181

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

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

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

Repayment schedule of bank loans is as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	594.748	893.007
To be paid within 1-2 year	161.921	221.342
To be paid within 2-3 year	21.410	-
	778.079	1.114.349

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

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

Group's bank loans in the amounts of 14.762 Thousand USD (87.689), 40.141 Thousand EUR (266.962) and 113.316 are subject to fixed interest rates (31 December 2018: 60.068 Thousand USD (316.012), 24.871 Thousand EUR (149.922) and 361.185). Bank loans in the amounts of 23.825 Thousand USD (158.451) and 151.661 are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk (31 December 2018: 47.649 Thousand EUR (287.229).

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) and ECA (Hermes) bank loans from Unicredit Bank Austria AG in August 2013 and Deutsche Bank AG in January 2014 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criterias obliged due to the agreement as of 31 December 2019. As of 31 December 2019, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 73.974 (11.123 Thousand EUR) and 83.698 (12.585 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG and Deutsche Bank AG for the year ended 31 December 2019 is 73.974 (11.123 Thousand EUR) and 83.698 (12.585 Thousand EUR) respectively. After the balance sheet date, principle payment made to the loan from Deutsche Bank AG is 41.849 (6.293 Thousand EUR).

Details of lease payables are as follows:

	31 December 2019	31 December 2018
Short-term portion of long-term lease liabilities (Note: 2)	25.109	-
Short-term portion of long-term financial lease payables	631	2.847
Long-term lease liabilitiesi (Note: 2)	31.668	-
Long-term financial lease payables	459	985
	57.867	3.832

Details of obligations under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Obligations under finance leases				
Within one year	676	3.002	631	2.847
Within 2-5 year	469	1.024	459	985
	1.145	4.026	1.090	3.832
Less: finance expenses related to following years	(55)	(194)	-	-
Present value of obligations finance leases	1.090	3.832	1.090	3.832
Less: Payments within 12 months (in short-term payables)			631	2.847
Due beyond 12 months			459	985

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term is 36 months (2018: 36 months). For the year ended 31 December 2019 effective weighted average interest is 6,50% for USD and 4,20% for EUR (31 December 2018: 15,46% for TRY, 5,04% for USD, 4,20% for EUR).

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

(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 2019	31 December 2018
Receivables from Contracting group operations	1.323.562	837.454
Receivables from Agriculture group operations	336.422	212.235
Receivables from Other group operations	6.704	7.425
Provision for doubtful receivables	(80.609)	(39.568)
Retention receivables (Note: 12)	331.684	361.038
Due from related parties (Note: 34)	22.402	57.836
Other	13.171	7.864
	1.953.336	1.444.284
Long-term trade receivables		
Retention receivables (Note: 12)	302.749	177.941
Receivables from Contracting group operations	11.230	16.624
	313.979	194.565

Postdated cheques amounting to 154.827 (31 December 2018: 79.168), notes receivables amounting to 32.864 (31 December 2018: 44.697), positive foreign currency differences amounting to 1.004 (31 December 2018: Negative foreign currency differences amounting to 2.581) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2018: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 59 days (31 December 2018: 82 days), for domestic projects is 52 days (31 December 2018: 44 days), for Agriculture group is 44 days (31 December 2018: 47 days) and for other segment is 15 days (31 December 2018: 29 days).

As of 31 December 2019, receivables amounting 596.467 was obtained from a non-related client which constitute 26,6% of the Group's receivables (31 December 2018: 425.220, 27%).

On 5 February 2020, collection amount to 298.075 (183.154.459 QAR) was made regarding the short-term portion of the retention receivables.

As of 31 December 2019, 80.609 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (31 December 2018: 39.568).

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

	2019	2018
Provision as at 1 January	(39.568)	(32.998)
Effect of changes in accounting policies (Note 2)	-	(5.685)
Effect of business combinations	(37.841)	(410)
Charge for the year	(2.067)	(1.148)
Collected	2.017	421
Provision released	568	4.049
Write off of bad debt	20	106
Currency translation effect	(3.738)	(3.903)
Provision as at 31 December	(80.609)	(39.568)

1.778 of doubtful receivable expense has been charged to general administrative expenses where 289 has been deducted from short-term deferred revenue (2018: All of doubtful receivable expense has been charged to general administrative expenses respectively).

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

(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 2019	31 December 2018
Payables from Contracting group operations	1.502.463	1.595.527
Payables from Agriculture group operations	1.196.199	1.113.727
Payables from Other group operations	29.492	24.151
Due to related parties (Note: 34)	24.883	29.518
Retention payables (Note: 12)	553.795	100.653
Other trade payables	23.648	193
	3.330.480	2.863.769

Long-term trade payables		
Payables from Agriculture group operations	-	46.416
Retention payables (Note: 12)	71.303	280.281
Trade payables from Contracting group operations	6.145	780
	77.448	327.477

Foreign currency differences amounting to 200.129 (31 December 2018: 520.220) and notes payables amounting to 432 (31 December 2018: 784) are included in short and long-term trade payables. There are not any postdated cheques in the current year (31 December 2018: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 90% (31 December 2018: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 150 days (31 December 2018: 107 days) whereas average payable period for domestic purchases is 30 days (31 December 2018: 30 days). For Contracting group, import purchases through letter of credit constitute 0,01% (31 December 2018: 1%) of trade payables as at balance sheet date. The average payable period for these import purchases is 56 days (31 December 2018: 137 days) whereas the average payable period for other purchases is 91 days (31 December 2018: 79 days). For the other operations of the Group, the average payable period is 63 days (31 December 2018: 64 days).

