

Tekfen Holding
Annual Report 2015



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TEKFEN HOLDING

www.tekfen.com.tr

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

Profile and Basic Indicators

Profile

Tekfen Group is founded on the integration of honesty and quality. It enjoys a strong reputation in the Turkish business world, not only for its brands and market strength, but also for its perfectionism and the values it defends.

Reflecting the values of its founders, Feyyaz Berker, Nihat Gökyiğit and the late Necati Akçağlılar, this foundation has served the company well since its establishment in 1956.

Tekfen Group operates in four core business areas: Contracting, Agri-Industry, Real Estate Development and Other Activities. The Group has 39 companies and ten subsidiaries, all of which are leaders in their sectors. Tekfen Holding, which owns all the companies and subsidiaries of Tekfen Group, is listed on Borsa Istanbul's BIST 30 Index. In 2015 the Group had TRY3,888 million in revenues and assets of TRY5,626 million.

Tekfen Holding is a strong leader in its business sectors. With 13,234 skilled employees and 60 years of experience, it is exemplary within the business world in terms of quality standards and ways of doing business. In line with its principles of growth and sustainable profitability, it progresses consistently by taking advantage of opportunities in its current and potential business areas.

Tekfen Contracting Group

Tekfen Contracting Group is an internationally renowned leader of the Turkish contracting sector, operating in many countries. To date, it has completed over 340 projects, thereby demonstrating its accumulated expertise. It is a sector leader for its capacity to deliver the most difficult projects and it has established brand recognition through its commitment to maintaining global standards of quality,

its ways of doing business, its experience, and the importance it places on occupational safety. Tekfen Construction is the preferred partner of many international companies.

The group's extensive experience is concentrated, first and foremost, on constructing oil, gas and petrochemical facilities. It offers engineering, procurement, construction (EPC) turn-key solutions for pipe lines, land and sea terminals, tank farms, oil refineries, offshore platforms, pumping and compressor stations, power stations, industrial facilities, highways and metros, sports complexes, infrastructure projects and superstructures.

Within Tekfen Contracting Group, its flagship company is Tekfen Construction, which is also Tekfen's oldest company. Tekfen Manufacturing's Derince Plantas well as Ceyhan Steel Structure Fabrication Plant and Bayil Steel Structure Fabrication Plant within Tekfen Construction, specialize in steel fabrication and process equipment, and the construction of storage tanks. With US\$1.7 billion in active backlog, Tekfen Construction is ranked 90th on Engineering New Record's list of the 250 largest international contracting companies.

Directly under the group, Tekfen Engineering provides engineering design, procurement and project management services for group and non-group projects. The company undertakes technologically challenging projects requiring great know-how and it is one of Turkey's leading companies in its sector.



Tekfen Agri-Industry Group

Tekfen Agri-Industry Group encompasses many services and businesses in the agricultural sector, its principal area of concentration. It is the sector's largest private corporation in terms of business volume, product and service portfolio, and market share. Operating as Toros Tarım, it is among Turkey's 65th largest industrial companies. Toros Tarım focuses its operations on agricultural activities, terminal management and other activities.

Since its founding in 1981, Toros Tarım has seen the development of agriculture in Turkey as a multifaceted process, in which the company is committed to playing an effective role. While principally a producer and marketer of fertilizer, Toros Tarım also engages in yield-raising, quality-improving agricultural inputs, seed production, techno-agriculture, and seedling production. The company holds the highest share of installed production capacity for fertilizer in Turkey. It has 1,218 dealers and authorized sales points throughout Turkey, enabling it to distribute its products to every corner of the country.

Terminal services is an important non-agricultural area of business for Toros Tarım. The company manages two terminals, in Ceyhan and Samsun, and it provides additional services such as pilotage, warping, tugboat, and shipping services at each of them. Built in 1981 alongside Toros Tarım's Ceyhan Production Plant, the Toros Ceyhan Terminal is the second largest port in the Iskenderun Gulf.

Toros Tarım's other business areas are free zone and gas station management. The Adana Yumurtalık Free Zone (Tayseb), founded as an industrial facility in Ceyhan in 1998, covers an area 4.5 million m², making it one of Turkey's largest free zones.

Tekfen Real Estate Development Group

Tekfen Real Estate Development Group engages in investment, project development, construction management and facility management in the real estate sector. Founded in 2000, it carries out high-quality, innovative real estate projects that harmonize with and add value to the urban fabric. Right from the start, Tekfen Real Estate Development's completed projects have made it an exemplar in its sector. It creates projects that are outstanding for their concept, quality and design. The group's commitment to design behooves it to work with the best architects and ensures the projects in its portfolio are conspicuous not only for their functionality and construction quality, but also for their unique design. Tekfen Real Estate Development projects have won many prestigious prizes.

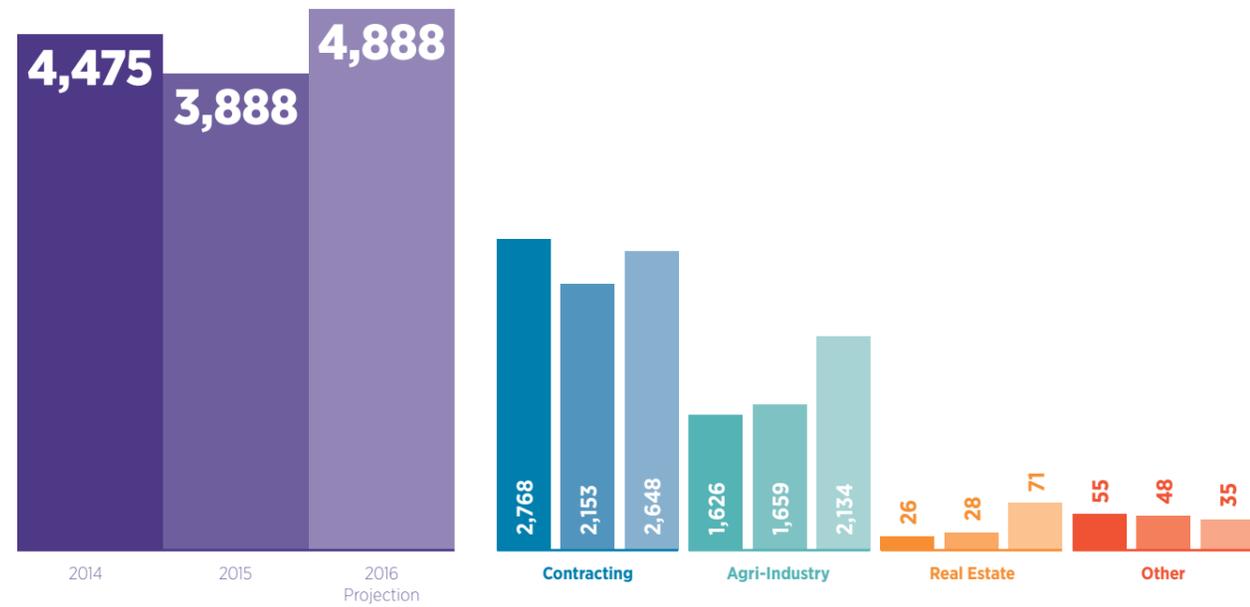
Tekfen Real Estate Development aims at customer satisfaction in every detail. Within the group, Tekfen Real Estate Development Investment and Trade provides development and project management services, while Tekfen Services provides facility management services.

Other Activities

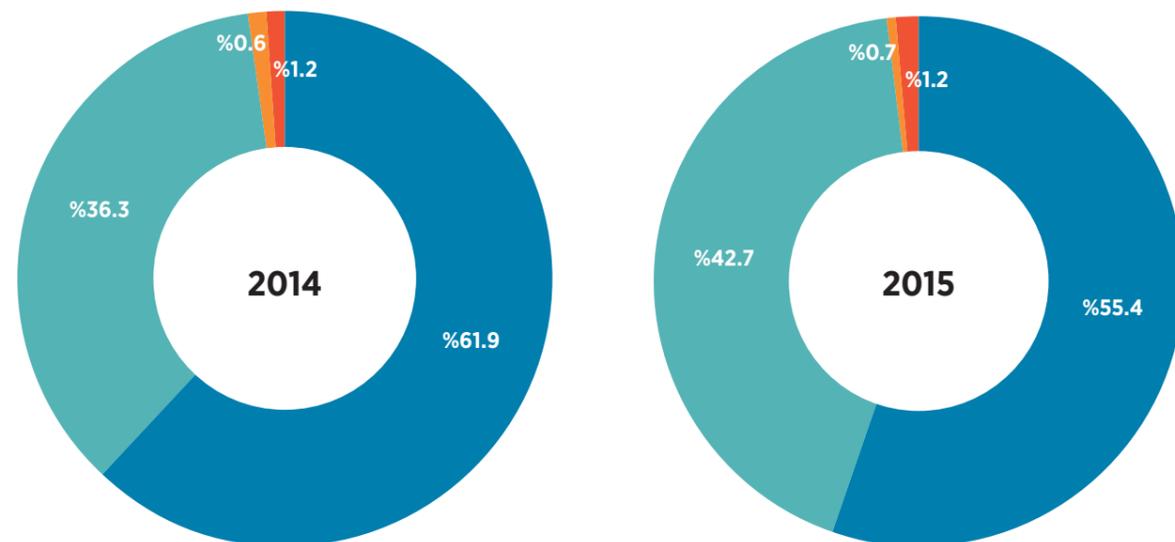
Aside from its Contracting, Agri-Industry and Real Estate Development areas of business, Tekfen Group is involved in insurance, through Tekfen Sigorta, owns and operates the Papfen Yarn Plant cotton yarn factory in Uzbekistan, and owns Antalya Studios which, at 186,000 sqm, is one of the largest studios in Europe and offers advanced technology and infrastructure for Turkish and international film producers.

Basic Indicators

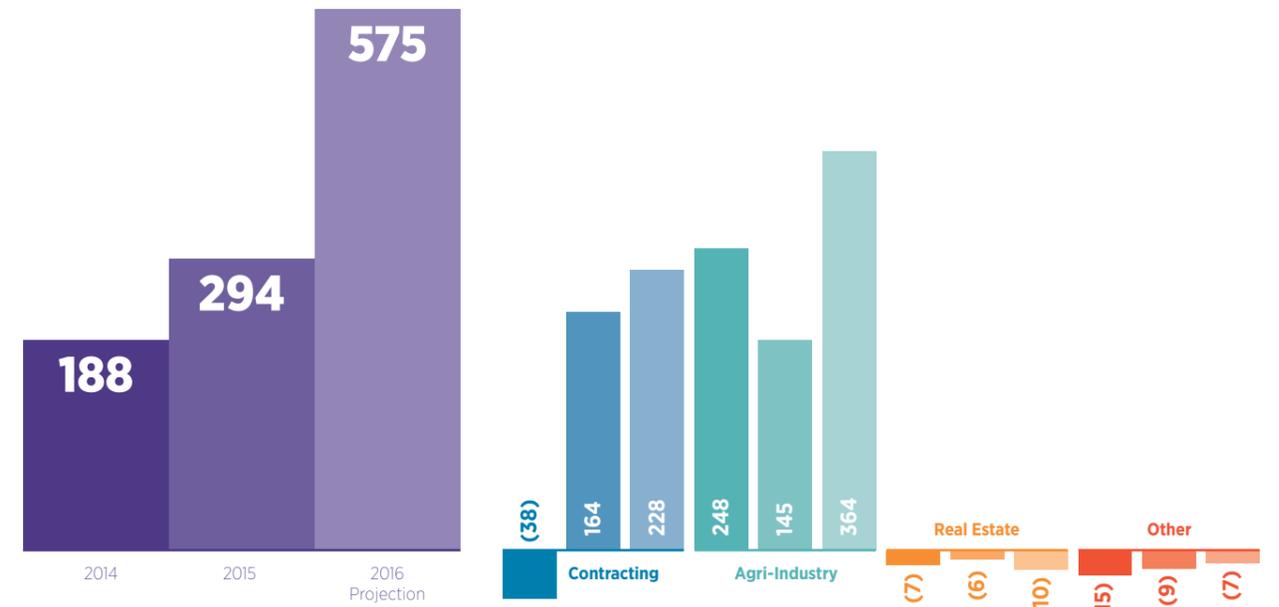
Revenues (Consolidated million TRY)



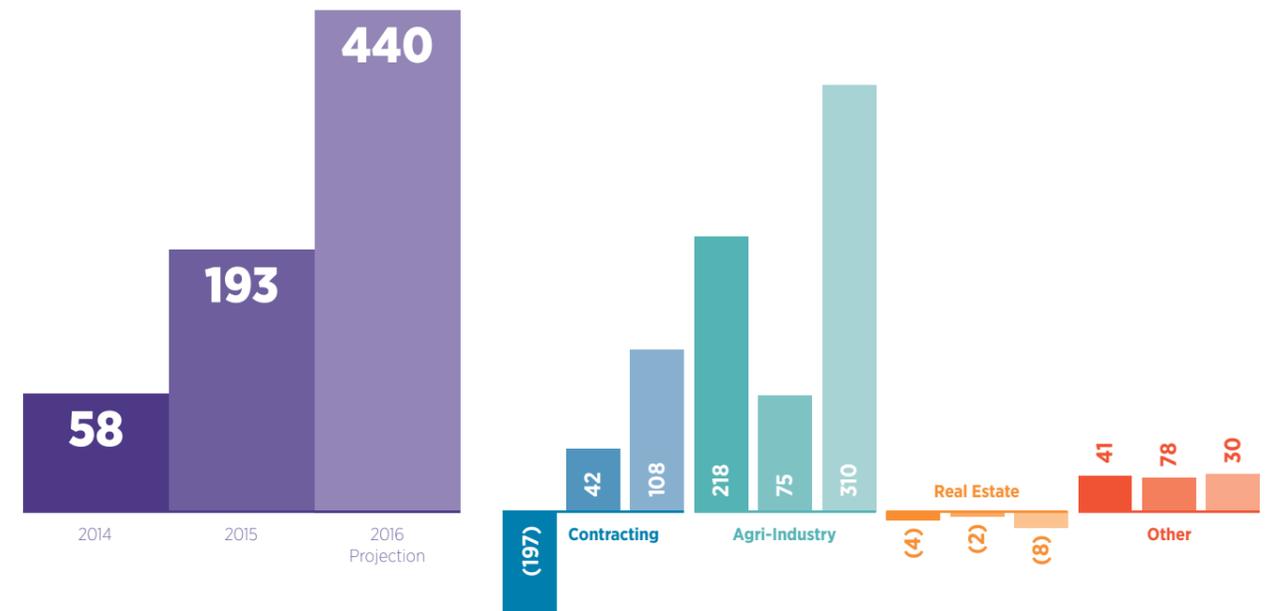
Breakdown of Revenues (%)



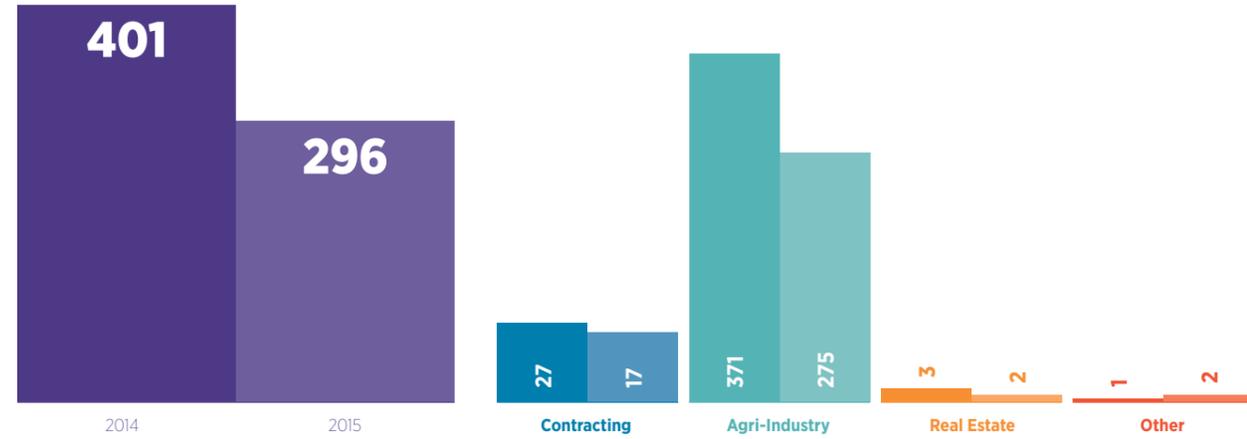
EBITDA (Consolidated million TRY)



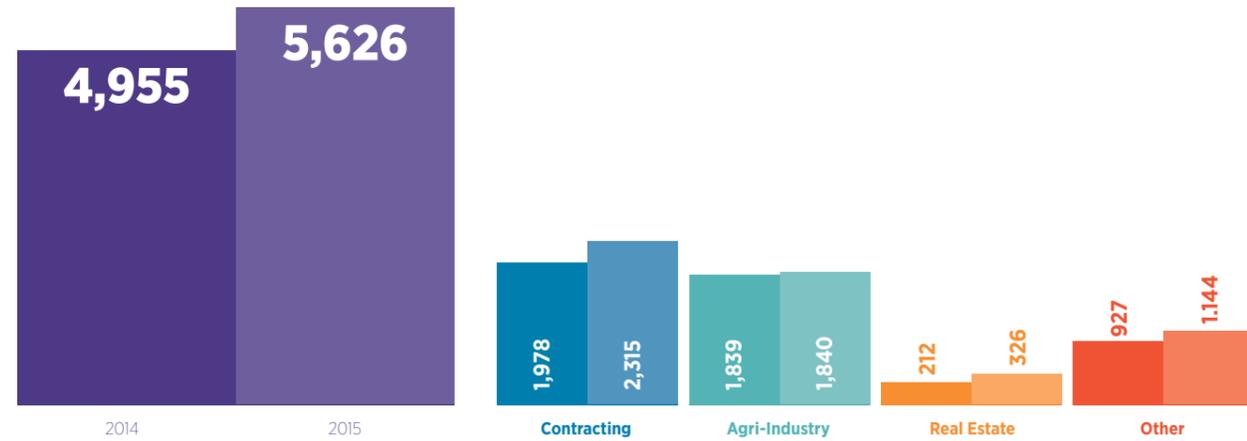
Net Profit / Loss for the Year (Consolidated million TRY)



Investment (Consolidated million TRY)



Assets (Consolidated million TRY)



Employees



SUMMARY BALANCE SHEET (thousand TRY)	31 December 2014	31 December 2015
Current Assets	3,255,170	3,713,282
Non Current Assets	1,700,312	1,912,773
Total Assets	4,955,482	5,626,055
Current Liabilities	2,277,766	2,889,548
Non Current Liabilities	681,652	651,372
Equity Attributable to Owners of the Parent	1,959,165	2,057,358
Minority Interest	36,899	27,777
Total Shareholders' Equity and Liabilities	4,955,482	5,626,055

SUMMARY INCOME STATEMENT (thousand TRY)	1 January - 31 December 2014	1 January - 31 December 2015
Revenue	4,474,755	3,888,172
Gross Profit	452,424	408,874
Operating Profit	24,515	116,523
Profit Before Taxation	95,695	259,560
Net Profit for the Year	57,857	193,036

IMPORTANT RATIOS	31 December 2014	31 December 2015
Liquidity		
Current Ratio	1.43	1.29
Liability and Indebtness		
Total Liabilities /		
Equity Attributable to Owners of the Parent	1.51	1.72
Current Liabilities /		
Total Liabilities	0.77	0.82

Profitability	1 January - 31 December 2014	1 January - 31 December 2015
Gross Profit Margin	10.11%	10.52%
EBITDA Margin	4.20%	7.57%
Net Profit for the Year	1.29%	4.96%



Tekfen Holding
Board of Directors

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

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

Independent Board
Member Çiğdem Tüzün is
absent from the picture.

Message from the Chairman



Esteemed shareholders,

2015 was marked by global uncertainties, faltering economic recovery and, particularly in the regions where we do business, social, economic and political upheavals. This made us sharply aware of the modern world's fluctuating conditions and the urgency of reviewing company business models and organization.

The world is undergoing a radical paradigm shift and entirely new megatrends are emerging. The reality of digitalization and the Internet of Things is completely transforming humanity.

Rapid and unrelenting population growth and urbanization is eradicating certain occupations and business areas that we have known for centuries as well as giving rise of new ones. The Z-Generation, which will be entering the labour force shortly, will lead a different life and have very different needs and preferences.

New realities face humanity. The global targets adopted at the Paris COP21 are an acknowledgment that we live in a new age where heightened awareness of environmental concerns, and not only economic conditions, shape business practices. To create a new future, we must abandon old habits, learn to think outside the box, and work together to achieve common goals. Business models are being redefined at the global level under the principle of sustainability and companies are searching for ways of adapting to this new order.

Tekfen is a natural part of this transformation. While celebrating our 60th anniversary, we are announcing the start of a new leap forward. One of our most important priorities while planning our future is change management.

Since its founding, Tekfen Group has stuck to the principles of “doing the job you know in the best way” and of consistent growth. Thus, the group has concentrated on its key operational areas of Contracting, Agri-Industry and Real Estate Development.

We have made a strategic decision to diversify our business areas and expand current ones at a time when the “new normal” is being defined, given the rapid changes in global conditions. While not losing sight of the enthusiasm and energy of our founding partners 60 years ago, we plan on concentrating more than ever on the profit-based model of growth. We intend to do this by undertaking initiatives and innovations with greater zest.

“To create a new future, we must abandon old habits, learn to think outside the box, and work together to achieve common goals.”

While managing this change, our corporate values shall remain our greatest strength. However, we shall review any habits that inhibit change and progress within our corporate culture and thereby increase our corporate agility.

Similarly, while addressing these goals, we shall supplement our existing competent, high quality human resources and corporate intellectual capital with an infusion of new blood to our organization, thus further strengthening our organizational structure. Concomitantly, we shall adopt a management approach that creates an environment conducive to maximizing the productivity and performance of our employees and rewarding improved performance appropriately. I firmly believe that, if attain all this, Tekfen Group of Companies will be the corporate structure with the happiest employees.

Among the goals we have set for Tekfen Contracting Group, a respected name worldwide, is to restructure and develop growth models for our engineering infrastructure to enhance the efficacy of our EPC (engineering-procurement-construction) know-how. This will enable us to offer turn-key solutions to even more complex industrial projects. While we plan to expand our operations from Africa to the Caspian and the Mediterranean to the Far East, we closely monitor the domestic market as the Turkish economy exhibits average annual growth of 3 to 4% in the face of global stagnation. Given these conditions and the needs of the new period, in addition to current business plans, we shall look for entirely new areas in which to invest, such as the “smart” city infrastructure required by rapid urbanization.

Toros Tarım, with its in-depth understanding of Turkish agriculture, is positioned to take advantage of agricultural production opportunities by drawing on its market strength. Through its initiatives, which are pioneering examples of good agricultural practice in Turkey that emphasize disease-free inputs and high productivity, it commands the helm of a business area that promises to continue to add value to our assets.

Tekfen Real Estate Group has taken sure steps and grown over the years. It has proven itself through unique, high-quality projects. Using our existing land stock to the optimum and executing larger-scale projects are priorities in Tekfen's future plans.

“Tekfen Group believes that taking a place among those building a sustainable future is meaningful and valuable.”

The same is true for our lucrative terminal services. Ideally located in the Eastern Mediterranean and Black Sea, our terminals have great potential, which we plan to tap through investments in expansion.

Eco-economics is an area Tekfen Group has its sights on. We would like to invest and expand in such areas that are beneficial to the environment and the farmer, such as groundwater utilization, recycling, geothermal resources and solar energy. Our interest is not only commercial, but also for our common future. Marking the words of our Honorary Founding Chairman, Nihat Gökyiğit, “If we seek perfection, we should look to nature,” Tekfen Group believes that taking a place among those building a sustainable future is meaningful and valuable.

Tekfen Group was founded 60 years ago upon unwavering ethical values by three esteemed men: Feyyaz Berker, Nihat Gökyiğit and the late Necati Akçağlılar. Protecting and sustaining these values is Tekfen Group’s foremost priority, governing all our other plans and priorities.

The most important asset I became responsible for when I took over as Chairman of the Board on 7 May 2015 was Tekfen’s reputation. Of all the responsibilities I have assumed, my chief priority is to protect and sustain the ethical values that have made Tekfen Tekfen.

As we carry Tekfen forward in keeping with its goals and principles, I extend my appreciation and regards to our companies and the great Tekfen family, and to all our stakeholders, who support our efforts.

Murat Gigin

Chairman of the Board and CEO



Message from the President



The year 2015 will go down in history as a year full of highly important events for the world, our region, our neighbours, Turkey and the Tekfen Group.

Economic issues dominated the global agenda throughout the year. The question of when monetary expansion and low interest rates, initiated in developed countries, especially the US, after the 2008 global economic crisis, would draw to an end was finally answered in 2015: the US Federal Reserve increased interest by 0.25% in December and further gradual increases are forecast. On the other hand, economic recovery worldwide and, in particular, in the European Union, has been slower than desired. This has caused a decline in oil prices and hindered growth of those economies dependent on oil revenues. It has also made growth difficult for export-dependent economies like that of China. As a result, it is correct to say that the difficult post-2008 economic conditions were still with us at the end of 2015.

The political instability and upheaval plaguing our region and neighbours escalated in 2015. The civil war in Syria worsened and became an international issue. Regional unrest reduced Turkey’s exports to the Middle East and led to a serious deterioration in relations with Russia,

“In the face of all these challenging economic and political conditions, Tekfen Group achieved a satisfying financial performance in 2015.”

one of Turkey's major trading partners. Then there is the enormous influx of refugees from the civil war in Syria, which has a tragic human dimension and carries great economic cost to Turkey and other countries in the region. The intensity of the refugee crisis has international political ramifications that may even threaten freedom of movement within the European Union.

Turkey felt the impact of these global and regional economic and political developments intensely throughout 2015. In addition, the country facing two general elections in the year, had been enveloped in an election atmosphere for virtually all of 2015.

Under these conditions, the Turkish economy grew by 3.4% between January-September, which is a rather modest figure by its own standards. Growth in various sectors diverged: 2.5% in manufacturing industry, 8.9% in agriculture and a mere 0.4% in construction.

Despite modest growth, inflation rose in 2015. The annual inflation with respect to consumer prices, which

was 8.17% in 2014, rose to 8.81% in 2015. The pass through from the increase in the foreign exchange rates to prices played a crucial role in the inflation rise. Compared to that of 2014, the US\$ exchange rate climbed by 25% against the lira and that of the euro rose by 13% in 2015.

Besides economic stagnation and rising foreign exchange rates, low oil prices in 2015 also had a favourable impact on Turkey's foreign trade balance. The annual current account deficit declined from a 2014 close of US\$43.6 billion to a 2015 close of US\$32.2 billion. Further, this reduction in the current account deficit came while Turkey's exports of goods had declined by 9% due to the aforementioned global and regional factors.

In the face of all these challenging economic and political conditions, Tekfen Group achieved a satisfying financial performance in 2015. The Group had revenues of TRY3,888 million, EBITDA of TRY294 million, and net profits of TRY193 million. At the end of 2015, Tekfen Group had assets of TRY5,626 million and equity of TRY2,085 million.

“Tekfen Group will celebrate its 60th anniversary in 2016 and it aims to crown this special year with a strong financial performance.”

In 2015, our Contracting Group, one of Tekfen's two largest business operations, had revenues of TRY2,153 million and net profits of TRY42 million. As of the end of the year, it had a backlog of approximately US\$1.7 billion.

Our Agri-Industry Group, Tekfen's other major business area, had revenues of TRY1,659 million and net profits of TRY75 million. Anticipation of a reduction in VAT, which was on the agenda before the November elections, encouraged dealers to postpone fertilizer purchases which in turn resulted in sales below expectations in the last quarter of 2015. The VAT on fertilizers was reduced from 18% to 1% and soon after altogether waived in February 2016. As a result, sales to picked up in early 2016. Major investment at the Samsun Production Facilities to safeguard the Group's need for raw materials continued apace. This investment, totaling US\$335 million, is Tekfen's largest ever and, the new facilities' opening, in the last days of 2015, will improve the Agri-Industry's financial performance even further.

The Real Estate Development Group's HEP Istanbul Project in Esenyurt, Istanbul proceeded successfully in 2015 in construction, pre-sale and marketing activities. The Group did not record major revenues or profits in 2015 because the HEP project is scheduled for completion in 2017 while the Izmir Mixed-use Project, a joint venture with the Rönesans Group, is still in the development stage.

Tekfen Group will celebrate its 60th anniversary in 2016 and it aims to crown this special year with a strong financial performance.

My appreciation goes to the entire Tekfen family for its success in 2015 and I extend my regards to our stakeholders for their consistent support.

Osman Birgili
President, Tekfen Group of Companies





Opening ceremony of
the 1st European Games
at the Baku Olympic
Stadium, Azerbaijan



Contracting Group
Executive Management

From left to right:
Levent Kafkaslı
General Manager
and Board Member
(Tekfen Construction)
Tunç Şarman
General Manager
and Board Member
(Tekfen Manufacturing)
Alparslan Güre
General Manager
and Board Member
(Tekfen Engineering)
Ümit Özdemir
Chairman
(Tekfen Construction,
Tekfen Manufacturing,
Tekfen Engineering)

Contracting Group Profile

Tekfen Contracting Group is a doyen among Turkey's contracting companies. Its name is synonymous with quality, trustworthiness and competence. Over the years, it has cemented its reputation with a track record of successfully completed exceptionally difficult projects that have raised the standing of the Turkish contracting sector.

The Group carries out the major part of its operations abroad. Its 340-plus completed projects cover a vast geographical area and have made Tekfen an internationally preferred name as a solution partner for leading companies around the world.

Tekfen draws upon its 60 years of experience and its trained personnel to implement projects that are highly challenging in concept or conditions. The Group has extensive experience in petroleum, gas and petrochemical facilities. It provides its clients with turnkey solutions encompassing engineering-procurement-construction (EPC) in an array of sectors, including pipelines, land- and marine-terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metros, sports complexes, infrastructure, and superstructures.

Tekfen Construction, the Contracting Group's locomotive company, is an international contractor operating over a wide geographical area. Tekfen Engineering provides engineering design, procurement and project management services for the projects of Group and non-Group companies. It is a leading Turkish company for its capacity to effectively participate in technologically difficult contracting projects that require extensive know-how. Tekfen's

Manufacturing and Engineering's Derince Plant, and Tekfen Construction's Ceyhan and Bayıl Steel Structure Fabrication Plants specialize in producing fabricated steel, process equipment and storage tanks.

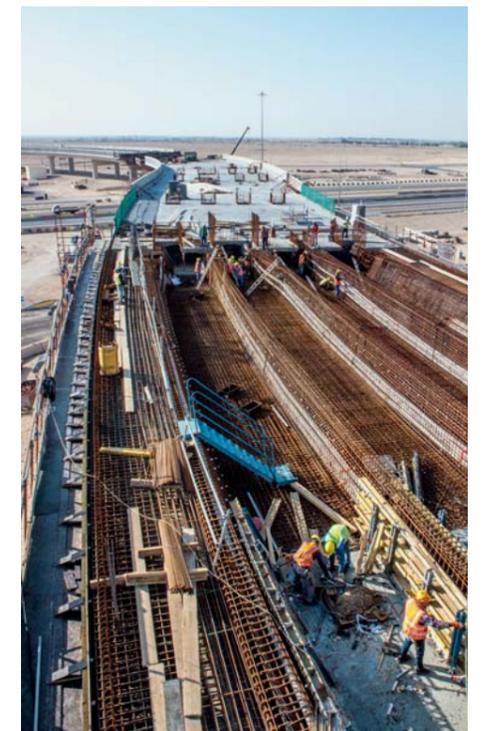
Tekfen Contracting Group conducts all its operations in strict compliance with the standards of the international Quality, Occupational Health and Safety, and Environment Management System. The Group's uncompromising commitment to people is evidenced by its outstanding accident-free record on projects throughout the world. It has achieved 33.7 million accident-free man-hours at the Sangachal Land Terminal Project in Azerbaijan, 27 million at the Kashagan Oil Fields Project in Kazakhstan, 25 million at the SAMIR Refinery Project in Morocco, and 23 million at the Galkynysh Natural Gas Field Project in Turkmenistan. Tekfen Contracting Group has won numerous awards for its health-safety-environment and quality (HSE-Q) approach and achievements.

In 2015, Tekfen Construction closed the year with a backlog of US\$1.7 billion. It ranked 90th on Engineering News Record's (ENR) list of 250 companies with the largest business portfolios.

Tekfen Contracting Group conducts all its operations in strict compliance with the standards of the international Quality, Occupational Health and Safety, and Environment Management System.

1.7bn

Tekfen Construction closed the year with a backlog of US\$1.7 billion.



2015: An overview

Efforts to surmount the global crisis slowed in 2015. The prospects for recovery were once again dampened as growth lagged behind expectations.

A reversal in capital flows, the collapse of commodity prices due to weak global activity and shifting conditions led to even greater uncertainty in global markets in 2015. The slump in developing economies and increasing energy supply led to declining oil prices. At the end of 2015, the price of a barrel of Brent oil had dropped to US\$36, its lowest level in 11 years. This adversely impacted the economies of oil-exporting countries.

Economic issues aside, geopolitical risks and internationally destabilizing political events heightened concerns in 2015. However, against this general international uneasiness in international markets, the lifting of the 10-year international embargo against Iran, and the subsequent reopening of this large market to the world, were favourably perceived. This development is expected to have a beneficial impact on commercial relations with Turkey.

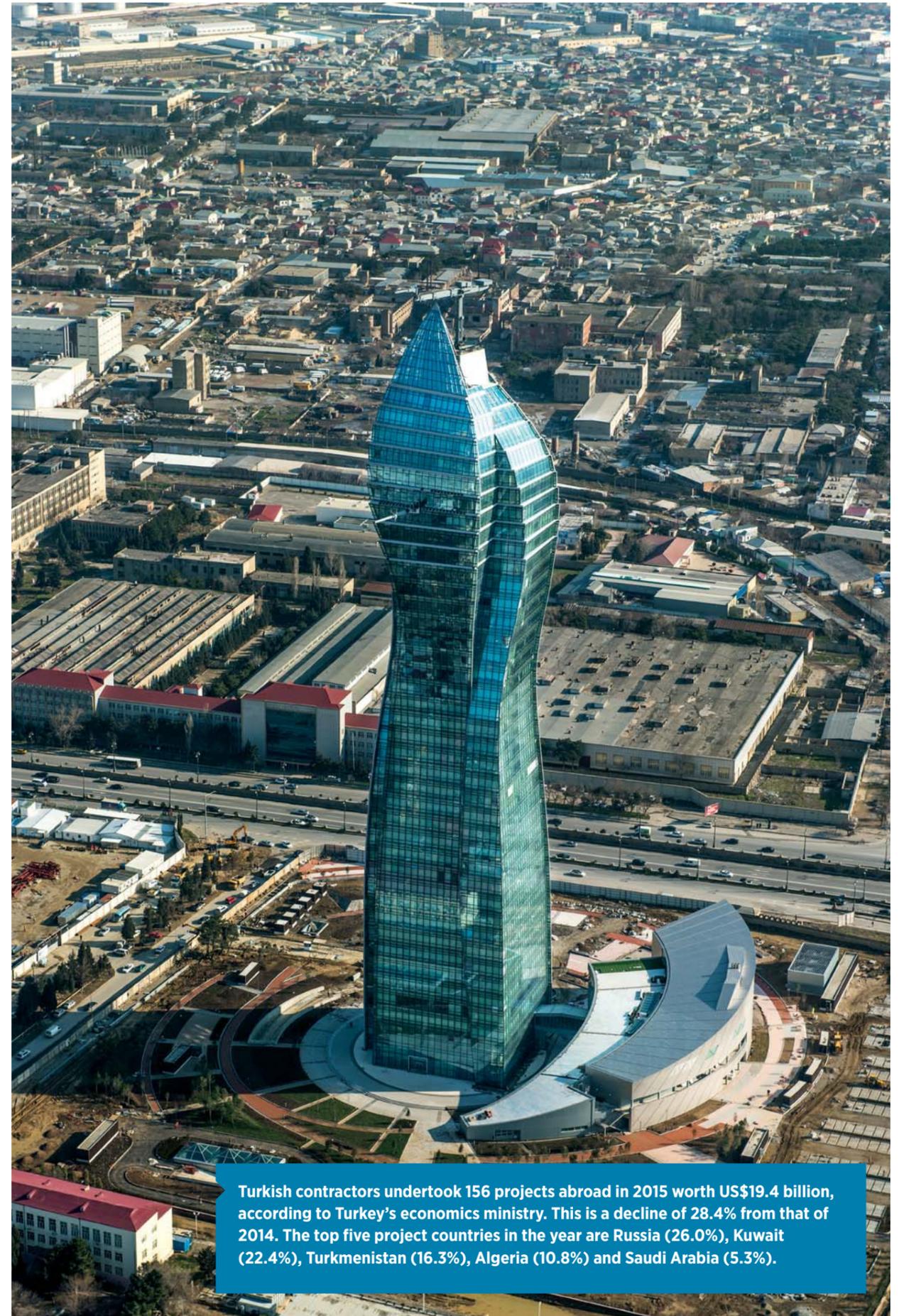
The uncertainties in global markets and capital outflows had a deleterious effect on all developing economies, including Turkey's, and caused major economic indicators to deteriorate. Over 2015, the Turkish lira declined by 25% against the US\$ and 12% against the euro. Contracting services abroad incurred losses in the face of shrinking markets attributable to economic stagnation and falling energy prices, and they suffered mounting geopolitical risks.

These circumstances led Turkish contractors to seek new markets. Sub-Saharan Africa and South America have become of increasing interest. For example, developments in Ethiopia, Equatorial Guinea, Senegal, Congo, Cameroon, Nigeria, Tanzania and Venezuela have tweaked the interest of Turkish contractors. Moreover, the lifting of the economic embargo against Iran is anticipated to create significant opportunities for Turkish contractors. A major portion of the US\$100 billion in Iranian assets, frozen in foreign banks under the embargo, is expected to go into restructuring the country's economy and, in particular, to renovating its energy infrastructure.

With the addition of one company, 43 Turkish contractors ranked in ENR's 2015 listing of the 250 largest contracting companies in terms of revenues acquired from international operations, placing Turkey just behind China. Of this top 250's international earnings, Turkish contractors' share rose from 3.8% to 5.6%. While Turkish contracting companies are virtually absent from North and South American markets, they increased their market shares in Europe, the Middle East and Africa, where competition is the stiffest.

SOCAR Tower.
Baku's new landmark

The lifting of the economic embargo against Iran is anticipated to create significant opportunities for Turkish contractors.



Turkish contractors undertook 156 projects abroad in 2015 worth US\$19.4 billion, according to Turkey's economics ministry. This is a decline of 28.4% from that of 2014. The top five project countries in the year are Russia (26.0%), Kuwait (22.4%), Turkmenistan (16.3%), Algeria (10.8%) and Saudi Arabia (5.3%).



The Amec-Tekfen-Azfen (ATA) Consortium is manufacturing and assembling the Shah Deniz Bravo (SDB) Platforms Complex for BP Exploration as part of the Shah Deniz Stage 2 Project in the Caspian Region.

Operations in 2015

Construction Works

Economic stagnation, falling oil prices, political difficulties, security risks and other such factors caused Tekfen Contracting Group to suspend many projects abroad in 2015.

2015 was not very productive in terms of project acquisition. Nevertheless, the group successfully completed six projects, thereby attaining the goals it had set itself at the beginning of the year. In addition to Turkey, the Group continued its operations in Azerbaijan, Morocco, Qatar and Saudi Arabia. While doing so, it provided monthly employment to 12,025 persons – 8,925 direct and 3,100 indirect.