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

(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 2019	31 December 2018
Related party receivables (Note: 34)	14.256	58.797
Deposits and guarantees given	23.328	16.797
Receivables related to business combinations	18.426	-
VAT receivables	4.408	2.523
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	1.855	2.020
	62.273	80.137

Other long-term receivables		
Deposits and guarantees given	8.885	6.551
	8.885	6.551

b) Other Payables:

Other short-term payables	31 December 2019	31 December 2018
Taxes and funds payable	78.942	66.837
Deposits and guarantees received	1.551	1.987
Payables related to share acquisitions	-	11.260
Related party payables (Note: 34)	108	539
Other payables	1.467	1.049
	82.068	81.672

Other long-term payables		
Fair value of reedemed shares	75.058	80.497
Deposits and guarantees received	3.424	6.069
	78.482	86.566

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

11. INVENTORIES

	31 December 2019	31 December 2018
Raw materials	138.434	217.894
Work in progress	323.835	358.159
Finished goods	44.135	37.502
Trading goods	191.753	169.888
Goods in transit	39.717	13.817
Inventory at construction sites	642.494	516.565
Other inventories	68.566	56.740
	1.448.934	1.370.565

During the year ended 31 December 2019, there are no borrowing costs added to inventory (31 December 2018: Borrowing costs added 15.990).

The Group does not have any inventories whose net realizable value is less than its current cost (31 December 2018: None). Accordingly, there is not any provision for allowance for impairment on inventory (31 December 2018: None).

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

12. CONTRACT ASSETS AND LIABILITIES ARISING FROM ONGOING CONSTRUCTION WORKS

	31 December 2019	31 December 2018
Cost incurred on uncompleted contracts	33.981.934	22.386.831
Recognised gain less losses (net)	4.468.406	2.067.774
	38.450.340	24.454.605
Less: Billings to date (-)	(38.764.315)	(25.110.449)
	(313.975)	(655.844)

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

	31 December 2019	31 December 2018
Contract assets arising from ongoing construction works	692.101	348.014
Contract liabilities arising from ongoing construction works	(1.006.076)	(1.003.858)
	(313.975)	(655.844)

	31 December 2019	31 December 2018
<u>Contract assets arising from ongoing construction works</u>		
Contracts undersigned abroad	573.933	295.951
Contracts undersigned in Turkey	118.168	52.063
	692.101	348.014
<u>Contract liabilities arising from ongoing construction works</u>		
Contracts undersigned abroad	(871.608)	(907.743)
Contracts undersigned in Turkey	(134.468)	(96.115)
	(1.006.076)	(1.003.858)
	(313.975)	(655.844)

The Group has 225.123 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2018: 389.274). Also, the Group has 561.083 of advances received for contracting projects classified in deferred revenue (31 December 2018: 1.245.147) (Note 18).

As of 31 December 2019, the Group has 625.098 of retention payables to subcontractors (31 December 2018: 380.934). Also, the amount of retention receivables is 634.433 (31 December 2018: 538.979) (Note 9).

(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 2019		31 December 2018			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50 %	12.627	50 %	10.530	50 %	Agriculture
Azfen	Azerbaijan	40 %	3	40 %	24.597	40 %	Construction
Black Sea	Turkey	30 %	802	30 %	1.077	30 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50 %	90.165	50 %	88.252	50 %	Construction
Denkmal Dahlem (*)	Germany	-	-	45 %	20.184	-	Construction
			103.597		144.640		

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

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

	2019	2018
Opening balance as at 1 January	144.640	194.510
Group's share on profit	4.534	31.675
Capital increases	1.957	630
Currency translation effect	1.915	28.451
Group's share on other comprehensive income	133	156
Effect of joint ventures classified as subsidiaries	(20.184)	-
Dividends	(29.354)	(130.949)
Effect of the joint ventures purchased	-	20.184
Profit eliminations	(44)	(17)
Closing balance as at 31 December	103.597	144.640

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

	2019	2018
H-T Fidecilik	1.964	(1.169)
Azfen	2.845	32.868
Black Sea	(275)	(15)
Florya Gayrimenkul	-	(9)
Share on profit of investments valued by equity method	4.534	31.675

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

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

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

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

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

14. INVESTMENT PROPERTY

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

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

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

Depreciation expense has been charged to cost of revenue (2018: Depreciation expense has been charged to cost of revenue)

For the year ended 31 December 2019 total rental income earned from investment properties is 45.313 (31 December 2018: 39.929). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 8.051 (31 December 2018: 7.079).

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise which has no connection with the Group and is one of the independent valuers accredited by Capital Market Board. Valuation work has been concluded based on fair value of similar properties. The fair value of the investment properties as of 31 December 2019 is 558.161 (31 December 2018: 493.530) according to the valuation carried out by independent expert. There are not any restrictions on the realizability of investment property or any remittances of income and proceeds of disposal.

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

For the year ended 31 December 2019, no additional capitalized borrowing costs are included in property, plant and equipment (31 December 2018:None).

(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 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

(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	3-50 years

Depreciation expense of 220.042 (2018: 176.783) has been charged to cost of revenue, 2.034 (2018: 1.543) to marketing expenses, 8.343 (2018: 4.927) to general administrative expenses, 1.042 (2018: 64) to research and development expenses. Depreciation expense of 1.734 is deducted from the cost of inventory (2018: 1.706 added to the cost of inventory).

16. OTHER INTANGIBLE ASSETS

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

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

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

Amortization expense of 7.357 (2018: 2.669) has been charged to general administrative expenses, 1.553 (2018: 1.271) to cost of revenue.

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

17. GOODWILL

Subsidiaries Acquired	Business Segment	Date of Acquisition	Ratio of Shares Acquired	Acquisition Price
Gate İnşaat Taahhüt San. ve Tic. A.Ş.	Contracting	25 July 2018	50%	127.993
CFS Petrokimya Sanayi A.Ş.	Other	31 May 2019	100%	4.711
Denkmal in Dahlem Otto-Hahn-Platz GmbH	Contracting	30 July 2019	80%	34.797
Gönen Yenilenebilir Enerji Üretim A.Ş.	Agriculture	31 July 2019	70%	42.946
				210.447

Breakdown of the acquisition price is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Total
Paid in cash	127.993	4.711	34.797	42.946	210.447
Acquisition liability	-	-	-	-	-
Acquisition price	**127.993**	**4.711**	**34.797**	**42.946**	**210.447**