In the belief that markets are there for the taking, Tekfen Contracting Group's response to the shrinking of its existing markets is to prioritize its search for new ones. Accordingly, it conducted market research on Canada and West Africa, two leading prospects. This included detailed analyses of the risks and the required steps. Africa has an abundance of natural resources, but lacks the infrastructural and industrial investments to process them. The company plans to open a representative agent in Africa in 2016 to assess the continent's potential and to closely monitor opportunities.

The Contracting Group continues to monitor and, when suitable, submit proposals for appropriate projects in its field of specialization in Turkey, where huge projects have come to the fore in

recent years and Tekfen is keeping close tabs on the oil, gas and energy investments anticipated in the near future. The Group is interested in build-operate-transfer (BOT) infrastructure and energy projects in Turkey.

Pipeline Projects

Slurry Pipeline Project

Tekfen Construction completed construction of the 231-km slurried phosphate ore pipeline connecting mines in Morocco's Khouribga region to Jorf Lasfar port, with the line becoming operational in July 2014. An EPC project, Tekfen provided detailed work in all three areas. The project, which will initially carry 30 million tons, and later, 38 million tons, annually, includes pumping stations and terminal services. Due to client's difficulties in procuring phosphate ore suitable for the technical requirements, the pipeline performance tests due after mechanical completion have been rescheduled to April 2016.

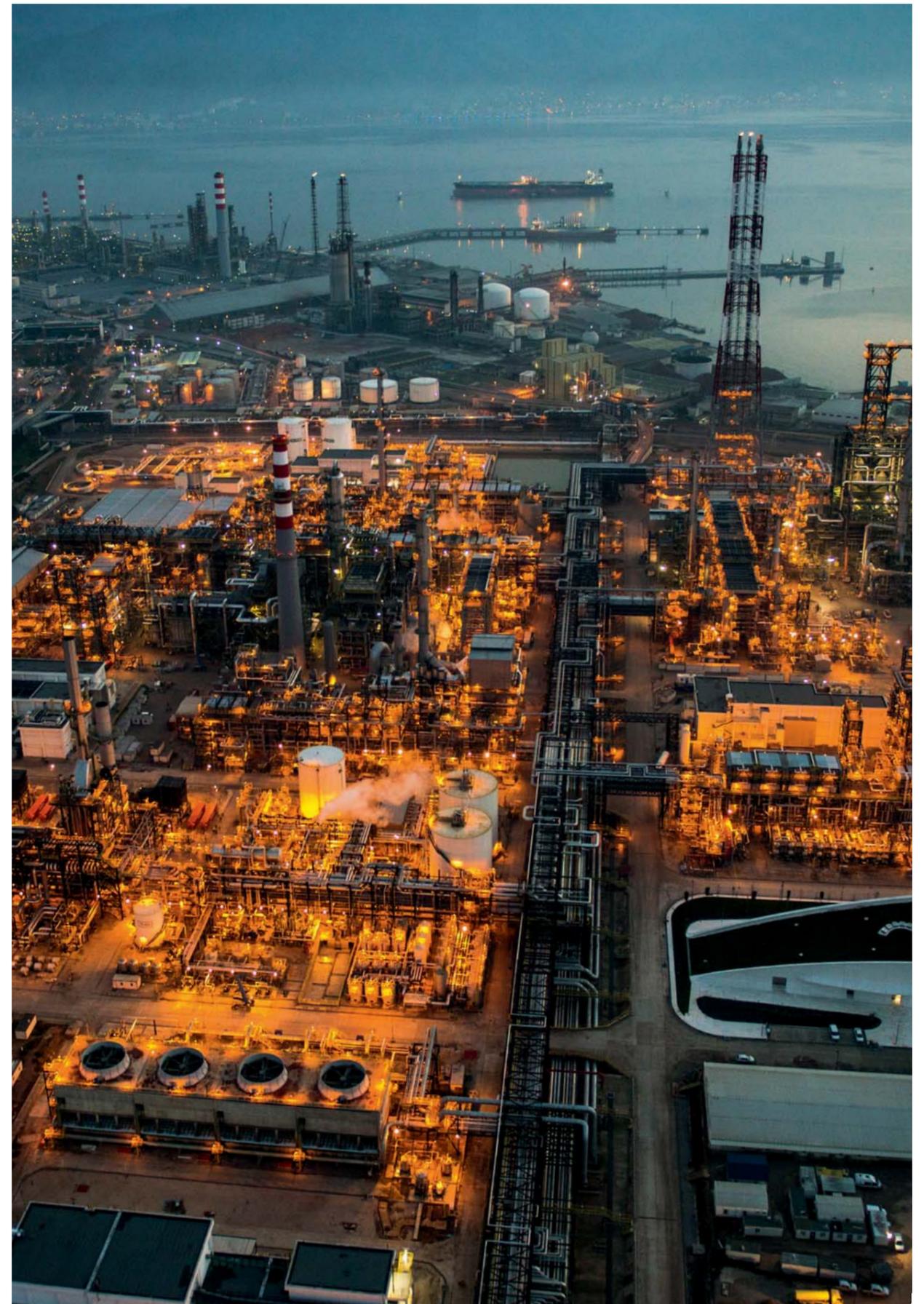
Trans-Anatolia Natural Gas Pipeline (TANAP)

TANAP is a four-stage project that aims to meet Europe and Turkey's natural gas needs and to provide gas diversification in the region. The first stage is set for completion in 2018, when gas flow will begin with an initial annual volume of 16 billion m³, which is to rise to 23 billion m³ in 2023 and to 31 billion m³ in 2026.

In the belief that markets are there for the taking, Tekfen Contracting accelerates its efforts to expand to new geographies. As such, plans are to open a representative agent in Africa in 2016 to assess the continent's potential and to closely monitor opportunities.



Tüpraş RUP Project was successfully completed and delivered to the client at the close of 2015.





TANAP Lot 3
between Erzurum
and Eskişehir, Turkey

Tekfen Construction has developed its expertise and acquired international recognition in pipeline contracting since it took on its first pipeline project at the beginning of the 1960s. Over the years, it has built its expertise and reputation on a varied portfolio of oil, natural gas, water and ore transportation pipeline projects. Since its founding, Tekfen Construction has been a member of the International Pipelines and Offshore Contractors Association (IPOCA). Moreover, one of the company's founding partners, Necati Akçağlılar, has been an Honorary Member of the Association.

**509
km**

The length of TANAP Lot 3 undertaken by Tekfen.

Tekfen Construction is to construct Lot 3, the Sivas-Eskişehir section, of the approximately 1,900 m-long TANAP line, stretching through the provinces of Yozgat, Kırşehir, Kırıkkale, Ankara and Eskişehir. Ten percent complete in 2015, this 509-km section will be laid with 56 inch pipes and include 14 valve stations and two pig stations. Contracted in 2014, and with 10% completed in 2015, 71% of the project is to be finished by the end of 2016, with full completion due at the end of 2017.

BTC Repair and Enhancement Project

Since 2009, Tekfen Construction has undertaken the repair and enhancement of the 1,071-km Turkish stretch of the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline. One of the world's most important oil investments, the BTC pipeline was constructed between 2003 and 2005 to transport Azeri oil to Turkey's Mediterranean coast at Ceyhan. It carries one million barrels of oil a day. The BTC Repair and Enhancement Project encompasses making route changes and by-pass lines, repairing damage, fitting pipes at pumping stations, making valve changes and strengthening valve stations, shutdown operations at pumping stations, building security systems, and performing geological improvements and reinforcements at river crossings and points prone to landslides. Tekfen Engineering conducted the project's engineering work.

New work orders issued at the beginning of 2016 are expected to extend the agreement till the end of that year and ones issued during the year to extend the agreement beyond 2017.

Oil, Gas and Petrochemical Projects

Tekfen Construction has completed numerous important oil, gas and petrochemical projects, thereby acquiring major expertise. Major projects that prove the company's proficiency in this field include the İpraş, Tüpraş, Aliğa Petrochemical Complex, the BTC Ceyhan Marine Terminal, the SAMIR Refinery in Morocco, the Sangachal Terminal in Azerbaijan, and the Yanbu and Petrorabigh Refineries in Saudi Arabia.

Tüpraş Fuel Oil Residuum Upgrade Project

Tüpraş Refinery's Fuel Oil Residuum Upgrade Project's main objective is to transform low-grade fuel oil, heating fuel and similar heavy-grade products into high-value, white products (diesel, gasoline, jet fuel and LPG), which have rising rates of consumption.

Working alongside the main contractor, the Spanish company Tecnicas Reunidas, Tekfen Construction provided the construction work, ventilation systems, structural steel engineering, procurement and assembly, mechanical assembly, and electrical and instrumentation work of a large number of units, along with their commissioning. All work for the project, which began at the end of 2011, was completed at the close of 2015 and the project was delivered to the client.

The facilities became operational on 15 December 2014, putting the İzmit Refinery among global leaders for the highest rates of upgrading. 4.2 million tons of fuel oil with high sulfuric content will be processed annually, producing a total of 3.5 million tons of valuable Euro-V standard white product, 690,000 tons of petrocake and 86,000 tons of sulfur.

AZFEN CELEBRATES ITS 20TH ANNIVERSARY

Azerbaijan State Oil Company, SOCAR, and Tekfen founded Azfen as a 60:40 joint venture at the beginning of 1996, following the dissolution of the Soviet Union five years earlier. For 20 years, the Azerbaijan-based company has been undertaking globally important oil and gas construction projects.

Azfen has drawn on Tekfen's experience in pipelines, terminals and oil-gas facilities to take effective advantage of energy project opportunities in the Caspian Sea. This compatible collaboration was launched with a long-term view and, over the years, this has allowed Azfen to grow into one of the most important contracting companies in the region. The company has made a major contribution to the region's economy through projects at home and abroad.

The oil platform projects the company has undertaken with Tekfen and Amec has catapulted Azfen into a higher league. After successfully completing three platforms, Azfen is building two new platforms at the Bayil facilities as part of the ATA Consortium. With close to 9,000 employees, Azfen is the pride of Azerbaijan.

The Amec-Tekfen-Azfen (ATA) Consortium has successfully built three oil platforms in the Bayil Shipyard.

Shah Deniz Stage 2 - Sangachal Land Terminal

The Shah Deniz Stage 2 is one of the largest gas projects in the world. It will transport Caspian Sea gas to Europe for the first time, thereby ensuring European energy security. The Shah Deniz Stage 2 Project aims at producing an annual 16 million m³ of gas, in addition to that produced by the existing Shah Deniz Stage 1.

Under an agreement concluded at the end of 2013, Tekfen's involvement, through its Tekfen-Azfen Consortium, is for the construction and assembly work of the Sangachal Land Terminal. Located alongside the current Sangachal Terminal for BP Exploration (Shah Deniz Ltd.), the terminal is 45 km from Baku city center. Through its partnership within Azfen, Tekfen Construction's share of the project is valued at about US\$621 million.

The project consists of gas and condensation processing units, an energy unit, storage tanks, auxiliary systems for processes, telecommunications and control systems, buildings, pipelines extending

from the shore of the Caspian Sea to the land terminal, connections to the existing Sangachal units and systems, a new control room building and temporary facilities. Construction of the project began in the middle of 2014 and is expected to take 50 months to complete. Project mobilization was completed at the beginning of 2015 and half of the project was completed by the end of 2015. 96% of the project is scheduled for completion by December 2016 and all of the mechanics of the project by October 2017.

Offshore Platforms

Shah Deniz Stage 2 - Offshore Platforms
Tekfen Construction has successfully built three oil platforms in Azerbaijan. As part of the Amec-Tekfen-Azfen (ATA) Consortium, it is manufacturing and assembling two more platforms for BP Exploration (Shah Deniz Ltd.), as part of the Shah Deniz Stage 2 Project in the Caspian Region. The Shah Deniz Bravo (SDB) Platforms Complex consists of a production and elevator platform (SDB-PR) that will collect and process effluents

One of the largest gas projects in the world, the Shah Deniz Stage 2 will transport Caspian Sea gas to Europe for the first time, thereby ensuring European energy security.





from the wells, and gas and liquid pipelines that transport them to the land terminal. It will also have a bridge connecting the platform to a service platform with living units. The production and undersea flow line elevator platform weighs 15,919 tons, the living units and services platform, 11,312 tons, and the connecting bridge, 412 tons.

Construction of the project began in May 2014 and it is expected to be completed in 48 months. As of the end of 2015, 53% of the project had been finished. The aim is for completion of 93% of the project by the end of 2016.

Industrial Facilities

Sadara Propylene Oxide Processing Unit
Tekfen Construction had completed 93% of the Propylene Oxide Processing Unit by the end of 2015. Started in 2012, the facilities, for Saudi Arabia's Sadara Chemical Company, are part of the Sadara Petrochemical Complex in the Jubail Industrial City on the country's east coast. Tekfen Construction is responsible for all reinforced concrete work, structural steel, the assembly of the processing equipment procured by the client, the electrical and instrumentation work, and the construction of the main control building. Project construction work is scheduled for completion by the end of May 2016.

27,643 tons

The platforms SDB-PR and SDB-QU, together with their connecting bridge have a total weight of 27,643 tons.

Toros Tarım Samsun Production Plant
Tekfen Construction is constructing a 2,200 tons/day-capacity sulfuric acid unit for Toros Tarım at its Samsun Production Plant as part of Toros' US\$335-million investment project. The contract includes increasing the production capacity of an existing phosphoric acid unit to 200,000 tons/year, renovation of the NPK facilities, and the construction and assembly of a turbine generator group to convert heat energy from chemical reactions at the sulfuric acid plant into electricity.

The project consists of the assembly of a sulfuric acid unit, a phosphoric acid unit, a sulfur storage unit, a phosphate rock storage unit, and a 15,000 ton-capacity sulfuric acid tank, modification of existing

conveyor belts to enable them to carry sulfur, assembly of conveyor belts for the new facilities, a 30 MW turbine electrical generator group at the sulfuric acid unit, a power distribution center to distribute electricity within and from the plant, a demineralized water unit, a gypsum transfer unit, and a cooling unit using seawater. Construction of the project began in 2012 and was completed successfully at the end of 2015, at which time it became operational.

The Shah Deniz Stage 2 offshore platforms are manufactured and erected at the Bayıl Steel Structure Fabrication Plant.



Highway Projects

Qatar North Road Highway

Tekfen Construction's presence has grown in several countries in recent years and Qatar counts among them. The company's construction of the North Road and Ceremonial Road projects concluded in 2015 with the client's final acceptance. Valued at US\$780 million, the projects included 172 kilometers of highway and side roads, 21 bridges, eight underpasses, electrical and telecommunications infrastructure, road lighting, landscaping and irrigation, traffic signs and traffic safety systems.

Qatar North Road Side Roads and Additional Junctions Project

Started in 2012, this originally US\$901 million project consists of service roads on either side of the North Road Highway, five new highway bridges, five underpasses, bicycle and pedestrian lanes, along with irrigation lines, drainage, and electric, signaling, and safety and telecommunications systems. As of the end of 2015, the company had completed 58% of the project. Tekfen Engineering is providing the design engineering services for this project. With the latest changes in city planning projections and the requests from other public agencies, this project has grown by 40% and its completion date has been pushed on to the end of 2016.

Çiftelhan-Pozantı Highway

Also in 2015, Tekfen Construction completed the Çiftelhan-Pozantı Highway, one of three highway projects the company has undertaken in Turkey's rough mountainous terrain since finishing the 258-km Tarsus-Adana-Gaziantep (TAG) Highway in 2002. Under provisional acceptance, the project encompassed a 2x3-lane, 18.5-km highway, a 1x2 lane 2.5-km connecting road, 14 viaducts, four

overpasses and three underpasses totaling 4,430 meters, a 7,550-m² reinforced retaining wall, and two two-way tunnels totaling 842 meter in length.

Superstructure Projects

SOCAR Headquarters Building

SOCAR Tower, Azerbaijan State Oil Company's new headquarters, consists of a 200 meter-high, 40-story office tower and a podium complex containing conference halls, cafeterias, restaurants and sports facilities. The tallest building in Azerbaijan, SOCAR Tower covers a total construction area of 100,000 m². The building, started in 2010, was open for business in August 2015. Additional work requested by the client is scheduled for completion in March 2016.

Baku Olympic Stadium

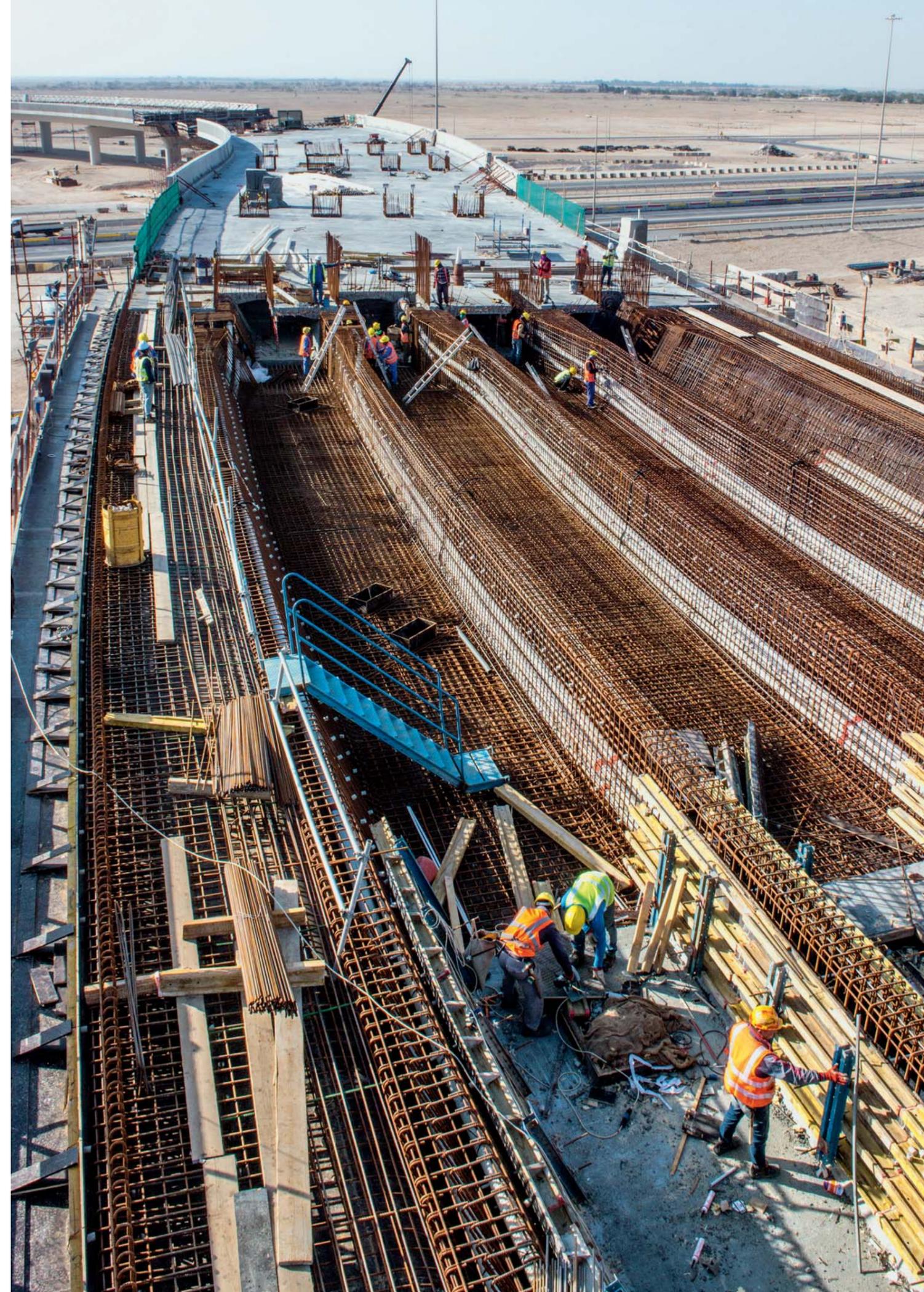
In February 2015, Tekfen Construction completed the 68,000-capacity Baku Olympic Stadium, in the capital of Azerbaijan, in a record 24 months from the date of agreement in February 2013. Built as a design-and-build project, the stadium opened its doors to visitors for the First European Games between 12-28 June 2015. The packed stadium was the venue for the magnificent opening and closing ceremonies, as well as various athletic events.

Engineering News-Record magazine chose the stadium complex, covering 496,000 m² with 204,000-m² enclosed construction site, as 2015's best project in the Sports and Entertainment category. Despite an accelerated tempo and intensive workload, the project was completed at the high rate of 21 million accident-free man-hours.

Qatar North Road Side Roads and Additional Junctions Project

**21m
man-hours**

Despite a record 24 months of intensive workload, the project was completed at the high rate of 21 million accident-free man-hours.



Engineering Services

Tekfen Engineering was founded in 1984 to enable the Tekfen Contracting Group to undertake high added-value engineering-procurement-construction (EPC) projects.

The momentum Tekfen Engineering has achieved in recent years has enabled the company to be involved in a number of key projects. Tekfen Engineering has the expertise to take on technologically challenging projects requiring high levels of know-how, such as refineries, pipelines, tank farms, petrochemical facilities, terminals, power plants, port and marine structures, and highways and metros. It is one of Turkey's leading companies in its field. The company has also begun to take a more active role as a solution partner in large-scale projects abroad.

Tekfen Engineering is renowned for its knowledge and experience in areas of special expertise such as process, instrumentation, control systems, and model design. In support of the Tekfen Contracting Group's goal of being a full-EPC contractor, Tekfen Engineering continually upgrades its organizational structure and creates special areas of competence to expand its personnel's expertise. The company ensures it has the capacity to lead special projects that are inter- or multi-disciplinary in nature by consistently allocating resources for the improvement of its human resources and ensuring that its people have a wide variety of expertise and training in various disciplines.

Tekfen Engineering seeks to maximize its productivity, in labour and time terms, by closely monitoring technological advances and trends. The company made a pioneering decision to use computer-assisted 3D design modelling technology for technologically difficult operations. This rapidly projected Tekfen Engineering forward and secured major advantages in productivity. The company has developed the concept of Building Information Modelling (BIM), which has lately brought a new dimension to project design, thus assuming a leading role in this area. Applying this concept to all projects is a major goal for the company in 2016.

The international situation in 2015 caused the cancellation of many projects and entrenchment in the contracting sector, which was detrimental to Tekfen Engineering. Under these conditions, the company accelerated its search for business opportunities in diverse geographical areas and fields as part of its aim to preserve its EPC-centered engineering organization, which had been a major source of growth for the last five years. Diversifying existing engineering services is a company priority. So, in 2016, it will concentrate on specializing in areas of greater know-how in all engineering disciplines.

In 2015, Tekfen Engineering's 200-plus personnel provided approximately 400,000 man-hours of engineering services to Tekfen Contracting Group

The concept of Building Information Modelling (BIM), which has lately brought a new dimension to project design, brought a competitive edge to Tekfen Engineering.



The 3D design modelling technology which Tekfen Engineering successfully applied to the Baku Olympic Stadium Project, improved the company's efficiency, a major advantage in a competitive area.

Tekfen Engineering is providing engineering design services for the first of three Havaray (Monorail) projects in Istanbul expected to ease the heavy Istanbul traffic.

projects and clients in its own portfolio. One of its major achievements was expanding its customer portfolio. The annual agreement concluded with Petkim for general engineering services is a significant step in this regard.

The company maintained its strong presence in Azerbaijan in 2015. It continued its work on the Shah Deniz Stage 2 – Sangachal Land terminal and the offshore platforms that Tekfen Construction is building with Azfen. As part of these endeavours, it concentrated on training Azfen employees to enable them to participate more in the project's engineering processes. In addition to the terminal and platform projects, the company is closely monitoring the major

modernization work planned for SOCAR's refinery and Azer Chemical projects.

In another important development in 2015, Tekfen Engineering secured an engineering services contract from Akxa Energy for a power plant it is constructing in Ghana. This project is significant because it opens the door to the Sub-Saharan African market and because, as the company's second project in the energy field, it serves as a strong reference.

Tekfen Engineering is providing engineering design services for the first of three Havaray (Monorail) projects in Istanbul and for highway projects undertaken by Polimeks Company in Turkmenistan.

Tekfen Engineering is providing the design engineering services for the North Road Side Roads and Additional Junctions Project in Qatar.



Fabrication Plants

To meet its steel production at home and abroad, the Tekfen Contracting Group has established three fabrication plants.

The fabrication plants play a vital role in providing high quality steel structure and steel equipment solutions according to need. They also enable Tekfen Contracting Group, as an EPC contractor, to carry out turnkey projects. Each of these plants – in Turkey at Derince (Kocaeli) and Ceyhan (Adana) and in Azerbaijan at Bayil (Baku) – has the technology, know-how and capacity to meet the exacting requirements of the most complex projects.

Tekfen Manufacturing and Engineering – Derince Plant

Tekfen Manufacturing and Engineering, working to international standards, provides engineering, production and assembly of storage and processing equipment for the oil, petrochemical and chemical industries, and for industrial facilities such as gas, iron and steel, and power plants. Founded in 1970, it operates from Derince, at a plant with 19,250 m² of enclosed space.

The company offers its customers an extensive portfolio of services, including cylindrical and spherical storage tanks, pressurized vessels, process columns, reactors, heat exchangers, waste-heat recovery boilers, pressurized piping, and heavy steel construction. In addition to Group companies, Tekfen Manufacturing's clientele includes international contracting companies and domestic and foreign companies in the LPG storage and distribution sectors. It achieves sector-backed international standards, possessing the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environment Management System, and OHSAS 18001:2007 Occupational Health and Safety Management System certificates.

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

up to 1,000 tons. Production possibilities include all kinds of corrosion resistant steels and alloyed steels, special duplex, Monel, Inconel and Hastelloy alloys, as well as brass, copper and nickel alloy-coated sheet steel.

In 2015, Tekfen Manufacturing and Engineering had 202 employees and generated revenues of TRY35.9 million. Though revenues were below expectations, the company reached its profit targets. 71% of sales revenue were generated domestically and 29% abroad. Exports went to Azerbaijan, Cyprus and Egypt. Manufactures for Tekfen Construction's Shah Deniz Stage 2 project in Azerbaijan accounted for a major portion of sales in 2015.

Tekfen Manufacturing and Engineering seeks alternative markets to expand its business, which has contracted due to falling in oil prices. The results of proposals submitted for projects in Sudan, Senegal and Kenya, as part of ouvertures into the African market, are expected in 2016. In addition, the company is following investments in Iran, a former export destination for the company.

Ceyhan Steel Structure Fabrication Plant

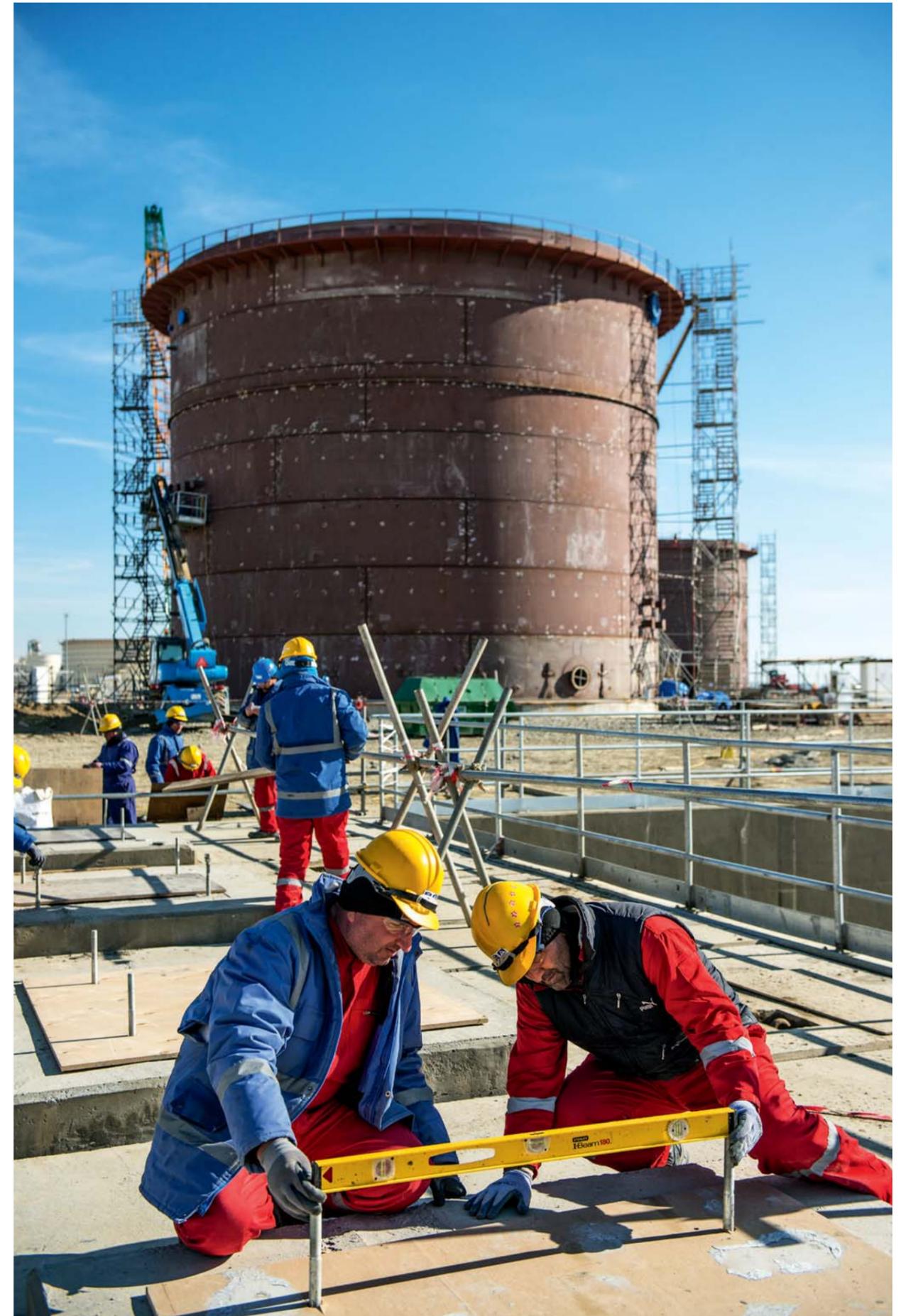
The Ceyhan Steel Structure Fabrication Plant was founded in 1993 to meet Tekfen Construction's steel structure needs in its mostly foreign operations. The plant produces steel structures for refineries, petrochemical complexes, power plants, sea terminals, oil and gas platforms, bridges and viaducts, among other projects. The company's equipment and expertise has allowed it to manufacture corrosive resistant, duplex, super duplex and carbon steel pipe spools since 2004. Its 160,000-m² plant has the capacity to manufacture an annual 30,000 tons of steel and 10,000 tons of pipe spools. To date, the plant has produced approximately 300,000 tons of steel.

The plant includes a welding school to train and certify technicians to international standards for Tekfen Construction. To a great extent, the school can meet the welding needs of Tekfen's construction sites. The plant operates to international

1,000 tons

The Derince plant has the capacity to manufacture and ship equipment weighing up to 1,000 tons.

Tekfen Manufacturing manufactures 8 prefabricated storage tanks for Tekfen Construction's Shah Deniz Stage 2 – Sangachal Land Terminal Project.





The Derince Plant can manufacture single units of eight meters in diameter and 60 m in length, and perform cold forging of up to 100 mm.

Contracting Group

standards and possesses the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environment Management System, OHSAS 18001:2007 Occupational Health and Safety Management System and the EN ISO 3834-2 Fusion Welding Quality Assurance Management certificates. Efficient operation at the plant is assured through a barcode system using production and cost control software at every step.

The Ceyhan Steel Fabrication Plant produced 800 tons of steel for domestic use at the Toros Tarım Samsun Plant, the TANAP project and Polimeks, and 600 tons for international use at the Azerbaijan Shah Deniz Project in 2015. In addition, it has been making oil platform modules for Brazilian contractors since 2009, to date concluding contracts for eight such projects and producing 5,300 tons of steel for three projects in 2015.

The P74 Floating Platform Processing Modules Production Agreement was signed with the TOYO-SETAL Consortium, EBR Estaleiros do Brasil, in July 2013 for the production of 11 modules totaling 2,872 tons. These modules were delivered in April 2014. An additional order was placed for 268 tons of steel and 62 tons of pipe-spool, for an aggregate of 330 tons, for a 93-m high flare tower. This order was delivered at the beginning of May 2015.

The P76 Floating Platform Processing Modules Production Agreement was concluded with the TECHNIP-TECHINT Consortium on 20 December 2013 for the construction of 16 steel modules totaling

6,450 tons and their delivery and assembly at the Iskenderun Port. This rose to 10,994 tons with additional orders from the client of 4,544 tons. The six parcels were delivered at the end of 2015. The final parcel, containing the ANA Pipe Bridge Modules, was delivered at the beginning of 2016.

The plant signed the Flare Tower Production Agreement for the P75 and P77 Floating Platforms with OGI Oil & Gas Inc. on 1 April 2014. The project, which encompassed the production of two, 93-m high flare towers weighing nearly 500 tons, was completed in October 2015 and delivered to the Iskenderun Port.

Bayil Steel Structure Fabrication Plant (Baku-Azerbaijan)

Tekfen Construction acquired the Cenup Tikinti Servis steel fabrication plant near Baku through privatization and invested significant amounts in its modernization. Cenup Tikinti Servis's role is to support Tekfen Construction's operations in the Caspian region and to meet the steel structure requirements of offshore projects. The plant's oil platform projects, which opened a whole new area of operations for the company, continued in 2015. Currently, the plant is fabricating a 15,919-ton production platform and a 11,312-ton living and service platform for BP Exploration (Shah Deniz Ltd.) as part of the Shah Deniz Stage 2 Project together with a 412-ton connecting bridge to join the two platforms. Simultaneously started in May 2014, both platforms are expected to be completed in 48 months.

The Ceyhan Steel Fabrication Plant includes a welding school to train and certify technicians to international standards for Tekfen Construction. To a great extent, the school is capable of meeting Tekfen's need for accomplished welders for its construction sites.

The Ceyhan Steel Fabrication Plant has been making oil platform modules for Brazilian contractors since 2009.



Health-Safety-Environment

By complying with international HSE-Q standards, the Tekfen Construction works to minimize the risk of harm to its personnel, third parties, the environment and property while maintaining its high-quality performance. It implements an effective HSE-Q Management System in every project to prevent accidents.

Tekfen Construction conducts these activities with the full support of management and undergoes annual inspections by an accredited third party (SGS, a leading global inspection, verification, testing and certification company). The company implements the Occupational Health and Safety Management System, the Environment Management System and the Quality Management System in line with the standards set by OHSAS 18001:2007, ISO 14001:2004 and ISO 9001:2008, respectively. Tekfen Construction has integrated the Occupational Health and Safety, Environment and Quality Management Systems, referring to them as the “Health-Safety-Environment and Quality (HSE-Q) Management System. The Company creates the resources necessary for the implementation, maintenance and continual improvement of the HSE-Q Management System and this system is an essential component of its business model.

Tekfen Construction determines job-specific duties, responsibilities and competence criteria and, when hiring or transferring people from another project, takes pains to ensure that they meet these criteria. From the standpoint of the health of all employees, job suitability and competence is a top priority for Tekfen. However, job fitness is only one side of the coin. Internalizing an HSE-Q culture is also crucial. Therefore, to engender such a culture, the company holds HSE-Q seminars extensively before and after starting a job. In 2015, 1.15/100 hours worked were devoted to HSE-Q seminars.

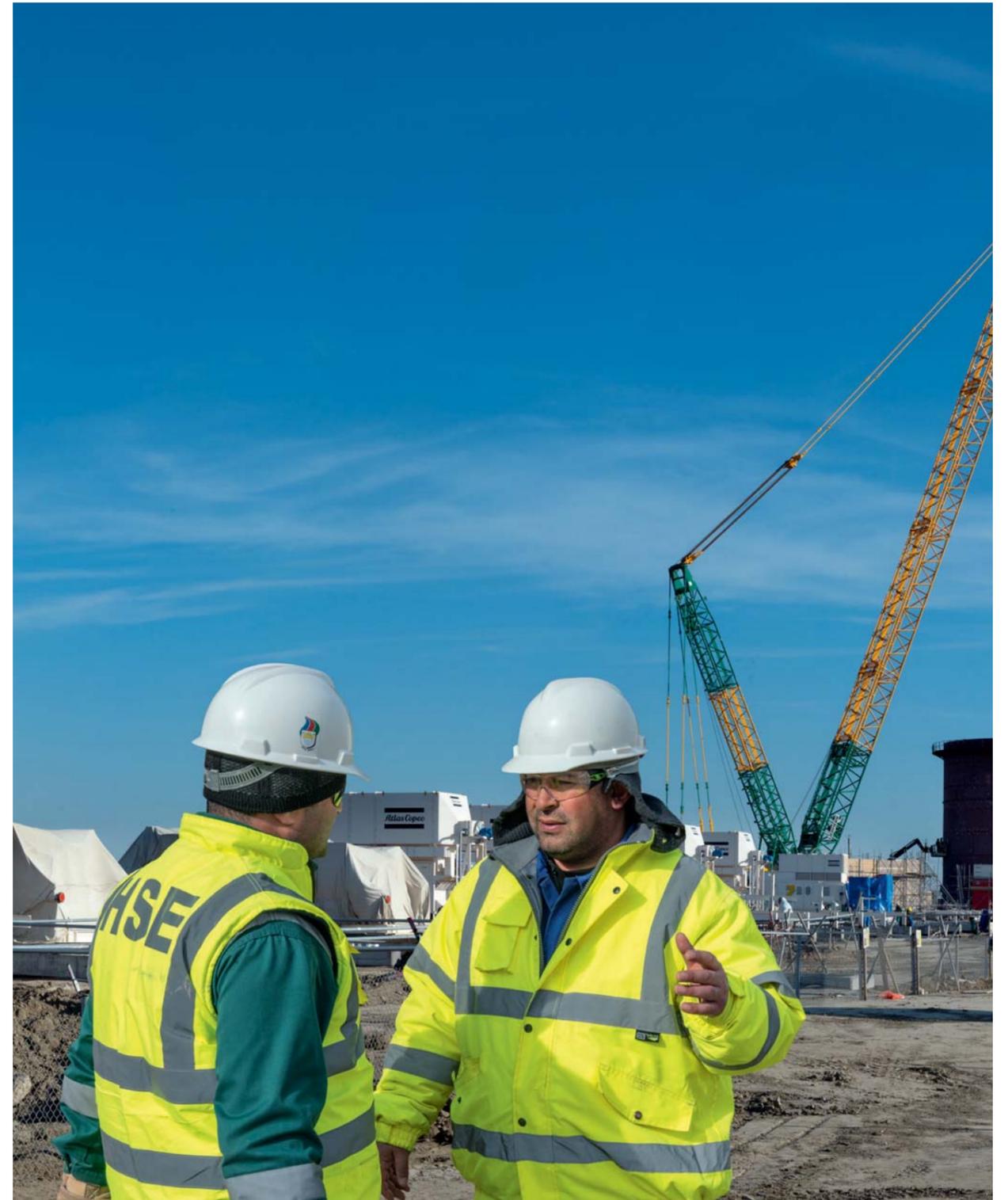
The company identifies possible emergency situations that could arise during operations and impact people or the environment and determines in advance how these could be dealt with. It prepares project and workplace-specific emergency situation plans and reviews emergency intervention procedures at regular intervals.

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

In 2015, the company clocked 50,336,007 man-hours with no fatal incidents. During the year, it had only eight incidents resulting in workday loss. Tekfen Construction’s Incident Frequency Rate and Total Recordable Injury Rate statistics, which are globally accepted measures of occupational health and safety performance, continued its falling trend in 2015.