The identifiable assets and liabilities of CFS, Denkmal Dahlem and Gönen Enerji detailed below are temporarily reported under TFRS provisions. During the measurement period allowed by the standard, the assets and liabilities will be reevaluated. The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Total
Current assets	**243.198**	**113**	**183.190**	**19.361**	**445.862**
Cash and cash equivalents	12.979	13	785	12.132	25.909
Other current assets	230.219	100	182.405	7.229	419.953
Non-current assets	**165.934**	**538**	**2.175**	**42.252**	**210.899**
Tangible and intangible assets	82.634	538	2.175	40.268	125.615
Other non-current assets	83.300	-	-	1.984	85.284
Current liabilities	**323.248**	**932**	**66.772**	**27.746**	**418.698**
Non-current liabilities	**3.873**	**-**	**93.627**	**31.956**	**129.456**
Net assets	**82.011**	**(281)**	**24.966**	**1.911**	**108.607**

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

17. GOODWILL (cont'd)

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

	Gate	**CFS**	**Denkmal Dahlem**	**Gönen Enerji**	**Total**
Acquisition price	127.993	4.711	34.797	42.946	210.447
Non-controlling interest	-	-	4.993	573	5.566
Fair value of previously-held interest in the acquired company	41.006	-	-	-	41.006
Less: Fair value of net assets of the acquired company	(82.011)	281	(24.966)	(1.911)	(108.607)
Impairment *(Including translation effect)*	(86.988)	-	-	-	(86.988)
Goodwill	**-**	**4.992**	**14.824**	**41.608**	**61.424**

As a result of the impairment test carried out, a provision for impairment has been recognized for the portion of the recoverable value of the goodwill arising from Gate exceeding the carrying amount.

Net cash outflow concerning the acquisition is as follows:

	Gate	**CFS**	**Denkmal Dahlem**	**Gönen Enerji**	**Total**
Paid in cash	127.993	4.711	34.797	42.946	210.447
Less: Cash and cash equivalents of the acquired company	(6.490)	(13)	(785)	(12.132)	(19.420)
Net cash outflow	**121.503**	**4.698**	**34.012**	**30.814**	**191.027**

Movement of Goodwill is as follows:

	2019	2018
Opening balance as at 1 January	79.896	-
Additions	61.424	79.896
Remeasurement difference	(3.225)	-
Impairment (-) (Note: 29)	(83.049)	-
Currency translation effect	6.378	-
Closing balance as at 31 December	61.424	79.896

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

18. PREPAID EXPENSES AND DEFERRED REVENUE

Short-term prepaid expenses	31 December 2019	31 December 2018
Advances paid for construction projects (Note: 12)	225.123	389.274
Prepaid expenses	100.631	98.953
Order advances given	21.504	16.846
Business advances given	1.358	1.866
	348.616	506.939

Long-term prepaid expenses		
Prepaid expenses	625	617
Advances given for fixed assets	24.936	63
	25.561	680

Short-term deferred revenue		
Advances received for construction projects (Note: 12)	561.083	1.245.147
Other advances received	121.646	20.258
Income relating to future months	7.980	7.811
	690.709	1.273.216

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

19. GOVERMENT GRANTS AND INCENTIVES

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

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

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

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

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

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

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

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

19. GOVERMENT GRANTS AND INCENTIVES (cont'd)

Project for the development of the welding process for the manufacture of titanium equipment to be used in petrochemical, nuclear power plant and textile industry in line with ASME and PED standards of Timaş in its Derince factory was approved by TÜBİTAK on 4 January 2018. Within the scope of the project's income tax withholding support and insurance employer premium support, incentives for the periods of 2017/1 and 2018/1 were collected in 2018 where incentives for the period of 2018/2 were collected in 2019 for the expenses of the personnel involved in R&D activities.

20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short-term other provisons	31 December 2019	31 December 2018
Provision for litigation	13.382	12.803
Other provisions	183.282	184.068
	196.664	196.871
Long-term other provisons		
Other provisions	52	87
	52	87

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2019	12.803	184.155	196.958
Effect of business combinations	45	9.557	9.602
Currency translation effect	536	21.256	21.792
Charge for the period	2.486	62.439	64.925
Provision paid	(736)	-	(736)
Provision released	(1.752)	(94.073)	(95.825)
Closing balance as at 31 December 2019	13.382	183.334	196.716
Opening balance as at 1 January 2018	17.873	94.653	112.526
Effect of business combinations	180	-	180
Currency translation effect	1.181	39.999	41.180
Charge for the period	3.447	93.862	97.309
Provision paid	(2.571)	-	(2.571)
Provision released	(7.307)	(44.359)	(51.666)
Closing balance as at 31 December 2018	12.803	184.155	196.958

b) Contingent Assets and Liabilities

Contractual Assets and Obligations:

Defects Liabilities

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

Penalty of Default

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

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

Litigations:

As of 31 December 2019, except Libya counterclaim, lawsuit filed against the Group is totally 203.760 (31 December 2018: 186.701) and the management has decided to accrue 13.382 (31 December 2018: 12.803) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuits filed against the Group.

Libya Arbitration Claim

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

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

The decision of the ICC is final. Since Tekfen TML J.V. claims the Libyan State is also responsible for the loss, it filed a lawsuit with the Swiss Federal Court, which is the legal arbitration place, for annulment of the decision of the ICC concerning contrary situation. The lawsuit filed at the Swiss Federal Court has been rejected on the grounds that the arbitration agreement could not be extended to the Libyan State. In accordance with the decision of the Arbitral Tribunal, the parties continue conciliation negotiations for the remainder of the proceedings.

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

The arbitration case detailed above is the judicial remedy of Tekfen TML J.V.'s contract with MMRA. At an additional ongoing arbitration case filed against Libyan State that is based on the AMPPI between Turkey and Libyan State, the Arbitration Tribunal has ruled that the case falls within its jurisdiction, and contrary to Tekfen TML J.V.'s claim, ruled that Libya did not violate its obligation to protect and act equally under AMPPI and international customary law. As part of this decision, the Arbitration Tribunal has ruled that Tekfen TML J.V. is responsible for an amount of 2.700 Thousand GBP to Libya for trial costs. Tekfen TML J.V. has started initiatives to offset this amount from the amount of compensation awarded in its favor which is announced on 5 November 2018.

(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 2019 and 2018 is as follows:

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

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

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

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

22. EMPLOYEE BENEFITS

Employee benefit payables	31 December 2019	31 December 2018
Salary accruals	59.098	66.138
Social security witholding payables	18.897	23.150
	77.995	89.288

Short-term provisions attributable to employee benefits		
Retirement pay provision	45.049	32.897
Unused vacation pay liability provision	52.218	40.841
Premium provision	63.704	37.332
	160.971	111.070

Long-term provisions attributable to employee benefits		
Retirement pay provision	72.066	73.741
	72.066	73.741

Short-term retirement pay provision	45.049	32.897
Long-term retirement pay provision	72.066	73.741
	117.115	106.638

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

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

Retirement pay provision for Turkish personnel employed in Turkey:

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

Group has calculated current year's amount by using the upper limit 6.730,15 TRY which is effective on or after 1 January 2020 (31 December 2018: 6.017,60 TRY). The amount payable to the employee is limited to employee's one month worth salary or to the upper limit of retirement pay provision for each period of service as of 31 December 2019.

There is no legal funding requirement for retirement pay liability.

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

(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 2019, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of 31 December 2019, the provisions have been calculated by taking the real discount rate as approximately 2,87% (31 December 2018: 5,71%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of foreign employees located abroad:

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

Retirement pay provision for subcontractor employee:

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

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as at 1 January 2019	106.638	37.332	40.841	184.811
Effect of business combinations	229	-	151	380
Currency translation effect	6.284	3.156	3.217	12.657
Charge for the period	47.029	99.094	26.819	172.942
Interest expense	3.753	-	-	3.753
Provision paid	(42.349)	(74.823)	(17.653)	(134.825)
Provision released	-	(1.055)	(1.157)	(2.212)
Actuarial gain	(4.469)	-	-	(4.469)
Closing balance as at 31 December 2019	117.115	63.704	52.218	233.037
Opening balance as at 1 January 2018	76.735	21.534	25.268	123.537
Effect of business combinations	1.788	-	848	2.636
Currency translation effect	11.070	4.467	5.964	21.501
Charge for the period	52.558	38.313	22.997	113.868
Interest expense	2.055	-	-	2.055
Provision paid	(35.507)	(26.982)	(12.990)	(75.479)
Provision released	(1.090)	-	(1.246)	(2.336)
Actuarial gain	(971)	-	-	(971)
Closing balance as at 31 December 2018	106.638	37.332	40.841	184.811

43.848 (2018: 48.078) of current year charge and released provision for retirement pay has been included in cost of revenue, 6.440 (2018: 4.656) has been included in general administrative expenses, 24 (2018: 175) has been included in research and development expenses and 470 (2018: 614) has been included in marketing expenses.

43.400 (2018: 1.844), 53.672 (2018: 34.899), (134) (2018: 151) and 1.101 (2018: 1.419) of current year charge and released provision for premiums have been included in cost of revenue, in general administrative expenses, in research and development expenses and in marketing expenses respectively.

22.662 (2018: 16.825) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 2.885 (2018: 4.833) has been included in general administrative expenses and 115 (2018: 93) has been included in marketing expenses.

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

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

Other current assets	31 December 2019	31 December 2018
VAT receivables	222.778	181.754
Witholding tax of ongoing construction contracts	195.740	6.007
Other current assets	1.947	1.590
	420.465	189.351

Other non-current assets		
Witholding tax of ongoing construction contracts	7.752	151.086
VAT receivables	14.084	7.037
	21.836	158.123

Other short-term liabilities		
VAT calculated	1.009	9.293
Other	1.656	605
	2.665	9.898

24. SHAREHOLDERS' EQUITY

a) Share Capital

After the changes in the shareholders' structure during the period, the structure of the paid in capital as of 31 December 2019 and 2018 is as follows:

Shareholders	(%)	31 December 2019	(%)	31 December 2018
Berker family	22,55%	83.422	22,55%	83.422
Gökyiğit family	22,13%	81.865	22,02%	81.480
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,54%	5.683	1,54%	5.683
Publicly traded	47,13%	174.419	47,24%	174.804
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		373.475		373.475

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

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2018: 370.000.000). All these shares consist of bearer common shares.

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

(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 2019	31 December 2018
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Gain (loss) on revaluation of defined retirement benefit plans	2.305	(1.346)
	2.305	(1.346)
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	488.224	352.708
- Gain on revaluation and reclassification (Note: 7)	87.717	92.931
- Gain (loss) on hedging (Note: 35)	(23.183)	29.353
	552.758	474.992

Gain (loss) on revaluation and remeasurement:

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

Currency Translation Reserve:

Group's consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group's consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 488.224 (31 December 2018: 352.708).

Gain / (loss) on revaluation and reclassification:

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

Gains (loss) on hedging:

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

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

24. SHAREHOLDERS' EQUITY (cont'd)

c) Legal Reserves

	31 December 2019	31 December 2018
Legal reserves	278.423	231.271

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

Profit Distribution:

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

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

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

As of 20 February 2020, Board of Directors offered to pay shareholders 1,15 TRY (2018: 1,14 TRY) gross dividends per share. That dividend payment is subject to approval of the shareholders in General Shareholders' Meeting and so that the amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount to be paid to shareholders and the holders of the redeemed shares is 426.492 (2018: 421.526) and 29.828 (2018: 29.446), respectively.