50,336,007

In 2015, the company clocked a total 50,336,007 man-hours of work.



Tekfen Construction’s accident-free records in 2015:

- Baku Olympic Stadium Project** 21 million man-hours
- Shah Deniz Stage 2-Sangachal Land Terminal Project** 15 million man-hours
- Qatar North Road Side Roads and Additional Junctions Project** 13 million man-hours
- Shah Deniz Stage 2-Offshore Platforms Project** 10 million man-hours
- Sadara Propylene Oxide Plant Project** 10 million man-hours
- SOCAR Headquarters Project** 8 million man-hours





Agri-Industry Group
Executive Management

From left to right:
Aydın Erdemir
Vice President, Terminal
Services Marketing
Mehmet İçöz
Senior Vice President
Mehmet Nuri Sadıkoğlu
Vice President,
Marketing and Sales
Nejat Ersoy
Chief Financial Officer
Alper Tevs
General Manager
(Hishtil-Toros Fidecilik)

Tekfen Agri-Industry Group Profile

The Tekfen Agri-Industry Group is the sector's largest private corporation in terms of business volume, product and service portfolio, and market share. Operating under the brand name Toros Tarım, the group accounts for 43% of Tekfen Holding's total annual revenues.

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Founded in 1974, the Agri-Industry Group comprises of various business segments focusing on agricultural activities. Through mutually supportive investments, the group transforms opportunities into operations that are among the largest in its region. Toros Tarım, the group's flagship company, is one of the largest 65 industrial companies in Turkey. The company is present in three main areas:

Fertilizer production and marketing, seed production, techno-agriculture, and seedling production,

Terminal services in Ceyhan and Samsun,

Free zone and gas station management.

Toros Tarım is Turkey's fertilizer sector leader, with the country's largest share of national installed production capacity, and it has the capacity to meet a farmer's entire plant nutrient needs singlehandedly. It produces fertilizer at its three plants, in Ceyhan, Mersin and Samsun, and supplies farmers throughout Turkey via 1,218

dealers and authorized sales points. The company produces Ammonium Nitrate (AN), Diammonium Phosphate (DAP) and compound (NPK) fertilizers, and rounds out its portfolio with imports. Alongside conventional fertilizers, Toros Tarım's portfolio includes water-soluble specialty fertilizers and trace elements.

Since its founding, Toros Tarım has understood Turkey's agricultural development as a multidimensional process in which, as a matter of policy, the company plays an active role. This said, Toros' endeavours aim at increasing farmers' prosperity and enabling agriculture to assume its rightful place in the national economy. With the conviction that raising productivity and quality are essential to attaining this goal, Toros Tarım not only provides fertilizers, but also offers farmers a range of quality seedlings and seeds.

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

1,218

Toros supplies farmers throughout Turkey via 1,218 dealers and authorized sales points.



Toros Tarım is one of the largest 65 industrial companies in Turkey.

Since its founding, Toros Tarım has understood Turkey's agricultural development as a multidimensional process in which it plays an active role.

Terminal services is Toros Tarım's largest non-agricultural business. Toros Ceyhan Terminal, one of the most important international ports in the Eastern Mediterranean, was built in 1981 as part of the company's Ceyhan Plant to meet its own needs. The company subsequently expanded it to provide services to third parties. Meanwhile, Toros Samsun Terminal at the Samsun Plant, acquired through privatization in 2005, significantly augments the activities of the group because of the additional capacity it affords and its strategic location on the Black Sea.

Adana Yumurtalık Free Zone (Tayseb) is Turkey's first and only free zone for heavy-industry investments, such as chemicals, petrochemicals, iron-steel, power plants and cement factories. Starting operations under Toros Tarım in 1998, it occupies 5 km of coast line on the Iskenderun Gulf in Ceyhan, an emerging energy hub. Encompassing 4.5 million m², Tayseb is not only one of Turkey's largest free zones, but also ranks among the largest in the world.

2015: An Overview

IFA Conference meets for the 3rd time in Istanbul
The International Fertilizer Industry Association (IFA) 83rd Annual Conference was held 25-27 May in Istanbul. The conference host, Esin Mete, the Agri-Industry Group chairwoman at the time, was the IFA's retiring chair at the conference. The 1381 attendees from 72 countries discussed sustainable food production, food security, and fighting hunger and malnutrition, among other topics.

Agriculture in the World and Turkey

Food security is one of the most important issues today, as the availability of arable land shrinks and world population rapidly increases. Global warming and its consequences, such as heavy rains, heat waves, snow storms, tropical cyclones, and drought, have a growing impact on agriculture. Scientists consistently warn that, if global warming continues, such events, devastating as they are for crops, will only worsen. The 2015 United Nations Climate Change Conference (COP 21) held in Paris in December demonstrated a will to limit global warming to under 2°C, but eliminating the stresses on global agriculture in the foreseeable future looks impossible given the prevailing conditions. Furthermore, increasing geopolitical risks, mass migrations and global insecurity means agricultural land is inefficiently cultivated, having a detrimental impact on food production.

Policies and solutions to increase agricultural yields are becoming increasingly important in our world, where over one billion persons are at risk of hunger. Among the most significant measures for improving food security are ensuring sufficient consumption of plant nutrients and eliminating regional disparities.

A 60% increase in wheat production is possible through right and balanced fertilization, the Food and Agriculture Organization (FAO) concluded from 25 years' research in 40 countries. Good farming practices require the 4Rs (the right nutrient source, at the right rate, at the right time, and in the right place) combined with premium seeds that match local soil conditions while keeping pests and diseases in check.

Globally, the fertilizer industry produces 170 million tons of plant nutrients. The sector plays a key role in ensuring sustainable agriculture and food security, and this role will grow in importance as population pressures increase.

According to the International Grain Council (IGC) estimates, global grain production will have risen to 2,026 million tons in 2014-2015 season. Because the rise in production exceeded consumption, the decline in grain prices that began in 2013 continued in 2015. However, despite the drop in agricultural commodity prices, farmers maintained their level of fertilizer consumption with global nutrient-based fertilizer consumption holding steady at 182.7 million tons in 2014 and 182.6 million tons in 2015.

Policies and solutions to increase agricultural yields are becoming increasingly important in our world, where over one billion persons are at risk of hunger.

According to Eurostat, Turkey ranks in the top 5 European maritime freight handling countries.

In Turkey, after the drought and irregular rainfalls in 2014, there were record yields of basic food stuffs, especially wheat, due to improved climatic factors. 2015 is expected to have closed with an 18% increase in grain production to 38.6 million tons, a 3% increase in vegetable production to 29.5 million tons, and a 3.5% decline in fruits to 17.7 million tons over last year's yields.

Farmers' purchasing power decreased in 2015 due to the fall in prices of the basic foodstuff and the increase in fertilizer prices as a result of the rise in the USD/TRY exchange rate. The election climate in Turkey and expectations that VAT on fertilizers would be eliminated led to a postponement of purchases anticipated for the final quarter of the year. In spite of these drawbacks, fertilizer consumption in Turkey in 2015 is expected to have risen by 0.6% to 5.5 million tons.

4.7%

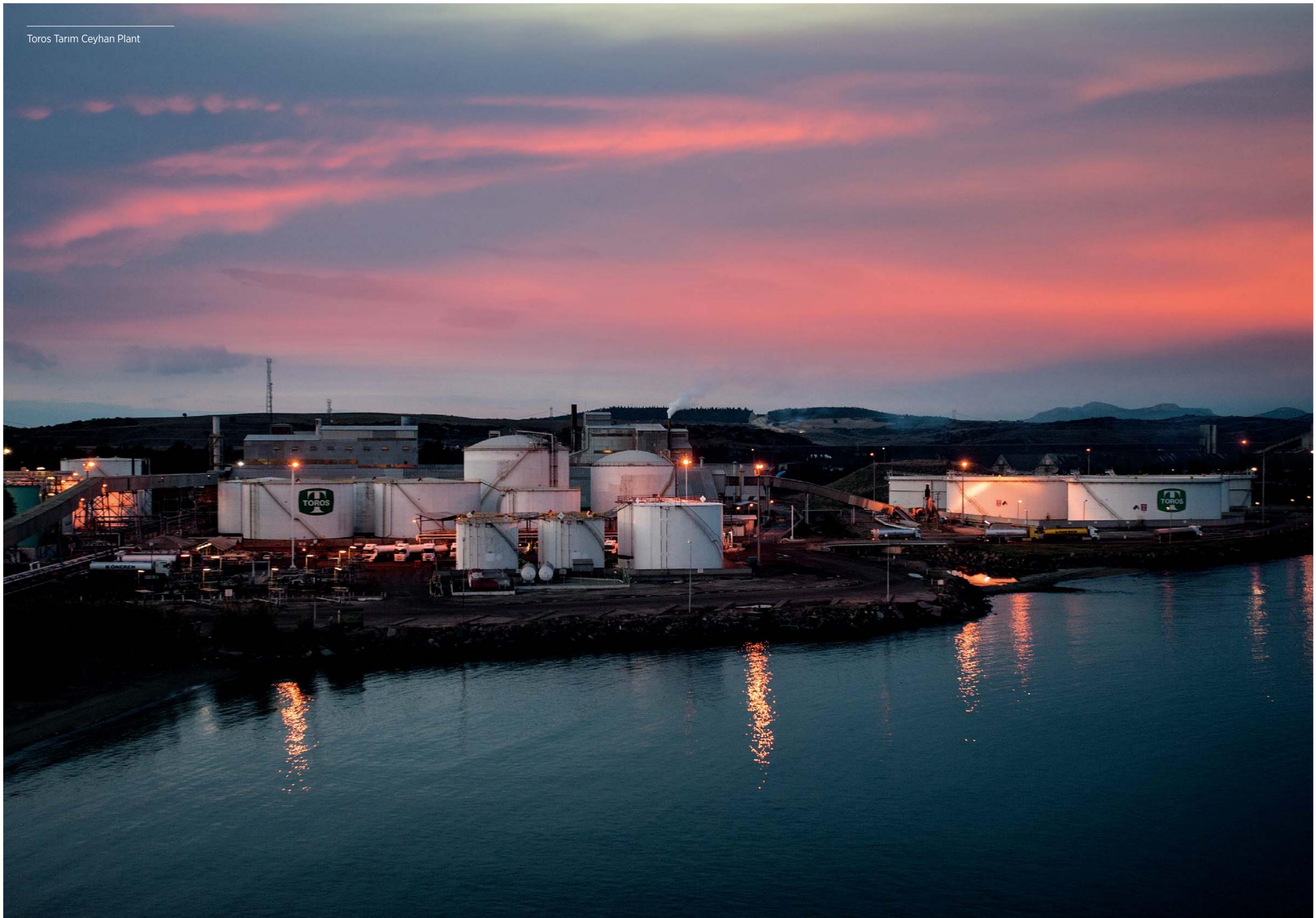
Terminal services are expected to grow by 4.7% between 2015 and 2020.

Port Management in the World and Turkey

2015 results are expected to show continued recovery due to general developments in sea freight handling and increasing demand.

This is despite the softer than anticipated recovery in the world economy following the global economic crisis and dampened growth in developing countries, particularly China. With the expansion of international trade and the development of new regional commercial centers, projections are for this trend to continue and terminal services to grow by 4.7% between 2015 and 2020. (Source: Global Marine Port and Service Industry 2015-2020: Trends, Forecast and Opportunity Analysis.)

Turkey's port management sector is strategically significant in the region. According to Eurostat, the EU's official statistics website, Turkey ranks in the top five European maritime freight handling countries. Total freight volume at Turkey's ports in 2015 is expected to have risen by 10% to 420 million tons.



Operations in 2015

Agri Segment

2015 was full of surprises for the agri-industry sector due to uncertainties stemming from Turkey's domestic agenda and from international market dynamics. Unexpectedly high increases in foreign exchange rates and national elections created unforeseeable market conditions in 2015. Toros Tarım's experience and its seasoned employees allowed the company to review and revise its plans and to adapt to the changing conditions throughout the year.

Fertilizers

Toros Tarım is Turkey's largest fertilizer manufacturer. Overall, the company operated at 85% capacity utilization rate at its Ceyhan, Mersin and Samsun plants, producing 1.4 million tons in 2015. Production fell 8% compared to that of the preceding year because of rehabilitation investments.

Toros Tarım has led the fertilizer sector in market share for many years. In 2015, the company had sales of 1.5 million tons, giving it a market share of 28%. Anticipation of a reduction in VAT, which was on the agenda before the November elections, encouraged dealers to postpone fertilizer purchases. This resulted in sales below expectations in 2015. The VAT on fertilizers was reduced from 18% to 1% and soon after altogether waived in February 2016. As a result, we expect sales to pick up in early 2016.

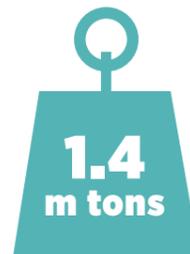
Toros Tarım has maintained its market leadership over the years through its robust logistics infrastructure and extensive dealer network, no less than through its production strength and dedication to quality. The company's 550,000-ton storage capacity is dispersed throughout the country, facilitating uninterrupted and timely delivery of its fertilizers wherever they are needed. Toros Tarım's extensive dealer network, which extends to the remotest corners of the country, is its strongest competitive advantage. The company has 1,218 dealers and authorized sales points around the country. Dealers and authorized sales points accounted for the majority of sales in 2015, as in previous years.

The Black Sea Fertilizer Trade Co. continued its operations in 2015. The company, a partnership between Toros Tarım and OCP, Morocco's largest state company, takes advantage of its Samsun Production Plant's strategic location to sell fertilizers to the Black Sea countries.

Toros Tarım expands its product portfolio to meet farmers' every need by importing products that it does not produce or to supplement its own production. Fertilizer procurement dropped by 36% in 2015 to 232,000 tons because of market conditions. Using a multiple logistics base approach, the Company unloaded imported products in regions where direct consumption is high, such as in Tekirdağ, İzmir-Aliaga and Antalya. This approach yields important savings in inland



Toros Tarım's dealer network, which extends to the remotest corners of the country, is its strongest competitive advantage.



Toros operated at 85% capacity utilization rate at its Ceyhan, Mersin and Samsun plants, producing 1.4 million tons in 2015.

Tübitak Supports New Seeds

Toros Tarım's project to develop wheat seeds compatible with Anatolia's agricultural conditions benefits from Tübitak's support. Inaugurated in 2013, the project is expected to be completed within seven years.





Investment in the future

Toros Tarım has strengthened its position in the agri-industry sector through making Tekfen's largest ever investment and at a time of global stagnation and as Turkey struggles to attain its growth goals. This US\$335-million investment in its Samsun Production Plant has minimized Toros Tarım's dependency on raw material imports and eliminated the Plant's natural gas and electric power needs through the clean energy it generates.

2015 fertilizer sales

Dealers 1,442,833 tons
Wholesalers 56,720 tons
Exports/Other 8,030 tons
Total 1,507,583 tons

transportation costs and, consequently, more affordable prices to the farmer.

Toros Tarım's US\$335-million investment at its Samsun Production Plant was completed and became operational at the end of 2015. Toros Tarım launched this investment in 2012 to reduce its dependency on intermediate material imports. The scope of the investment included a new plant to produce sulphuric acid, which is a basic raw material in the production of phosphoric acid, the expansion of phosphoric acid production capacity, and the rehabilitation of the compound fertilizer (NPK) plant.

acid production, the investment will meet all of the natural gas and electricity needs of the plant, thereby generating significant energy savings. It is expected that the clean energy produced will bring additional annual savings of US\$16.7 million in electric power and US\$5.3 million in natural gas imports.

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



The new plant will decrease the Company's import dependency by US\$88 million annually.

The plant will decrease the Company's import dependency by US\$88 million annually. This major reduction in Toros Tarım's importation of intermediate materials for fertilizer production will make a significant contribution to countering Turkey's current account deficit, which is the national economy's Achilles' heel. In addition, by recovering the heat energy created from sulphuric

Specialty Fertilizers

Specialty fertilizers are fully soluble plant nutrients used in advanced irrigation systems such as drip or sprinkler. Toros Tarım pioneered the development of this product group and it holds the lion's share of this market. The need to use water resources ever more economically

Capacity Utilization Rates at Toros Tarım Plants

Plant	Product	Capacity (1,000 tons/year)	2014 Capacity Utilization Rate (%)	2015 Capacity Utilization Rate (%)
Ceyhan	NPK	660	79	89
Mersin	AN26	660	96	101
Samsun	NPK / DAP	527	83	45
Combined		1.847	86	85

Agri-Industry Group

is expected to boost drip irrigation use and, consequently, foster a significant rise in demand for specialty fertilizers in Turkey. Therefore, specialty fertilizers hold enormous potential for Toros Tarım's long-term growth.

2015's poor weather conditions, including excessive rain and frost, had a negative impact on greenhouse production and specialty fertilizer consumption. Moreover, economic difficulties and geopolitical instability in countries importing Turkish agricultural products led to a decline in agricultural exports and a rise in financial impediments in the market. Under these conditions, Toros Tarım's 2015 sales of specialty fertilizers fell by 33% compared to those of the previous year to total 13,000 tons.

Seeds

Expanding certified seed production is essential for improving agricultural productivity and ensuring sustainable development. Accordingly, the Ministry of Agriculture encourages certified seed production through subsidies. To increase plant production, Toros Tarım offers Turkish farmers three wheat seed varieties developed by the Eastern Mediterranean Agricultural Research Institute. These seeds, Adana 99, Osmaniye and Karatopak, are high-yield, disease-resistant wheat seeds of high market value.

Toros Tarım also continues to breed wheat varieties with enhanced compatibility with the climates in Turkey's traditional wheat-growing regions. The company's project for that purpose—Breeding of Biotic and Abiotic Stress-Resistant, High Quality and High-Yield Wheat Varieties for the Various Ecological Regions in Turkey—continued in 2015. The Scientific & Technological Research Council of Turkey, Tübitak, has

supported the project since its inception in 2013. To develop drought-resistant varieties of wheat uniquely suited to Turkey, the project takes the genes of indigenous wheat which, though now wild, was historically farmed in Anatolia. In 2015, Toros Tarım applied to trademark the project's new varieties and initiated the approval processes.

Techno-agriculture

Toros Tarım understands that good quality seed is a pre-condition for a high-yield, high-quality crop. Therefore, its techno-agriculture facility, Agripark, specializes in tissue culture to produce disease-resistant seeds and seedlings. Founded in 2004 to provide Turkish farmers with high-quality, disease-resistant seeds, Agripark concentrates on producing disease-resistant potato seeds to counter major yield losses.

Potato farming holds a significant share of Turkish agriculture. Nevertheless, pests and diseases reduce yields by up to 40%. Agripark's disease-resistant potato seeds are a reliable, high-yield source for farmers.

Potato seed production remained the focus for techno-agriculture in 2015, which was a problem-free year for production. Potato seed sales remained at the same level compared with those of the previous year and the Company's underground potato seed store in Nevşehir continued to operate at full capacity in 2015.

Banana seedling production, another area of success for tissue culture techniques, continued in 2015. The further breeding of the Anamur banana, a variety endemic to Turkey, is not only beneficial to farmers, but it is also significant in reviving a local flavor that was in danger of extinction.

Agripark's disease-resistant potato seeds are a reliable, high-yield source for farmers.





27%

Total seedling sales in the year climbed by 27% to 113.7 million units.

Using GSPP-certified seeds or seedlings from Hishtil-Toros is the farmers' most effective assurance that their produce remains disease free.

Seedlings

Ready-to-plant seedling usage is spreading as farmers recognize its advantages. Already standard in greenhouses, the use of seedlings in open fields is increasingly popular. With annual production at over 3.5 billion, the ready-to-plant sector in Turkey has become extremely important in recent years.

Toros Tarım undertakes its seedling operations through Hishtil-Toros Fidecilik (HTF), a major brand in this sector. In addition to its 50 decares of high-tech greenhouses in Antalya, the company has invested in new greenhouses covering 15 decares near the watermelon growing areas of Adana. Through this investment, which became operational in 2015, total seedling sales in the year climbed by 27% to 113.7 million units.