Resources That Can Be Subject To Profit Distribution:

Total amount of other resources that may be subject to profit distribution in the statutory records of Tekfen Holding A.Ş. is 2.763.824 (31 December 2018: 2.112.694) 2.420.585 portion of this amount belongs to shares issued and 343.239 portion of this amount belongs to bonus shares issued (31 December 2018: shares issued 1.769.455, bonus shares issued 343.239).

d) Premiums in Capital Stock

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

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

25. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2019	1 January - 31 December 2018
Contract revenue	10.539.071	9.108.507
- Contract revenue – abroad	*7.989.014*	*6.416.060*
- Contract revenue – domestic	*2.176.644*	*2.435.919*
- Joint operations – abroad	*335.269*	*179.660*
- Joint operations – domestic	*38.144*	*76.868*
Good and merchandise sales	3.983.570	2.964.791
- Domestic goods and merchandise sales	*3.499.218*	*2.458.702*
- Export goods and merchandise sales	*501.611*	*515.733*
- Sales returns and discounts from goods and merchandise sales (-)	*(17.259)*	*(9.644)*
Other sales	80.713	73.873
	14.603.354	12.147.171

Cost of revenue (-)	1 January - 31 December 2019	1 January - 31 December 2018
Subcontractor expenses	(4.287.164)	(4.136.337)
Cost of raw materials used	(4.035.757)	(3.324.838)
Personnel expenses	(1.847.539)	(1.215.878)
Machinery, vehicle and other rent expenses	(279.509)	(236.813)
Construction site expenses	(267.826)	(351.749)
Depreciation expenses (Note: 2,14,15,16)	(261.683)	(180.704)
Consultancy expenses	(231.400)	(214.521)
Maintenance expenses	(215.881)	(85.044)
Energy and fuel expenses	(152.706)	(106.030)
Engineering expenses	(96.213)	(79.195)
Insurance expenses	(43.482)	(44.183)
Services obtained from third parties	(43.283)	(29.407)
Traveling expenses	(42.370)	(15.726)
Transportation expenses	(39.449)	(40.275)
Custom expenses	(33.729)	(46.529)
Cost of merchandises sold	(2.974)	(959)
Consumable and other material expenses	(2.126)	(1.934)
Reversal of doubtful receivable provision (Note: 9)	1.112	-
Project loss provisions	13.272	(33.182)
Other	(333.085)	(200.525)
	(12.201.792)	(10.343.829)

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
General administrative expenses (-)	(459.696)	(309.211)
Marketing expenses (-)	(309.263)	(211.576)
Research and development expenses (-)	(5.197)	(2.948)
	(774.156)	(523.735)
<u>Details of general administrative expenses</u>		
Personnel expenses	(274.853)	(206.964)
Office and administration expenses	(37.501)	(26.659)
Consultancy expenses	(26.669)	(15.275)
Depreciation and amortization expenses (Note: 2,15,16)	(23.022)	(7.596)
Services obtained from third parties	(12.298)	(812)
Duties, charges and other tax expenses	(9.722)	(2.529)
Communication expenses	(8.192)	(7.763)
Traveling expenses	(5.401)	(3.903)
Bank and notary expenses	(2.735)	(2.041)
Tender preparation expenses	(2.571)	(2.733)
Insurance expenses	(2.510)	(834)
Rent expenses	(2.501)	(7.052)
Hospitality expenses	(2.150)	(1.435)
Provision for doubtful receivables (Note: 9)	(1.778)	(1.148)
Energy and fuel expenses	(1.674)	(1.032)
Maintenance expenses	(1.233)	(768)
Reversal of doubtful receivable provision (Note: 9)	1.473	4.470
Other expenses	(46.359)	(25.137)
	(459.696)	(309.211)
<u>Details of marketing expenses</u>		
Transportation expenses	(172.945)	(118.403)
Services obtained from third parties	(55.916)	(11.033)
Personnel expenses	(22.436)	(30.244)
Custom expenses	(13.495)	(8.444)
Advertisement expenses	(6.165)	(8.075)
Warehouse expenses	(6.134)	(3.725)
Rent expenses	(3.974)	(3.915)
Depreciation and amortization expenses (Note: 2,15)	(3.361)	(1.543)
Traveling expenses	(2.985)	(2.235)
Energy and fuel expenses	(2.660)	(2.477)
Maintenance expenses	(1.308)	(937)
Office and administration expenses	(960)	(527)
Hospitality expenses	(680)	(555)
Consultancy expenses	(519)	(810)
Insurance expenses	(466)	(314)
Duties, charges and other tax expenses	(453)	(1.071)
Communication expenses	(314)	(374)
Other expenses	(14.492)	(16.894)
	(309.263)	(211.576)

(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 2019	1 January - 31 December 2018
Payroll expenses and fringe benefits	(3.187)	(2.749)
Depreciation and amortization expenses (Note: 15)	(1.042)	(64)
Other expenses	(968)	(135)
	(5.197)	(2.948)

27. EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(300.476)	(239.957)
Transportation expenses	(172.945)	(118.403)
Services obtained from third parties	(68.214)	(11.845)
Office and administration expenses	(38.461)	(27.186)
Depreciation and amortization expenses (Note: 2,15,16)	(27.425)	(9.203)
Consultancy expenses	(27.188)	(16.085)
Custom expenses	(13.495)	(8.444)
Duties, charges and other tax expenses	(10.175)	(3.600)
Communication expenses	(8.506)	(8.137)
Traveling expenses	(8.386)	(6.138)
Rent expenses	(6.475)	(10.967)
Advertisement expenses	(6.165)	(8.075)
Warehouse expenses	(6.134)	(3.725)
Energy and fuel expenses	(4.334)	(3.509)
Insurance expenses	(2.976)	(1.148)
Hospitality expenses	(2.830)	(1.990)
Bank and notary expenses	(2.735)	(2.041)
Tender preparation expenses	(2.571)	(2.733)
Maintenance expenses	(2.541)	(1.705)
Provision for doubtful receivables (Note: 9)	(1.778)	(1.148)
Reversal of doubtful receivable provision (Note: 9)	1.473	4.470
Other expenses	(61.819)	(42.166)
	(774.156)	(523.735)

(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 2019	1 January - 31 December 2018
Foreign exchange gains	354.209	557.513
Hedging income (Note: 35)	52.969	148.764
Due date difference income	84.654	43.144
Discount income	22.476	14.578
Rent income	10.728	5.476
Refundment income of social benefit	3.986	3.308
Government grants and incentives income (Note: 19)	3.940	3.985
Reversal of litigation provision (Note: 20)	1.752	3.738
Scrap sale income	1.446	1.201
Indemnity income	998	1.432
Other income	11.248	12.182
	548.406	795.321
Other operating expenses (-)		
Foreign exchange losses	(451.477)	(867.710)
Due date difference expenses	(46.488)	(27.018)
Hedging expenses (Note: 35)	(26.175)	(11.190)
Discount expenses	(7.199)	(10.156)
Other provision expenses	(4.609)	(1.446)
Penalty and damages expenses	(3.049)	(2.357)
Litigation provision (Note: 20)	(2.486)	(3.447)
Grants and contributions	(887)	(2.019)
Damages subject to litigation	(249)	(102)
Additional tax expenses	(31)	(41)
Written off VAT receivables	-	(46.795)
Other expenses	(34.305)	(22.260)
	(576.955)	(994.541)