HTF's high-quality, disease-free seedlings offers farmers reduced input risks and, consequently, higher incomes. The company implements the recently developed and globally practiced Good Seeds and Plants Protocol (GSPP) in the majority of its greenhouses to prevent diseases and pests that cause enormous annual losses to Turkey's agricultural production. GSPP-accredited companies are required to rigorously follow rules and standards to keep their seeds and seedlings disease free. Using GSPP-certified seeds or seedlings is the farmers' most effective assurance that their produce remains disease free.

Hishtil-Toros' new greenhouses covering 15 decares near the watermelon growing areas of Adana became operational in 2015.

Terminal Services

Terminal services is Toros Tarım's second largest area of operations after fertilizer in terms of volume of business, revenues and profitability.

Its Toros Ceyhan Terminal has grown steadily since its construction in 1981 at the Ceyhan Plant to meet Toros Tarım's own logistic needs. During the 1990s, the company increased the terminal's capacity in anticipation of expanding operations. Moreover, the terminal's favorable location and the general foreign trade conditions proved conducive to serving third parties. Hence, a new business segment emerged within the Group. Today, Toros Ceyhan Terminal is the second largest port in the Eastern Mediterranean Gulf of Iskenderun.

Toros Ceyhan Terminal has two jetties with eight births and a ro-ro jetty. The terminal can handle liquid bulk, dry bulk and general cargo vessels between 40,000 and 110,000 DWT. The facilities provide a wide range of services, including the unloading, loading and storage of general cargo, special project freight, petroleum products, liquid chemicals, bulk grain, foodstuffs, coal, petroleum coke, clinker, and a variety of industrial ores, minerals and mining products. It also offers warping, dolphin, pilotage, tugboat, shipping, garbage collection and water supply services.

2015 was an excellent year for the Toros Ceyhan Terminal, in part due to the raw material and finished product traffic created by a newly operational cement plant in the nearby Tayseb Free Zone. Moreover, despite general stagnation of the market, operations were bolstered



From a Pier to a Port

Toros Ceyhan Terminal, which Toros Tarım built in 1981 to meet its own logistic needs, is now one of the most important ports in the Eastern Mediterranean.



by the geopolitical situation in the Eastern Mediterranean. The bulk product handling volume and the occupancy rates of petroleum products at the terminal also climbed. The company plans further investments in the terminal to exploit its potential and to increase its capacity. These investments encompass two additional cranes to raise the handling capacity of the existing berths and lengthening jetties to accommodate vessels of greater tonnage.

Toros Samsun Terminal, the company's second terminal facility, has the same structural capacity as Ceyhan for discharging dry bulk and liquid products. Toros Samsun Terminal has a dry bulk handling capacity of 14,000 tons/day via two berths. Vessels up to 55,000 DWT can dock at the terminal, which also has pipelines for loading and discharging liquid chemicals. The terminal currently runs at low capacity as the Black Sea region accounts for only a small portion of Turkey's terminal operations.

However, increasing trade volume between Turkey and other Black Sea countries ensures Toros Samsun Terminal has great potential.

The total handling volume at the two Toros terminals increased in 2015 by 21% to 6.5 million tons. Excluding petroleum products, the terminals handled 5.6 million tons, representing a 27% increase over that of 2014.

Despite lower than expected demand for storage leasing, attributable to the global uncertainties in petroleum products in recent years, which works to the detriment of the players in the market, there was still an increase in the occupancy rate of petroleum products in 2015 over 2014.

6.5M

The total handling volume at the two Toros terminals increased in 2015 by 21% to 6.5 million tons.

With its convenient location and transportation facilities, Tayseb offers major logistic and strategic advantages to industrial companies seeking free zone incentives.

23%

Tayseb's leased area in 2015 increased by 23% to 1.78 million m².

Free Zone Management

Close to Toros Tarım's production facilities in Ceyhan, Adana Yumurtalık Free Zone (Tayseb) is one of Turkey's largest free zones and the country's first free zone for industrial companies. Established in 1998, it has 4.5 million m² of completed infrastructure.

With its convenient location and vast transportation facilities, Tayseb offers major logistic and strategic advantages to industrial companies seeking free zone incentives. The adjoining Ceyhan Energy-specialized Industrial Zone is expected to draw major investment, making Tayseb even more attractive in the coming years. The free zone also provides terminal services to its tenants through the Toros Terminal.

Turkey's first cement plant in a free zone began operations in October 2014 under Tayseb auspices, indicating the interest industrial companies have in Tayseb. Tayseb's leased area in 2015 increased by 23% to 1.78 million m².

Social Responsibility

Toros Tarım's social responsibility projects nurture Turkey's agricultural development, raise living standards in the agricultural sector, and improve the educational infrastructure in the company's operational regions.

Toros Tarım believes that success grows not only through commercial achievements and performance, but also through social sharing. Since its founding, Toros Tarım has prioritized raising farmers' awareness of good farming practices. The company shares its fund of knowledge widely through publications, documentaries and television programs and it collaborates with the Ministry of Agriculture and universities to support Turkish agriculture.

Balanced Fertilization with Right Fertilizers

A major ongoing Toros Tarım social responsibility project is the Balanced Fertilization with Right Fertilizers Project initiated in collaboration with the Ministry of Agriculture in 2012. Conducted in various provinces and districts of Turkey in conjunction with engineers from the Ministry, the goal is to instruct farmers in the balanced use of the right fertilizers to obtain optimum yields. The project achieves this through field trials demonstrating the correlation between variations in fertilizer usage and yields. More specifically, farmers are asked to fertilize a plot of land as they choose while adjoining plots are treated with the optimum type and quantity of fertilizer. The farmers can then observe the difference in yield.

Trials were conducted in the growing seasons between 2012 and 2015 in 70 districts, involving wheat in 51 districts, corn in 14, cotton in 4, and sunflowers in one. The yields achieved, the produce obtained from the soil, and certain quality measurements were shared at presentations at the 6th and 7th National Plant Nutrition and Fertilizer Conventions and National Irrigation Conventions, and via scientific publications. In addition, the trial results were shared with farmers via agriculture-related programs broadcast on television channels, such as TRT, Köy TV, Bereket TV, Tarım Türk, Kon TV and Kayseri TV. To disseminate trial results effectively, the company organized training sessions at district-level Field Days, drawing hundreds of farmers and agricultural engineers.

Improving the Health of Seasonal Workers and Their Families

Toros Tarım extends its social responsibility activities to various projects that address the problems of farm workers and their living conditions. The joint United Nations Population Fund-Harran University program to Improve the Health of Seasonal Workers and Their Families, conducted in collaboration with the Ministry of Health, was one such project. It tackled the social rights and health conditions of Turkey's seasonal migrant farm workers, particularly those of women farmers and their children.

Toros Tarım shares its fund of knowledge widely through publications, documentaries and television programs and it collaborates with the Ministry of Agriculture and universities to support Turkish agriculture.



Toros Tarım took part in this project from 2013-2015 as its main financial sponsor. The project developed intervention programs for its target groups, which otherwise had insufficient access to health services. Toros Tarım was also active in the program's public relations efforts for the three years. In 2015, the company sponsored a documentary on seasonal farm workers. Broadcast on İZ TV, there are plans to reach the target audience through local television channels in 2016. The project was completed in 2015 and, on conclusion, it was turned over to interested ministries as a pilot project.

The benefits of Zinc

In 2015, Toros Tarım prepared an animated film about the benefits of zinc fertilizers on human health.

As it does every year, Toros Tarım continued to meet the maintenance, repair and general needs of the Toros Tarım Anatolian High School in Ceyhan and the Toros Tarım Primary School in Sarımaza in 2015.



Real Estate Development Group

Profile

The Tekfen Real Estate Development Group engages in investment, project development, construction and facility management in the real estate sector. It carries out high-quality, innovative projects that add value to the city and blend into the urban fabric.

Tekfen Real Estate Development has earned respect and trust in the sector. Since its founding in 2000, it has completed many pioneering projects. Projects exemplifying the brand's values of quality include Akmerkez, Tekfen Tower, Taksim Residences, Tekfen Yalıkavak Homes, Bodrum Gümüşlük Homes, Levent Ofis, Kâğıthane OfisPark and Tekfen Bomonti Apartments.

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

Tekfen Real Estate Development places great importance on detail in its aim to create customer satisfaction. Accordingly, it sees investment, project development, design, construction and facility management as a whole, and provides integrated services for all these areas.

Within the group, Tekfen Real Estate Development & Investment undertakes project development and management services, while Tekfen Tourism & Facilities Management (Tekfen Services) provides facility management services.

Another of the group's priorities is the sustainability of its projects, from design to management. Maintaining green building standards, which emphasize energy efficiency, is a key goal for the group. The Tekfen Real Estate Development Group uses Leadership in Energy and Environmental Design (LEED) criteria, developed by the US Green Building Council (USGBC), as the basis for all of its projects. It pioneered the sector through implementing Turkey's first green building projects. Moreover, the HEP Istanbul project in Esenyurt, which is currently under construction, is the area's first residential project in line to receive LEED certification. Tekfen Real Estate Development is also a founding member of Çedbik, the Turkish Green Building Council, established in 2007.

Tekfen Tourism & Facility Management undertakes the management of completed projects. Operating as Tekfen Services, it provides maintenance, cleaning and security services and manages parking lots, conference halls, restaurants and fitness centers. The company also operates S Café & Brasserie at Istanbul's prestigious Akmerkez shopping mall.

Real Estate Development
Group Executive
Management

From left to right:
Ülkü Tatlıdil
Chairman of the Board
(Tekfen Real Estate
Development)

Şebnem Kefeli
Chairman of the Board
and General Manager
(Tekfen Services)

Ömer Egesel
General Manager
(Tekfen Real Estate
Development)

**Designed by Emre Arolat
Architects**, the Izmir
Mixed-Use Project will
become a major landmark
on the city skyline.



2015: An overview



Political uncertainty created by four elections in two years and unfavourable developments in global markets made their mark on the Turkish real estate market. While markets did well in the first half of 2015, the uncertainty arising after the June general elections resulted in a market turnaround in the second half of the year. The general elections held on 1 November 2015 reestablished political stability.

The sluggishness in Turkish real estate markets, particularly in the first six months of the year, was mitigated by a cautious recovery in the fourth quarter, with the housing sector tentatively leading the way.

According to Turkish Statistics Institute data, housing sales grew by 10% in 2015 to 1,289,320 units. While the most housing sales occurred in Istanbul

(239,767 units), housing sales to foreigners climbed 20.4% over the previous year to 22,830 units. With this increase, the share of housing sales to foreigners in total housing sales rose to 1.7%.

Monthly housing loan interest rates of 0.9% in the first three months rose above 1% in the third quarter, approaching 1.25% at the end of September then dropping marginally in December to 1.1%.

The Istanbul office market performed poorly in 2015. While demand for leased office space increased in the second half of the year, performance lagged significantly behind that of 2014. In the first three quarters, leasing in the Istanbul A-class office market plummeted 50% compared to that of the same period the year before. On the other hand, the decline in office

1,289,320

Housing sales grew by 10% in 2015 to 1,289,320 units.

Operations in 2015

HEP Istanbul is on the intersection of the E5 and E6 motorways in Istanbul's most rapidly developing district of Esenyurt.

leasing resulted in companies operating out of old buildings moving to new ones because of concern over earthquake risks.

At the end of 2015, Turkey's total leasable space in shopping centers reached 10.3 million m² distributed over 350 locations. Shopping center development projects are expected to grow significantly between 2015 and 2018, with total stock at the end of 2018 projected to reach 12.8 million m² in 420 shopping centers. As of the end of 2015, there were 104 shopping centers in Istanbul, 31 of which were under construction.

Tekfen Real Estate Development

In September 2015, Tekfen Holding signed a letter of intent with the US-based fund management company Amstar Global Partners to collaborate in real estate investments. The letter of intent signed with Amstar Global Partners, which manages assets in international markets worth US\$2.3 billion, encompasses the development of new housing and office projects in partnership with our company.

Tekfen-Amstar Global Partners will purchase and develop property and real estate in Turkey, predominantly in Istanbul, on an equal basis between the two partners. Tekfen Real Estate Development will act as developer and general contractor in the projects.

HEP Istanbul

Tekfen Real Estate Development Group focused on the HEP Istanbul housing project, under construction in Esenyurt, Istanbul, in 2015. Occupying a construction site of about 57,000 sqm, the 253,000 sqm HEP Istanbul Project was launched in October 2014 with the slogan The Home of My Life (Hayatımın Evi Projesi). HEP Istanbul is on the

intersection of Istanbul's most rapidly developing districts of Avcılar, Beylikdüzü and Esenyurt. Valued at TRY600 million, the project, designed by CM Mimarlık, is Tekfen Real Estate Development's largest project ever. As of the end of 2015, sales contracts had been concluded for 808 apartments (87,054 sqm), totaling TRY229.5 million in sales.

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

At affordable prices, HEP Istanbul is accessible to middle-income customers. It offers living space that is well planned down to the smallest detail and environmentally friendly. Like in Tekfen Real Estate's previous projects, this one will possess the LEED Green Building Certificate. According to a survey conducted amongst clients, 50% of sales were for investment purposes while 30% accounted for both residential and investment purposes. This breakdown is a clear indicator of the confidence felt in the brand and the project. The construction of the project began in January 2015 and delivery to homeowners is slated for April 2017.



Izmir Mixed-Use Project

The Izmir Mixed-Use Project is a major investment project scheduled to start at the end of 2016. A joint venture between Tekfen Real Estate Development and Rönesans Real Estate Investment Group, the project is at the intersection of the Bayraklı, Konak and Bornova districts of Izmir, one of Turkey's most rapidly developing urban areas. It will consist of a mixed-use residential, office and shopping center development on a site covering about 43,000 sqm. The 270,000 sqm project will have 140,000 sqm of sellable/leasable space and it will be among Izmir's largest real estate development projects.

Designed by Emre Arolat Architects, the Izmir Mixed-Use Project will become a major landmark on the city skyline and an important meeting point for Izmir. Construction of the project is to begin in the first quarter of 2016 and is scheduled for completion at the end of 2018.

Tekfen Services

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

Tekfen Services aims at creating value in the rapidly growing after-sales market, where the importance and value of quality has yet to be fully recognized, through its commitment to the principle of absolute customer satisfaction. The company offers its customers maintenance, repair, cleaning and security services in addition to providing facility management services for parking lots, conference halls, and fitness centers.

Izmir Mixed-Use Project, Konak

808

As of the end of 2015, sales contracts had been concluded for 808 apartments.

According to a survey conducted amongst clients, 50% of sales were for investment purposes while 30% accounted for both residential and investment purposes. This breakdown is a clear indicator of the confidence felt in the brand and the project.



Everything is meticulously planned to the smallest detail to ensure 'good living' in HEP Istanbul.

Tekfen Services made a major effort in 2015 to improve the energy efficiency of the buildings it manages. Accordingly, it made the transition to LED technology, which provides the most energy-efficient and environmentally-friendly lighting. The company has deployed it in landscaped areas, façades, eaves, and the interior of the offices and residences it manages, beginning with Tekfen Tower. This transition, made with no compromise to decorative and architectural design, not only improved the quality of lighting of interiors, but also provided a monthly saving of approximately 100,000 kWh.

As part of the energy efficiency drive launched in 2015, a detailed energy study of Tekfen Tower was done to understand how energy is consumed and how it can be improved. The study also sought to locate energy efficient points and measure the efficacy of the improvements made. Hence, the first step was taken to create an Energy Identity Certificate, which will be mandatory for all buildings as of 2017.

Tekfen Services made a major effort in 2015 to improve the energy efficiency of the buildings it manages.

Other Activities



Cotton yarn, Papfen

Other Activities

Profile

Tekfen Group's strategy is to concentrate its resources and investments in areas where it has the greatest expertise. Consistent with this, its main areas of operation are contracting, agri-industry and real estate development. We categorize all other areas of operation as "Other Activities."

Operations in 2015

Tekfen Insurance Brokerage

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

Tekfen Insurance's corporate insurance expertise delivers the most comprehensive insurance coverage possible at the best premiums and terms of payment to Group companies operating in Turkey and abroad. The company also meets the personal insurance needs of Tekfen employees with the same meticulousness. Tekfen Insurance provides consultancy, damage services and after-sales support in personal and corporate insurance.

Tekfen Industry

Tekfen Industry and Trade Co. Inc. was founded in 1963 with Turkish capital to manufacture lightbulbs, becoming Turkey's first and only domestic lightbulb producer. The company, which also made insecticides, has operated for 51 years. Increasing competition in the sector, declining rates of profit and increasingly

delayed payment terms led Tekfen Industry ceasing active commercial activity at the end of 2015.

To maintain the brands "Tekfen" in the lighting sector and "Fentox" in the insecticide sector, trademark use rights were ceded to a distributor. Tekfen Industry remains in name only, functioning as a collector of revenues derived from licensing the trademarks.

Papfen

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

The Papfen plant has an annual production capacity of 4000 tons and it is exemplary in Uzbekistan for its modern facilities, technology and operating standards. It is certified under the ISO 9001 Quality Management System. The plant's yarn is sold in Uzbekistan and exported to Turkey, Belarus and Russia.

In line with Tekfen Group's strategy of focusing on its main business areas, negotiations with potential buyers are ongoing.

Other Activities Group Executive Management

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



"Ertuğrul," a Turkish-Japanese film production at Antalya Studios.



Antalya Studios

Antalya Studios was established in 1997 and became operational in 1998 to serve domestic and foreign film producers. With an area of 186,000 sqm and the beautiful scenery of the Toros Mountains in the backdrop allowing for outside shooting as well, it is one of Europe's largest film sets.

The studio is equipped with 3 halls, two of which can be merged into one 3,000 m² soundproof studio and a number of workshops suitable for the various needs of the production crews.

Antalya Studios hosted the shooting of many important scenes of the feature film "Ertuğrul," a Turkish-Japanese production commemorating the 125th anniversary of the tragic sinking of the Ertuğrul frigate during a visit to Japan. Under Tekfen's strategy of concentrating on its key business areas, efforts to sell or secure the Studio's long-term lease to an investor continued.



Corporate Social Responsibility

Tekfen, as a corporate citizen, plays a role in society wherever it operates. It strives to achieve sustainability and, in addition to its commercial activities, it works to improve society. Tekfen channels a portion of the revenue it generates into ways that benefit society. For the Company, this involves conducting various corporate responsibility projects in the areas of education, culture and the arts, and sustainable development.

Tekfen founded the Tekfen Foundation in 1999 to be its lead agency in the Company's corporate social responsibility work and to fulfill the Holding's obligations to create a livable future. In 2004, the Council of Ministers officially approved Tekfen Foundation's status as an Institution Working for the Public Good. Tekfen's social responsibility projects are not limited to Tekfen Foundation, but are also undertaken by individual group companies. In total, Tekfen Group companies donated TRY638,275 to various social responsibility projects in 2015.

Education

Scholarships for High-Achieving Youth

Tekfen Foundation provides grants to successful but financially needy high school and university students studying in Turkey as well as to the children of Tekfen employees to enable them to further their education. To date, over 2,000 students have graduated with Tekfen Foundation support and, in the 2014-2015 academic year, 500 students received scholarships. Tekfen Group companies provided 42 scholarship students with internships at in 2015.

Tekfen Foundation is a sponsor of the College of Europe Master's Scholarship Program, which the Turkish Ministry of

European Union Affairs initiated in 2010. The aim of the program is to fully equip Turkish students for the roles of EU specialists and Eurocrats to respond to public and private sector needs arising from Turkey's European Union accession. The Foundation met the educational expenses of one master's student at the College of Europe for the 2014-2015 academic year.