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

29. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2019	1 January - 31 December 2018
Gain on remeasurement of financial investments (Note: 7)	20.133	3.140
Dividend income	10.101	8.164
Gain on sale of fixed asset	14.606	472
Bargain purchase gain (Note: 3)	6.900	15.631
Gain on sale of financial investments	168	-
Gain on sale of assets classified as held for sale	-	85
	51.908	27.492

Investment expense (-)		
Impairment of goodwill (Note: 17)	(83.049)	-
Impairment of financial investments (Note: 7)	(15.993)	-
Impairment of fixed assets (Note: 15)	(6.284)	-
Impairment of assets classified as held for sale (Note: 31)	(3.365)	(3.557)
Loss on sale of fixed assets	(515)	(2.644)
	(109.206)	(6.201)

30. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	501.112	1.127.629
Interest income	152.236	186.628
Currency translation reserve gains	11.376	15.916
	664.724	1.330.173

Financial expenses (-)		
Foreign exchange losses	(352.321)	(730.485)
Interest expenses	(71.296)	(98.943)
Other finance expenses	(10.193)	(8.843)
Less: Financial expenses included in costs of inventories	-	16.122
	(433.810)	(822.149)

(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 2019	31 December 2018
Assets classified as held for sale	26.316	34.139
	26.316	34.139

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

	2019	2018
Net book value as at 1 January	34.139	28.397
Currency translation effect	3.187	9.641
Transfers to investment property (Note: 14)	(7.645)	-
Allowance for impairment (Note: 29)	(3.365)	(3.557)
Disposals	-	(342)
Net book value as at 31 December	26.316	34.139

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

Assets related to current tax	31 December 2019	31 December 2018
Prepaid corporate tax	157.615	197.854
	157.615	197.854
Current tax liability		
Corporate tax provision	447.074	236.761
Less: Prepaid taxes and funds	(157.615)	(197.854)
	289.459	38.907

Tax expense in the statement of profit or loss:

Tax expense comprises as follows:	1 January - 31 December 2019	1 January - 31 December 2018
Current tax provision	470.742	253.586
Deferred tax income	(108.594)	(13.736)
	362.148	239.850

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

Tax legislation in Turkey:

Corporate Tax:

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

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

The general rate of tax in 2019 is 22% (2018: 22%). There are also Group companies subject to reduced corporate tax application under Article 32/A of the Corporate Tax Law. In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The general advance corporate income tax rate in 2019 is 22% (2018: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its fiscal losses occurred in 2019 until 2024.

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

Income/Corporate Withholding Tax:

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

Taxation of Foreign Subsidiaries and Operations:

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

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

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

Countries	Corporate Tax Rate %	Withholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%	15% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	15% - 17%	0% - 15%
Morocco	8% - 31%	10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 7%
Turkmenistan	0% - 20%	15%
Russia	13,5% - 20%	15% - 20%
Iraq	15% - 35%	15%

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

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

Reduced Taxation Under the Incentive Certificate:

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

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

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

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

<u>Reduced Taxation Under the Incentive Certificate (cont'd):</u>

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

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

With the amendment made at the end of 2017, the phrase 31 December 2017 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2018 and this advantageous incentive application has been enabled for the 2018 investment expenditures in the scope mentioned above. With Presidental Decision No. 798, the phrase 31 December 2018 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2019 and this advantageous incentive application has been enabled for the 2019 investment expenditures in the scope mentioned above.

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

Toros Tarım has obtained 2nd Area Investment Incentive Certificate as of 1 June 2015 from Ministry of Economy for its crane investment in Ceyhan. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 55% in the taxation of the income arising from the investment within the framework of 20% investment contribution ratio.

(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)

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

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

In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 84.078 on the basis of two years over Toros Tarım's profit projections. (2018: 76.944).

Deferred Tax:

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

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

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

Components of deferred tax (assets) liabilities bases:	31 December 2019	31 December 2018
Remeasurement and depreciation / amortization differences of tangible and intangible assets	275.401	290.736
Provision for retirement benefits and vacation liability	(66.586)	(71.873)
Investment incentive undertaken	(382.173)	(349.745)
Contract costs and progress billings (net)	(2.185)	460.968
Undistributed profits of joint operations	(105.088)	(84.002)
Lease liabilities	(2.749)	-
Provision for doubtful receivables	(11.749)	(14.581)
Effect of valuation	93.754	-
Tax losses carried forward	(118.388)	(111.787)
Provision for litigation	(12.000)	(11.436)
Fair value differences of financial assets	76.341	97.823
Provision for premium payments	(23.332)	(35.975)
Derivative instruments	(29.728)	37.639
Other	(68.775)	(63.385)
Deferred tax liabilities / (assets)	(377.257)	144.382

(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:	31 December 2019	31 December 2018
Remeasurement and depreciation / amortization differences of tangible and intangible assets	49.871	54.363
Provision for retirement benefits and vacation liability	(14.096)	(15.265)
Investment incentive undertaken	(84.078)	(76.944)
Contract costs and progress billings (net)	13.703	108.770
Undistributed profits of joint operations	(22.899)	(18.425)
Lease liabilities	(587)	-
Provision for doubtful receivables	(2.918)	(2.642)
Effect of valuation	28.292	-
Tax losses carried forward	(24.223)	(28.479)
Provision for litigation	(2.642)	(2.516)
Fair value differences of financial assets	3.817	4.891
Provision for premium payments	(5.131)	(7.915)
Derivative instruments	(6.540)	8.281
Other	(12.333)	(13.813)
Deferred tax liabilities / (assets)	(79.764)	10.306
Deferred tax assets	(155.943)	(127.232)
Deferred tax liabilities	76.179	137.538
	(79.764)	10.306