Tekfen Foundation also enables promising, young musicians to further their education abroad. The young cellist Nil Kocamangil is pursuing her studies for a master degree in France with Tekfen Foundation support. Kocamangil is one of only six talented musicians the famous French cellist Gautier Capuçon accepts each year to study in his Superior Talent in the Cello Class. She is also studying as concertiste with the string quartet Quatuor Hadés in Prof. Miguel da Silva's class and in the Trio Milhaud in Prof. Itamar Golan's master class.

Hand-in-hand with Autistic Children

Tekfen Foundation is working to deliver suitable education to autistic children in Turkey, where only 21,000 of the estimated 125,000 autistic children attend special schools. To this end, the Foundation collaborated with the Tohum Autism Foundation to set up a special education center in Ceyhan, Adana. The Center opened in 2014 and the children

2000

To date, over 2,000 students have graduated with Tekfen Foundation support.

Tekfen Foundation
Board of Directors

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



Tekfen Foundation enables promising, young musicians to further their education abroad. Cellist Nil Kocamangil, one of only six talented musicians the famous French cellist Gautier Capuçon accepts each year to his Superior Talent Cello Class, is pursuing her studies for a master degree in France with Tekfen Foundation support.



and teachers celebrated World Autism Awareness Day on 2 April 2015. On that day, Tekfen also helped call public attention to autism by joining the Light it Up Blue campaign, launched by the US-based Autism Speaks organization, with suitable lighting of Tekfen Tower.

Team Turkey Sponsorship

Tekfen Foundation sponsored Team Turkey, Turkey's representative at the World Schools Debating Championship, held by the English-Speaking Union (ESU) in 2015. The ESU is an independent educational association operating in over 50 countries worldwide. It was founded after World War I to spread the English language and mutual understanding so as to prevent war from ever happening again. At a time when English is growing as the international language, the ESU aims to create an environment of mutual understanding where young people can engage in a global dialogue with one another.

EnterPrize Entrepreneurship Competition

Tekfen Foundation demonstrated its confidence in youth by becoming a silver sponsor of EnterPrize, Bosphorus University's Management and Economics Club's entrepreneurship competition, held for the second year in 2015.

The competition evaluated young entrepreneurs' ideas on the basis of ethics, market potential, financial benefit, sustainability, social impact, innovativeness, added value and other criteria. The competition received 296 applications from across Turkey. The top three projects received a cash award and the opportunity to make presentations to investors in Silicon Valley.

Culture and the Arts

Tekfen Philharmonic Orchestra

The Tekfen Philharmonic Orchestra has been a major cultural ambassador, giving concerts in Turkey and abroad since 1992. It is one of Tekfen's most important social contributions to culture and the arts. Starting out as a chamber orchestra with musicians from 11 countries, it has grown into the Tekfen Philharmonic Orchestra of musicians from 23 countries, including those from the Black Sea, the Caspian Sea and the Eastern Mediterranean, and become a cultural bridge of friendship between three seas. The orchestra's special repertoire includes indigenous instruments from the regions, creating a unique cultural mosaic.

The Tekfen Philharmonic gave its first concert of 2015 on 6 February at the Lütfi

Kırdar Convention and Exhibition Center, Istanbul. Under the direction of guest conductor Darrell Ang from Singapore, the Orchestra accompanied the famous pianist Elena Bashkirova. The orchestra gave its second concert, under the direction of the British guest conductor James Judd, on 30 November in honor of the Nobel Prize-nominated Turkish novelist, Yaşar Kemal. The concert's rich program brimmed with the local and the universal, which included lamentations penned by Kemal, and excerpts from Zülfü Livaneli's Yer Demir, Gök Bakır (Iron Earth, Copper Sky, a cinematic take on Kemal's novel of the same name), the Soviet-Azeri composer Gara Garayev, Turkish composer Adnan Saygun, the Teneke Opera, and acclaimed Turkish concert pianist Idil Biret's renditions of various Beethoven pieces. Doğan Hızlan, the veteran Turkish arts critic, characterized the concert as a musical reading of Kemal. Based on Kemal's work Teneke (The Drumming-Out), the Teneke Opera was first staged at Milan's shrine to opera, La Scala, in 2007. The Tekfen Philharmonic was the first to perform excerpts from the opera in Turkey.

14th Istanbul Biennale

Tekfen Foundation was a sponsor of the Biennale is on Büyükdada, part of the Istanbul Foundation for Culture and Arts' 14th Istanbul Biennale, held in 2015. Entitled Salt Water: A Theory of Thought Forms, the Biennale was distributed between more than 36 locations and involved over 80 participants and 1,500 works. Attendance at the Istanbul Biennale grows each year and it has become a major global culture and arts event. In 2015, the Istanbul Biennale drew a record-breaking 545,000 visitors.

Ziyaret Tepe

Tekfen Foundation's interest in protecting cultural heritage is expressed through its sponsorship of the Ziyaret Tepe Tumulus excavations in Diyarbakır province. Ziyaret Tepe Tumulus holds the ruins of Tuşhan, a center of the Assyrian Empire on the Tigris. The excavations ended in 2014, but the Foundation has extended its support into 2015 to include publication of a book about the archaeological site.

Sustainable Development

Soma Microcredit is Operational

Tekfen Foundation helps women create alternative sources of income through a microcredit support program launched in the aftermath of the mining disaster that occurred in the western Turkey town of Soma in May 2013. By the end of 2015, 300 women had received microcredit from the Tekfen Foundation Soma Microcredit Branch, which started operations on 17 November 2014 under the Turkey Grameen Microfinance Program.

Tekfen Group has used its own resources to create a market for women using microcredit under the program. Participants at the 6th Memorial Service for the victims of the Ertuğrul frigate shipwreck held by Tekfen Founder and Honorary Chairman Ali Nihat Gökyiğit at the Nezahat Gökyiğit Botanical Garden were given cherry blossom brooches crocheted by women from Soma. At the Feast of Ramadan, all Tekfen employees were given strawberry jam made by women from Soma.

In 2016, the focus of the Program will be expanded beyond central Soma to include villages particularly affected by the mining accident.

300

By the end of 2015, 300 women had received microcredit from the Tekfen Foundation Soma Microcredit Branch.

Tekfen Philharmonic gave a concert, in honor of the Nobel Prize-nominated Turkish novelist, late Yaşar Kemal on 30th November 2015. The orchestra was the first to perform excerpts from Teneke an opera first staged at La Scala in 2007 based on Kemal's work of the same name (The Drumming-Out). Doğan Hızlan, the veteran Turkish arts critic, characterized the concert as a musical reading of Kemal.



In 2015, Tekfen Foundation focused on projects in the areas of education, culture and the arts, and sustainable development.



Tekfen Holding
Corporate Affairs
Management Team

From left to right:
Hakan Dünder
Audit Manager
**Assoc. Prof. Osman
Reha Yolalan**
Vice President,
Corporate Affairs
Çağlar Gülveren
Investor Relations &
Corporate Governance
Coordinator

Corporate Governance

Board of Directors Members' CVs

Murat Gigin Chairman of the Board and CEO

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

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

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

Active in a number of NGOs, Gigin was chairman of the International Pipeline and Offshore Contractors Association (IPLOCA) between 1995 and 1996 and he is presently on the Board of Trustees of the Turkish Foundation for Combating Soil Erosion, for Reforestation

and Protection of Natural Habitats (TEMA), and on the boards of Akmerkez REIC, Kategori Mağazacılığı Derneği (KMD), the European DIY - Retail Association (EDRA) and the Global Home Improvement Network (GHIN).

Cansevil Akçağlılar Vice Chairwoman and CEO

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

Ali Nihat Gökyiğit Founding Honorary Chairman and Board Member

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

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

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

Corporate Governance

Kyrgyzstan and an honorary citizen of Georgia. He is currently an honorary member of DEİK and a member of TÜSIAD.

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

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

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

Assoc. Prof. Ahmet İpekçi Board Member

Born in Istanbul in **1944**, Ahmet İpekçi graduated from the Academy of Economic and Commercial Sciences in 1968 and he gained his PhD from Istanbul University School of Economics in 1972. In 1977, he became Associate Professor at Istanbul University School of Management.

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

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

companies, such as Tekfen Construction and Toros Tarım. In April 2014, Ahmet İpekçi joined the Board of Tekfen Holding.

Dr. M. Ercan Kumcu Board Member

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

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

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

Erhan Öner Board Member, Chief Advisor

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

He began his career as a Project Engineer at Tekfen Construction in 1969. Over 46 years, he has served on the boards of several Group companies. He held the positions of General Director of Tekfen Construction and Toros Tarım and, between 2000 and 2013, served as Present and CEO of Tekfen Group of Companies. He is currently Chief Advisor for Tekfen Holding and on the boards of several Group companies.

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

Sinan K. Uzan Board Member

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

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

Prof. Emre Gönensay Independent Board Member

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

Gönensay was a faculty member in the Departments of Economics at LSE between 1964 and 1967 and Bosphorus University between 1967 and 1992. He was Dean of the Faculty of Economics and Administrative Sciences at Bosphorus University between 1971 and 1976, and

Economic Advisor, along with Prof. Sir Alan Walters, to the then British Prime Minister between 1980 and 1983. He served as Ambassador-at-Large and Chief Advisor to the Prime Minister in 1992, Ambassador-at-Large and Chief Advisor to the President of Turkey in 1993, and Ambassador-at-Large and Chief Advisor to the Prime Minister of Turkey in issues of the Economy and Oil Pipeline Policies Coordination between 1994 and 1995. He was elected to Parliament in 1995 and served as Minister of Foreign Affairs in 1996.

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

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

Gönensay was appointed Honorary Ambassador to the European Union in 2003 by the Ministry of Foreign Affairs. He has been Professor of Economics since 2004 at the Faculty of Economics and Administrative Sciences at Işık University.

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

Prof. Ahmet Çelik Kurtoğlu Independent Board Member

Born in **1942** in Ankara, A. Çelik Kurtoğlu graduated in 1965 from the Department of Economics and Finance at the Faculty of Political Sciences at Ankara University, where he began his academic career. He gained his master's degree from Cambridge University and did post-doctoral research at Yale University. Kurtoğlu retired from his position as Professor of Economics at the Faculty of Economics at Istanbul University in 1995. Between 1997 and 2006, he was a faculty member at Galatasaray University.

Kurtoğlu served for a time as international economic relations advisor to the Ministry of Foreign Affairs. He worked as research director at the OECD Development Center between 1983 and 1986. Starting as advisor to Jak

Corporate Governance

Kahmi at the European Roundtable of Industrialists (ERT) in 1994, Kurtoğlu also served as advisor to Bülent Eczacıbaşı's throughout his membership term.

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

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

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

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

Çiğdem Tüzün Independent Board Member

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

Tüzün worked as revenue expert at the General Directorate of Revenues at the Ministry of Finance between 1975 and 1978, as expert and then director in bilateral economic relations and European Economic Union at the State Planning Office between 1978 and 1988. In 1987, she was

on the team that conducted Turkey's full accession application to the EC.

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

Zekeriya Yıldırım Independent Board Member

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

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

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

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

Zekeriya Yıldırım has been chairman of the Turkish-Dutch Business Council, under the auspices of DEİK, for 13 years. Between 2007 and 2013, he served as chairman

of the board of the Darüşşafaka Society and he is currently chairman of the Darüşşafaka Society Higher Advisory Board. Yıldırım is a member of the Turkish Industrialist's and Businessmen's Association (TÜSIAD) High Advisory Council Presidential Board, is on the Board of Trustees of the Ayhan Şahenk Foundation and the Educational Volunteers Foundation of Turkey, and is Editorial Board chairman of Finans Dünyası.

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

Senior Management CVs

Osman Cengiz Birgili President, Tekfen Group of Companies

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

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

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

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

Associate Prof. Osman Reha Yolalan Vice President – Corporate Affairs

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

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

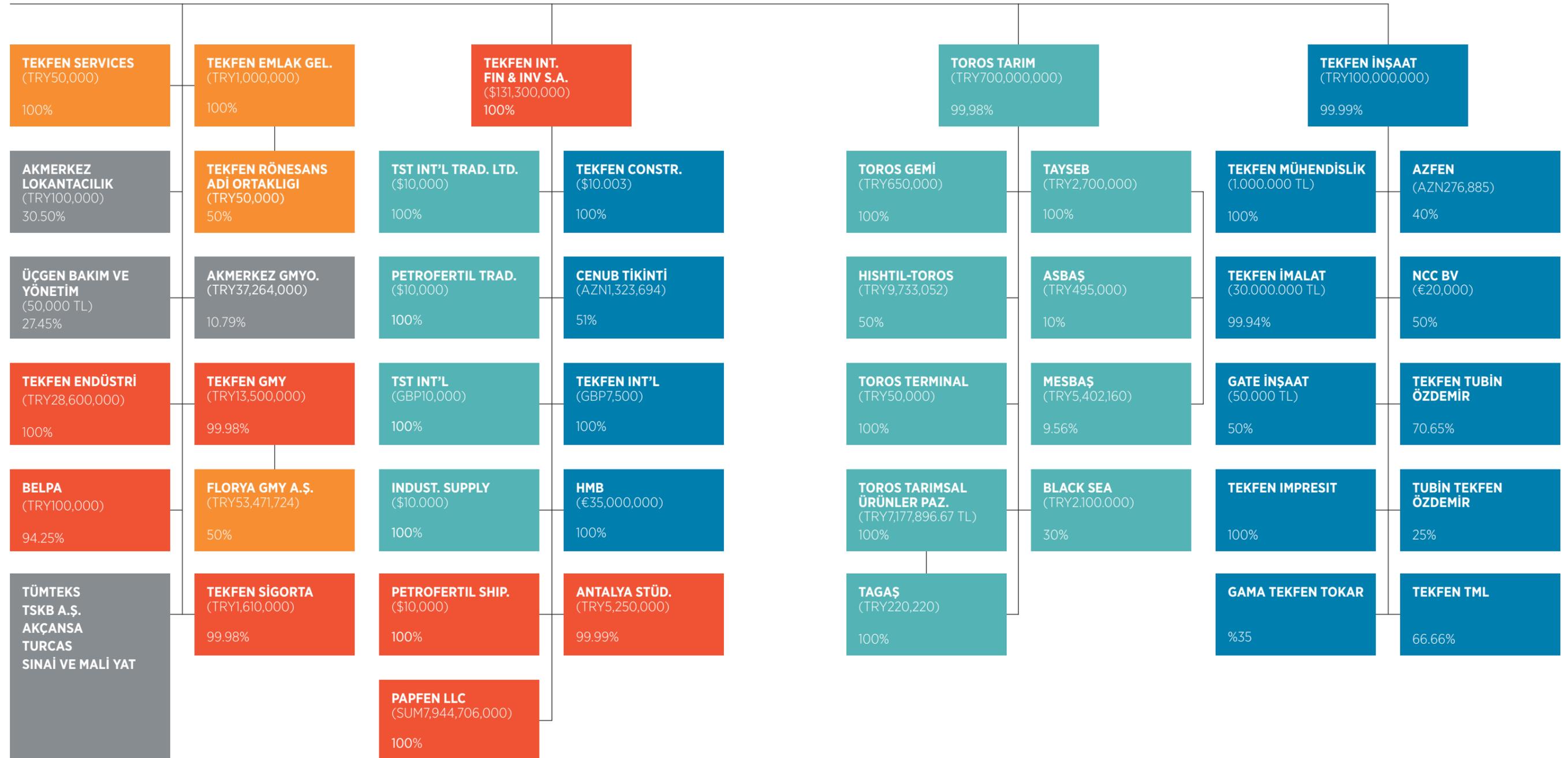
Osman Reha Yolalan joined Tekfen Group of Companies first as a member of the Board of Directors at Tekfenbank in 2006, and Tekfen Holding within the same year, in order to assume a key role in the Company's IPO in 2007. Since then, he has been Vice President of Tekfen Holding in charge of Corporate Affairs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

Tekfen Group Companies

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

Tekfen Holding

(TRY370,000,000)



2015 Corporate Governance Compliance Report

Section 1

Corporate Governance Compliance Statement

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

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

Section 2

Shareholders

2.1 Investor Relations Department

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

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

The Investor Relations Department can be contacted as follows:

Investor Relations and Corporate Governance Coordinator:

Çağlar Gülveren, CFA

Tel: +90 (212) 359 34 20

Fax: +90 (212) 257 00 81

Email: cgulveren@tekfен.com.tr
or investor@tekfен.com.tr

Investor Relations and Corporate Governance Coordinator Çağlar Gülveren holds the CMB's Corporate Governance Rating License (license No. 700022) and Capital Market Operations Advanced Degree License (license No. 200075); he is responsible for the Company's compliance with all obligations arising from capital market regulations and coordinating corporate governance applications. The 2015 department operations report was submitted to the Board of Directors on 3 March 2016.

2.1.1. Investor Relations Department Responsibilities

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

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

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

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

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

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

– Monitoring and updating on a regular basis the contents of the “Investor Relations” section of the website;

– Responding to requests from investors and analysts regarding the Holding and the Group companies;

– conducting one-on-one talks when necessary, and attending conferences and meetings on this subject;

– Supervising and monitoring all matters related to public disclosures, including preparing and sending;

– announcements of material events as required to the Public Disclosure Platform;

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

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

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

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

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

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

2.1.2. Activities of the Investor Relations Department in 2015

Foreign institutional investors hold some of the publicly traded portion of the Company's capital. Consequently, many existing and prospective foreign institutional investors and brokerage companies' analysts who render services to such investors request visits to the Company. The department strives to meet these requests by facilitating the active participation of the Company's senior management. In this context, in 2015 in addition to conferences attended, the Department conducted one-on-one meetings with 46 investors, and held eight

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teleconferences. In addition, the Department participated in eight conferences in Turkey and abroad and three roadshows organized abroad and conducted individual talks with 113 representatives of institutional investors during these meetings, which lasted a total of 24 days.

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

2.2. The Use of Shareholders’ Rights to Obtain Information

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

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

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

2.3. General Assembly Meetings

The 2014 financial reports were presented to the public on 5 March 2015 and the Ordinary General Assembly was held on 15 April 2015 at 14:00 in the Conference Hall of Tekfen Tower located at Büyükdere Cad. No. 209, 4. Levent-Istanbul.

The General Assembly Disclosure Document, containing detailed explanations pertaining to the items of the agenda, annual report, financial tables and reports, dividend distribution recommendations and a copy of the

power of attorney, were presented for shareholder inspection at Company headquarters, on the e-Company and e-General Assembly pages of the Central Securities Depository website and on our Company’s website (www.tekfen.com.tr) at least three weeks prior to the General Assembly.

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

Our General Assembly Meeting was held on 15 April 2015, participation in which was also possible via e-voting. Out of a total number of shares of 370,000,000 and representing TRY370,000,000 in shareholders’ equity, 236,006,980,999 shares (63.79% participation ratio, including virtual participation) were in attendance.

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

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

A report on the donations (totaling TRY658,441.68) made in 2014 and their recipients was submitted to shareholders by an additional article on the General Assembly’s Agenda.

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

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

2.4. Voting Rights and Minority Rights

2.4.1. Voting Rights

Prior to our Company’s IPO, privileged rights were removed by an amendment of the Articles of Association

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

The Company’s capital contains no cross ownership.

2.4.2. Minority Rights

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

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

2.5. Dividend Right

Company dividend policy is determined according to the Turkish Commercial Code, Capital Markets Law; Capital Markets Board Regulations and Directives, Tax Laws, other relevant legislation, and the Company’s Articles of Association. Our Company’s “Dividend Policy” which was approved by the Board of Directors on April 4, 2008 was presented to our shareholders at the General Assembly Meeting on May 8, 2008. Our Company’s Dividend Policy is given in our Annual Report and on our company website.

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

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

At the General Assembly Meeting held on 15 April 2015, it was resolved to payout dividends of TRY40,000,700,

representing 80% of distributable net profit, to our shareholders, and to distribute them on 25 June 2015.

2.6. Transfer of Shares

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

Section III Public Disclosure and Transparency

3.1. Corporate Website and its Content

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

3.2. Annual Report

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

Section IV Stakeholders

4.1. Informing Stakeholders

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

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

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

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

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

4.2. Participation of Stakeholders in the Management

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

4.3. Human Resources Policy

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

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

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

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

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

Increase the effectiveness of management systems and continuously monitor and improve applications.