Movement of deferred tax assets and liabilities for the year ended 31 December 2019 is as follows:

Movement of deferred tax liabilities (assets)	2019	2018
Opening balance as at 1 January	10.306	(16.127)
Effect of changes in accounting policies	-	(1.354)
Deferred tax (income) expense	(108.594)	(13.736)
Effect of changes in fair value of financial assets	(274)	1.357
Effect of actuarial gain (loss) in comprehensive income	874	175
Effect of business combinations	26.618	12.554
Hedge effect	(14.821)	8.960
Currency translation effect	6.127	18.477
Closing balance as at 31 December	(79.764)	10.306

(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):

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

Reconciliation of taxation:	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	1.777.007	1.641.377
Expected taxation (*)	672.433	462.561
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	1.239	5.580
- Dividend and other non-taxable income	(238.457)	(148.480)
- Carryforward tax losses deducted in current year	(50)	(445)
- Effects of unrealizable tax (losses) income (net)	(28.342)	(16.366)
- Investment incentive undertaken	(40.815)	(60.911)
- Effects of joint ventures	(811)	(201)
- Effect of change in tax rates and consolidation adjustments	(5.335)	780
- Other	2.286	(2.668)
Income tax expense recognized in statement of profit or loss	362.148	239.850

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

33. EARNINGS PER SHARE

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

As of 31 December 2019 and 2018, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to 1 TRY) set out here are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the Parent (Thousands TRY)	1.420.750	1.403.061
Earnings per share from operations (TRY)	3,840	3,792

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

34. RELATED PARTY TRANSACTIONS

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

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

Transactions with related parties are distinct and measurable.

	31 December 2019		31 December 2018	
	Receivables	Payables	Receivables	Payables
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Trade				
Azfen (1)	13.841	-	43.205	-
Altaca Meram (2)	4.622	-	-	-
Tekzen	1.267	406	1.158	400
H-T Fidecilik (1)	124	26	61	24
Agromak	28	4	11	3
Florya Gayrimenkul (1)	-	-	139	-
Turquiose Construction (3)	-	24.169	-	27.218
Other	82	76	45	841
Shareholders and key management	355	177	177	68
Joint operations (4)	2.083	25	13.040	964
	22.402	24.883	57.836	29.518
Other				
Altaca Meram (3)	14.256	-	-	-
Denkmal Dahlem (5)	-	-	50.997	-
Yavuz Taner (4)	-	-	7.800	539
Diğer	-	108	-	-
	14.256	108	58.797	539
	36.658	24.991	116.633	30.057

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

(2) Includes the balances resulting from the transactions of the Group with the partnership disclosed in Note 7.

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

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

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

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

34. RELATED PARTY TRANSACTIONS (cont'd)

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

	1 January - 31 December 2018						
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Other income	Other
Black Sea	-	1	-	-	-	-	-
Azfen	-	10.766	-	130.949	2.952	-	-
Agromak	-	246	-	-	-	-	-
H-T Fidecilik	-	65	-	-	-	12	-
Florya Gayrimenkul	-	143	4	-	-	-	-
Akmerkez Lokantacılık	-	-	-	1.052	-	-	-
Tekzen	4.500	1.071	-	-	-	-	-
Üçgen Bakım	51	176	-	179	-	-	98
Akmerkez Gayrimenkul	-	4	-	6.753	-	-	943
Pelit Yapı	836	-	-	-	-	-	-
Tekfen Vakfı	-	4	-	-	2	-	-
Turquiose Construction	52.438	-	-	-	-	-	-
Other	288	143	-	180	-	-	-
Shareholders and key management	-	149	-	-	2	-	-
Joint operations	-	2.919	-	-	-	-	-
	58.113	15.687	4	139.113	2.956	12	1.041

(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 2019	31 December 2018
Salaries and other short-term benefits	35.664	17.775
	35.664	17.775

35. DERIVATIVE INSTRUMENTS

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	211	29.939	37.639	-
Current	211	29.939	37.639	-
Non-current	-	-	-	-
	211	29.939	37.639	-

Currency derivatives:

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

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

	31 December 2019	31 December 2018
Forward foreign exchange contracts	609.791	446.476
	609.791	446.476

As of 31 December 2019, the fair value of the Toros Tarım's currency derivatives is estimated to be 211 assets and 29.939 liabilities which is negative 29.728 (31 December 2018: assets 37.639, positive 37.639). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classificaion of derivative instruments is Level 2 (31 December 2018: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to negative 23.183 has been deferred in equity (31 December 2018: positive 29.353). During the period, there is not any ineffective cash flow hedges (31 December 2018: There is not any ineffective cash flow hedges). Gains amounting to 52.969 and losses amounting to 26.175 concerning matured derivative contracts during the period have been recognized in profit or loss (31 December 2018: 148.764 gain, 11.190 loss).

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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

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

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

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

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

Net cash position as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Borrowings	(779.169)	(1.118.181)
Less: Cash and cash equivalents	4.095.410	4.582.426
Less: Time deposits with maturity of longer than three months	12.782	132.101
Net Cash Position (*)	3.329.023	3.596.346

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

b) Financial Risk Factors

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

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

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

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

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

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2019	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	22.402	2.244.913	14.256	56.902	3.967.245
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	116.755	-	-	-
A. Net book value of not due or not impaired financial assets	14.344	1.705.114	14.256	56.902	3.967.245
B. Net book value of assets that are due but not impaired	8.058	539.799	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	80.545	-	571	-
- Impairment (-)	-	(80.545)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	64	-	-	785
- Impairment (-)	-	(64)	-	-	(785)
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2018					
Minimum credit risk exposure at balance sheet date (*)	57.836	1.581.013	58.797	27.891	4.650.549
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	59.408	-	-	-
A. Net book value of not due or not impaired financial assets	50.720	1.066.744	58.797	27.891	4.650.549
B. Net book value of assets that are due but not impaired	7.116	514.269	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	38.978	-	571	-
- Impairment (-)	-	(38.978)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	590	-	-	826
- Impairment (-)	-	(590)	-	-	(826)
- Secured net value via guarantee or etc.	-	-	-	-	-

(*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
(**) Warrants consist of collateral bills, letters of guarantees and mortgages.
(***) Bank deposits include the times deposits classified under financial investments.

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

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

b) Financial Risk Factors (cont'd)

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

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

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

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

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

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

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

b) Financial Risk Factors (cont'd)

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

As at balance sheet date, there are no collaterals held for the past due trade receivables which are not impaired (2018: None). There are no collaterals held for the past due trade receivables which are impaired (2018: None).

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its derivative financial instruments and its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Liquidity risk table:

31 December 2019

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

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	(29.728)	562.239	237.548	324.691	-	-
Cash outflows	-	609.791	253.170	356.621	-	-

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

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

b) Financial Risk Factors (cont'd)

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

31 December 2018

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

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

b.3) Market risk management

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

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

b.3.1) Foreign currency risk management

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

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

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

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

b) Financial Risk Factors (cont'd)

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

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

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

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

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

b) Financial Risk Factors (cont'd)

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

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

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

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

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

b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity

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

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

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

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

Forward foreign exchange contracts

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

Foreign currency contracts

Outstanding contracts	**Average rate**		**Foreign currency**		**Contract value**		**Fair value**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Buy USD (Thousand USD / Thousand TRY)								
Less than 3 months	6,33	4,85	39.990	58.679	253.170	284.540	(12.747)	21.804
3 to 12 months	6,52	5,38	54.660	30.074	356.621	161.936	(16.981)	15.835
							(29.728)	37.639

As of 31 December 2019, 23.183 of unrealized loss arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2018: Unrealized gain 29.353).

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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

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

Interest rate sensitivity

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

	31 December 2019	31 December 2018
Financial liabilities - Fixed Interest Rate Instruments	525.835	831.107
Financial liabilities - Floating Interest Rate Instruments	310.111	287.074

At 31 December 2019 if the interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax and non-controlling interest would decrease/increase by 1.551 (31 December 2018: 1.435).

b.3.3)Other price risks

Equity pricing sensitivity

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

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

- There will be an increase/decrease of 9.258 (31 December 2018: 6.369 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of fair value through other comprehensive income listed stocks.

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

37. FINANCIAL INSTRUMENTS

Classes and fair values of financial instruments

31 December 2019	Financial assets at amortized cost	Financial investments measured at fair value	Financial liabilities at amortized cost	Fair value of derivative instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	4.094.625	-	-	-	4.094.625	6
Trade receivables (due from related parties included)	2.267.315	-	-	-	2.267.315	9, 36
Financial investments	12.782	393.868	-	-	406.650	7
Other current and non-current assets (due from related parties included)	71.158	-	-	-	71.158	10, 36
Derivative instruments	-	-	-	211	211	35, 36
Financial liabilities						
Borrowings	-	-	835.946	-	835.946	8, 36
Trade payables (due to related parties included)	-	-	3.407.928	-	3.407.928	9, 36
Employee benefit payables	-	-	77.995	-	77.995	22, 36
Other short and long-term liabilities	-	-	160.550	-	160.550	10, 36
Derivative instruments	-	-	-	29.939	29.939	35, 36
31 December 2018						
Financial assets						
Cash and cash equivalents	4.581.600	-	-	-	4.581.600	6
Trade receivables (due from related parties included)	1.638.849	-	-	-	1.638.849	9, 36
Financial investments	132.101	268.519	-	-	400.620	7
Other current and non-current assets (due from related parties included)	86.688	-	-	-	86.688	10, 36
Derivative instruments	-	-	-	37.639	37.639	35, 36
Financial liabilities						
Borrowings	-	-	1.118.181	-	1.118.181	8, 36
Trade payables (due to related parties included)	-	-	3.191.246	-	3.191.246	9, 36
Employee benefit payables	-	-	89.288	-	89.288	22, 36
Other short and long-term liabilities	-	-	168.238	-	168.238	10, 36
Derivative instruments	-	-	-	-	-	35, 36

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

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

37. FINANCIAL INSTRUMENTS (cont'd)

<u>Fair Value of Financial Instruments</u>

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 2019	Level 1	Level 2	Level 3
Fair value through other comprehensive income financial investments	230.962	97.451	133.511	-
Fair value through profit or loss financial investments	162.906	-	162.906	-
Derivative instruments	(29.728)	-	(29.728)	-
Total	364.140	97.451	266.689	-

		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	-

38. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

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

Tekfen Emlak merged with Tekfen İnşaat by transferring all assets and liabilities on 9 December 2019. Since the existence of Tekfen Emlak is ended as a result of the combination, the reporting of the Real Estate segment in segmental reporting has been ended.

On 13 December 2019, an agreement signed by Techinvestments MMC, a subsidiary of the Group with 100% share participation rate, concerning the purchase of 10% shares of SOCAR Polymer Investments LLC. As of the reporting date, share transfer transactions have not been completed.

Rusfen, a subsidiary of Tekfen İnşaat with 100% share participation rate, and Kharampurneftegaz LLC have signed a contract worth 1.865.254 (19.527.364 RUB) within the framework of the construction of the first 90 km of Gas Transport Pipeline between Kharampur Gas Field and Gazprom Main Pipeline in Russian Federation. The duration of the project is 16 months.

39. SUBSEQUENT EVENTS

A share acquisition agreement was signed on 18 December 2019 between the shareholders of Gönen Enerji, a subsidiary of Toros Tarım with 70% share participation rate, and Altaca Meram Yeşil Enerji Üretim A.Ş. ("Altaca Meram") concerning acquisition of 99,9% of the paid in capital of Altaca Meram. As of balance sheet date, transfer of 9,88% portion of the share has been completed. EPDK approval for the transfer of the remaining 90.02% shares was received on 20 January 2020 and the transfer was completed on 14 February 2020.

On 5 february 2020, collection amount to 298.075 (183.154.459 QAR) was made regarding the short-term portion of the retention receivables.