Tekfen Holding is not only concerned with managing its own human resources policy effectively, but in investing in Turkey's future. In this regard, social, cultural, and environmental protection activities, as well as the

Company's scholarship program for successful students (which we have undertaken since the Company's foundation) are among the tasks that are covered by the policy and that carry Turkey to a brighter future.

This management concept is based on a belief in people's unlimited potential to succeed and an understanding that a brighter future can only be attained through technology and science. Therefore, investing in human intelligence and skills is essential. The fact that no complaint of discrimination came from the employees in 2015 indicates the objective attitude of Tekfen Group towards its employees. Its employees are the Company's most valuable assets and their quality is the most important guarantee of the quality of our services and products. The Company shows the same diligence for employee development programs as it does for employee selection. Employee development programs develop the employees' ability to act in a coordinated fashion, to develop recommendations, and to make rational decisions. The Human Resources and Personnel Units take active roles in managing relations with employees.

4.4. Ethical Rules and Social Responsibility

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

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

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

Tekfen Foundation

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

Education

Every year, the Foundation provides educational grants to financially needy high school and university students studying in Turkey. Having thus far helped nearly 2,000 students graduate, the Foundation gave grants to 500 students in the 2014-2015 academic year. The Tekfen Foundation's "mentor" program, as well as its internship program at Tekfen Group Companies ensures scholarship recipients receive professional advice and counseling, thereby better equipping them to make conscious career decisions. As part of this program, 42 Tekfen Foundation scholarship recipients had the opportunity of internships at Tekfen Group Companies in 2015.

Culture and the Arts

The Tekfen Philharmonic Orchestra has been a steady force in the field of culture and the arts since its founding in 1992. It is a significant cultural initiative consisting of musicians from 23 countries from the Black Sea, the Caspian and the Mediterranean regions, who come together as "ambassadors of peace." The orchestra gave a concert in February accompanied by the famous pianist Elena Bashhirova and under the direction of a guest conductor, Darrel Ang, from Singapore. Its second concert, on 30 November, was held in commemoration of the reknown author Yaşar Kemal. Tekfen Philharmonic, under the direction of its British conductor James Judd, honored the great master with a lively program that included requiems he penned in his youth, the music of Beethoven and Adnan Saygun, and excerpts from the Teneke Opera (The Drumming-Out), inspired by Kemal's novel's by the same name, the La Scala Theater in Milan had commissioned. The pianist İdil Biret, soprano Anna Smirnova, and bağlama master Emre Gültekin were also part of the program.

Sustainable Development

In the aftermath of the mining disaster that claimed 301 lives at Soma, in western Turkey, in May, Tekfen Foundation decided after due assessment to provide the funding of microcredits that are designed to encourage income-generating activities as an alternative to mining.

The Tekfen Foundation Soma Microcredit Branch of the Turkish Grameen Microfinance Program was opened on

17 November 2014. Under this women-oriented microcredit support program, about 300 women entrepreneurs were provided with the support they needed to maintain their livelihood.

Toros Tarım

In exercising its social responsibilities, Toros Tarım supports various projects to address agricultural sector problems and to improve conditions for agricultural workers. The Program to Help Improve the Health of Seasonal Agricultural Workers and their Families is one such project. Initiated in collaboration with the Ministry of Health and operated by the United Nations Population Fund and Harran University, the program was sponsored by Toros Tarım between 2013 and 2015. The aim of this project was to improve the employment and living conditions of Turkey's seasonal agricultural workers and to find solutions to the health problems affecting female agricultural workers and their children.

Toros Tarım makes his fund of expertise available to the public through various publications, documentaries and television programs. It supports the Turkish agricultural sector through collaboration with the Ministry of Agriculture and universities. One of these joint ventures is the Balanced Fertilization with Right Fertilizers project which was launched with the support of the Ministry of Agriculture in 2012 and is ongoing. The project is being conducted with the assistance of Ministry engineers in various provinces and districts of Turkey. Through field trials, it demonstrates to farmers how to improve their yields through balanced and correct fertilizer usage. The trials involve taking adjoining strips of land with one fertilized as the farmer sees fit and the other fertilized in the optimum way. The yields of the two strips are compared and provide the farmer with clear evidence for using the correct fertilizer in the correct amounts. The project was carried out in the growing seasons from 2012 to 2015. The trial involved wheat in 51 districts, corn in 14 districts, cotton in four districts, and sunflowers in one district, for a total of 70 districts in which the experiment was conducted. Results of the experiments, which included the soil, plant and quality analyses of the produce harvested, were shared at the 6th and 7th National Plant Nutrient and Fertilizer Congresses and National Irrigation Congresses, and they were published as academic articles.

Section V Board of Directors

5.1. Structure of the Board

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

A Board of Directors consisting of 11 members, each to serve for one year, was decided upon at the Annual Ordinary General Assembly held on 15 April 2015.

Four independent members serve on our Board of Directors. Zekeriya Yıldırım, Emre Gönensay, A. Çelik Kurtoğlu and Çiğdem Tüzün met the requirements for independence set forth in the Corporate Governance Committee report dated 5 March 2015 and their candidacy was announced. They were elected as independent board members at the General Assembly Meeting held on 15 April 2015. Each of the independent members has provided written documentary confirmation that they meet the criteria of independence.

Thus, at the Ordinary General Assembly meeting held on 15 April 2015, Ali Nihat Gökyiğit, Cansevil Akçağlılar, Sinan Uzan, Murat Gigin, Ahmet İpekçi, M. Ercan Kumcu, Erhan Öner, A. Çelik Kurtoğlu, Emre Gönensay, Zekeriya Yıldırım and Çiğdem Tüzün were duly elected as Board of Directors members.

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

The Board can delegate some or all of its authority responsibilities, including its authority to represent the Company, to a committee made up of its own members or to managing director(s) or general manager(s), as well as directors who are not shareholders.

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

In this regard, Murat Gigin was appointed Chairman and Managing Director of the Board of Directors and Cansevil Akçağlılar was appointed as Vice Chairman and Managing Director for 2015.

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

Tekfen Holding Board of Directors

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

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

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

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

5.2. Principles of Activity of the Board of Directors

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

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

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

The 31 meetings held in 2015 made 45 decisions; average attendance at the meetings and in the decisions during the year was 99%.

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

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

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

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

During the initial public offering, two committees, namely the Audit Committee and the Corporate Governance Committee, were formed upon Board decisions dated 22 November 2007. The Early Risk Detection Committee, which had previously been formed under the Corporate Governance Committee within the framework of the CMB's Corporate Governance Communiqué, was

instituted as a separate committee by decision of the Board of Directors on 9 May 2013. On the other hand, the Candidate Nominating Committee, and the Remuneration Committee, which are legal requirements in compliance with Corporate Governance Principles, were organized within the framework of the Corporate Governance Committee. Their respective duties were assigned to and assumed by the Corporate Governance Committee.

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

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

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

5.3.1. Audit Committee

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

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

5.3.2. Corporate Governance Committee

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

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

Positions of Board Members in group and non-group companies

Name	Group Companies	Non Group Companies
Murat Gigin		<p>Agromak Makine İmalat San. ve Tic. A.Ş. Chairman of the Board of Directors & Executive Director</p> <p>Akmerkez Gayrimenkul Yatırım Ortaklığı Member of the Board of Directors</p> <p>ANG Yatırım Holding A.Ş. Vice Chairman of the Board of Directors</p> <p>Rose Enerji A.Ş. Chairman of the Board of Directors</p> <p>Ekozey Ekolojik ve Organik Tarım Gıda Hayvancılık ve Turizm Taşımacılık İth. İhr. İnş. San. Tic. A.Ş. Chairman of the Board of Directors & Executive Director</p> <p>ENAT Endüstriyel Ağaç Tarımı San. ve Tic. A.Ş. Chairman of the Board of Directors & Executive Director</p> <p>Galipoli Gıda Ürünleri Sanayi ve Ticaret Ltd. Şti. Company Manager</p> <p>İmbroz Tarım Hayvancılık Gıda San. Tur. ve Tic. Ltd. Şti. Company Manager</p> <p>Macahel Arıcılık Turizm Nakliyat ve Ticaret A.Ş. Vice Chairman of the Board of Directors</p> <p>Maxlines Maksimum Lojistik Hizmetleri A.Ş. Chairman of the Board of Directors & Executive Director</p> <p>Salda Enerji A.Ş. Chairman of the Board of Directors</p> <p>Tekzen Ticaret ve Yatırım A.Ş. Chairman of the Board of Directors & Executive Director</p> <p>Temarı Gıda Sanayi ve Ticaret A.Ş. Chairman of the Board of Directors & Executive Director</p> <p>Viem İletişim Yayıncılık Reklam Tur. Hizmetleri Yat. Tic. A.Ş. Chairman of the Board of Directors & Executive Director</p> <p>Zen Enerji A.Ş. Chairman of the Board of Directors</p>
Ahmet İpekçi	<p>Antalya Stüdyoları A.Ş. Chairman of the Board of Directors</p> <p>HMB A.G. Chairman of the Board of Directors</p> <p>Hishtil-Toros Fidencilik San. ve Tic A.Ş. Member of the Board of Directors</p> <p>Papfen LLC Chairman of the Board of Directors</p> <p>Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. Vice Chairman of the Board of Directors</p> <p>Tekfen İnşaat ve Tesisat A.Ş. Member of the Board of Directors</p> <p>Belpa Belediye Tüketim Malları İth. İhr. Tic. ve Yat. A.Ş. Chairman of the Board of Directors</p> <p>Toros Tarım Sanayi ve Ticaret A.Ş. Member of the Board of Directors</p>	
Mehmet Ercan Kumcu	<p>Tekfen Sigorta ve Aracılık Hizmetleri A.Ş. Chairman of the Board of Directors</p> <p>Toros Tarım Sanayi ve Ticaret A.Ş. Member of the Board of Directors</p>	
Erhan Öner	<p>Tekfen İmalat ve Mühendislik A.Ş. Member of the Board of Directors</p> <p>Tekfen İnşaat ve Tesisat A.Ş. Member of the Board of Directors</p> <p>Tekfen Mühendislik A.Ş. Member of the Board of Directors</p> <p>Tekfen Sigorta ve Aracılık Hizmetleri A.Ş. Member of the Board of Directors</p> <p>Toros Tarım Sanayi ve Ticaret A.Ş. Member of the Board of Directors</p>	<p>Öner Yatırım İç ve Dış Ticaret A.Ş. Chairman of the Board of Directors</p>
Zekeriya Yıldırım		<p>Ada Plant A.Ş. Chairman of the Board of Directors</p> <p>Hacı Ömer Sabancı Holding A.Ş. Independent Board Member</p> <p>FU Gayrimenkul Yatırım Danışmanlık A.Ş. Chairman of the Board of Directors</p> <p>Yıldırım Danışmanlık Hizmetleri A.Ş. Chairman of the Board of Directors</p>
Sinan K. Uzan		<p>Akmerkez Gayrimenkul Yatırım Ortaklığı Vice Chairman of the Board of Directors</p>
Çelik Kurtoğlu		<p>Çelik Kurtoğlu Danışmanlık A.Ş. Chairman of the Board of Directors</p> <p>Simon-Kucher & Partners Strateji Danışmanlar Ltd. Şti. President of Director's Council</p>
Ali Nihat Gökyiğit		<p>Ali Nihat Gökyiğit Holding A.Ş. Chairman of the Board of Directors</p>

5.4. Risk Management and Internal Control Mechanism

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

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

Group Company has also been determined.

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

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

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

5.5 Strategic Objectives

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

5.6. Remuneration

In line with the Company's Articles of Association, board members receive an annual or monthly stipend or a certain fee per meeting, as determined by the General Meeting. At the Annual Ordinary General Assembly held on 15 April 2015 it was resolved to pay a gross fee of TRY20,000 per month to Executive Directors and TRY10,000 per month to the other members.

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

In 2015, the remuneration provided to Senior Managers, which consists of President and Vice-Presidents of Group Companies, and to members of the Board of Directors is as follows:

Remuneration	Total (TRY)
Board Members	1.481.250
Senior Managers	7.781.773

The above mentioned total remuneration allocated to the Members of the Board consists only of their sessional allowances. Remuneration otherwise paid to some of the Board members for consultancy and/or Board membership in some Group companies amounts to TRY3,253,090.

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

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

Legal Issues, Government Incentives and Subsidies

Legal Issues

As of 31 December 2015, lawsuits against the Group totaled TRY122,083,000 (31 December 2014: TRY119,453,000). On the advice of attorneys, TRY64.904,000 (31 December 2014: TRY23,152,000) was set aside to cover suits likely to go against us and to result in out payments. In the legal opinion of the attorneys, there was no risk of out payments having to be made in suits for which such resources were not reserved.

Government Incentives and Subsidies

In 2015, Toros Agri-Industry and Hishtil-Toros Fidecilik, two companies that are part of Tekfen Holding's Agri-Industry Group, received the following government incentives and subsidies:

Domestic-Certified Seed Production Support

Toros Tarım benefits from certified seed production support for its certified wheat and potato seeds to the sum indicated in the Domestic-Certified Seed Production Assistance Communiqué published in the Official Gazette. As of 31 December 2015, the income from wheat support was TRY1,295,000 and from potatoes TRY144,000, for a total of TRY1,439,000.

Agribusiness Credit

As a seedling producer, Hishtil-Toros Fidecilik had TRY8 million in interest-free agribusiness credit at Ziraat Bank as of 31 December 2015.

Investment Incentives and Subsidies

Toros Tarım received the following incentives related to its investment at its Samsun Plant:

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

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

Toros Tarım received the following incentives related to its investment at its Ceyhan Plant:

On 1 June 2015, Toros Tarım received the 2nd District Investment Certificate from the Ministry of Economy for crane investment. The incentive consists of employer-contribution social insurance premium support, customs duty and VAT exemptions, and a 50% tax reduction on the investment support ratio of 20%.

Toros Tarım received the following incentives related to its investments at its Mersin Plant:

On 24 December 2015, Toros Tarım received a 3rd District Investment Incentive Certificate from the Ministry of Economy for investments in the prilling tower gas treatment system. The investment consists of employer-contribution social insurance premium support, VAT and customs duty exceptions, and a 40% tax reduction based on the investment support ratio of 15%.

TÜBİTAK Incentive

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

Tekfen Holding Co. Inc. Dividend Policy

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

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

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

General Legal Reserves:

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

First Dividend:

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

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

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

Second Dividend:

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

General Legal Reserves:

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

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

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

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

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

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

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

Esteemed Shareholders,

Since its founding in 1956, Tekfen Group has concentrated its operations on three key areas: Contracting, Agri-Industry and Real Estate Development.

However, fundamental changes are evident in the way business is done in all around the world. Therefore, the Tekfen Holding Board of Directors is declaring 2016, the year of our 60th anniversary, the first year of a new era. It is only natural that this new era encompasses evaluating the current situation and, taking the impacts of these changes into consideration, working on identifying a new road map. One of the key concepts of this era will be a new profit-based model of growth. Within this framework, we thoroughly consider expanding and diversifying our areas of operation and supplementing our existing human resources with an infusion of new blood to our organization.

In 2015, Tekfen Group had consolidated revenues of TRY3,888 million and net profits of TRY193 million. The overwhelming portion of Tekfen's consolidated revenues, 98%, came from its two key operating groups, Contracting and Agri-Industry.

Over the years, our Contracting Group has come to be known throughout the world for its outstanding quality and top-notch engineering. At the end of 2015, it had a backlog of nearly US\$1.7 billion, 67% of which consisting of overseas accounts. It has ongoing projects in Turkey as well as Azerbaijan, Saudi Arabia, and Qatar. These projects mostly consist of the construction of industrial plants, highways, pipelines and buildings.

A major development in fertilizer production, which makes up the lion's share of our Agri-Industry Group's operations, was the completion of the US\$335 million investment in the Samsun Production Plant, which began operations at the end of 2015. This investment promises to give Toros Tarım a major competitive advantage in the foreseeable future.

Our Group is determined to continue its operations through change management so as to create value and generate profits.

With these sentiments and thoughts, we thank our shareholders, employees, partners and all stakeholders.

Murat Gigin

Chairman of the Board and CEO

SUMMARY BALANCE SHEET (thousand TRY)	31 December 2014	31 December 2015
Current Assets	3,255,170	3,713,282
Non Current Assets	1,700,312	1,912,773
Total Assets	4,955,482	5,626,055
Current Liabilities	2,277,766	2,889,548
Non Current Liabilities	681,652	651,372
Equity Attributable to Owners of the Parent	1,959,165	2,057,358
Minority Interest	36,899	27,777
Total Shareholders' Equity and Liabilities	4,955,482	5,626,055
SUMMARY INCOME STATEMENT (thousand TRY)	1 January - 31 December 2014	1 January - 31 December 2015
Revenue	4,474,755	3,888,172
Gross Profit	452,424	408,874
Operating Profit	24,515	116,523
Profit Before Taxation	95,695	259,560
Net Profit / (Loss) for the Year	57,857	193,036
IMPORTANT RATIOS	31 December 2014	31 December 2015
Liquidity		
Current Ratio	1.43	1.29
Liability and Indebtness		
Total Liabilities /		
Equity Attributable to Owners of the Parent	1.51	1.72
Current Liabilities /		
Total Liabilities	0.77	0.82
	1 January - 31 December 2014	1 January - 31 December 2015
Profitability		
Gross Profit Margin	10.11%	10.52%
EBITDA Margin	4.20%	7.57%
Net Profit for the Year	1.29%	4.96%

Proposal for Profit Distribution

The net profits for 2015, according to CMB regulations and standards, deducting non-controlling interest shares, was TRY185,466,000.00 (according to legal records, TRY325,865,656.97).

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

To set aside TRY14,454,895.95 as First Legal Reserves,

To allocate, per CMB Communique No. II-14.1, TRY51,494,813.85, representing the minimum 30% profit distribution as stipulated in the Articles of Association Article 27, calculated on the basis of a TRY171,649,379.49 First Dividend Amount,

To allocate TRY3,585,488.71, that is 3% of the remaining amount, to Tekfen Foundation for Education, Health, Culture, Art and Protection of Natural Habitat, a dividend shareholder,

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

To allocate TRY8,585,786.15 of the remaining TRY115,930,801.50 to shareholders as Second Dividend,

To allocate the TRY107,345,015.35 of the remaining amount as extraordinary reserves,

After the profit for 2015 is distributed as outlined above, to allocate the remaining TRY247,744,672.32 according to the provisions of the Turkish Commercial Code and Tax Laws and remaining after the above distribution, as extraordinary reserves,

To distribute the dividend amounts specified above in cash on 13 May 2016.

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

Murat Gigin
Chairman of the Board and CEO



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

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

**To the Board of Directors of
Tekfen Holding Anonim Şirketi**

We have audited the annual report of Tekfen Holding Anonim Şirketi (the "Company") prepared for the accounting period ended 31 December 2015.

Responsibility of the Board of Directors for the Annual Report

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

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements on which the auditor's report dated 3 March 2016 has been issued.

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

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

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

Opinion

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

Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

Pursuant to paragraph 3 of article 402 of the TCC, within the framework of the ISA 570 "Going Concern", nothing has come to our attention which causes us to believe that Tekfen Holding Anonim Şirketi will not be able to continue as a going concern in the foreseeable future.

Istanbul,
3 March 2016

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

Erdal Aslan, YMM
Partner in charge

BDO Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., a Turkish joint stock company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Garantisi ile sınırlı bir Birleşik Krallık şirketi olan BDO International Limited'in üyesi ve bir Türk anonim şirketi olan BDO Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., bağımsız üye kuruluşlardan oluşan BDO ağıının bir parçasını teşkil etmektedir.



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

**To the Board of Directors of
Tekfen Holding Anonim Şirketi**

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

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

Information on the Early Risk Identification System and its Committee

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

Conclusion

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

İstanbul,
3 March 2016

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

Erdal Aslan, YMM
Partner in charge

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