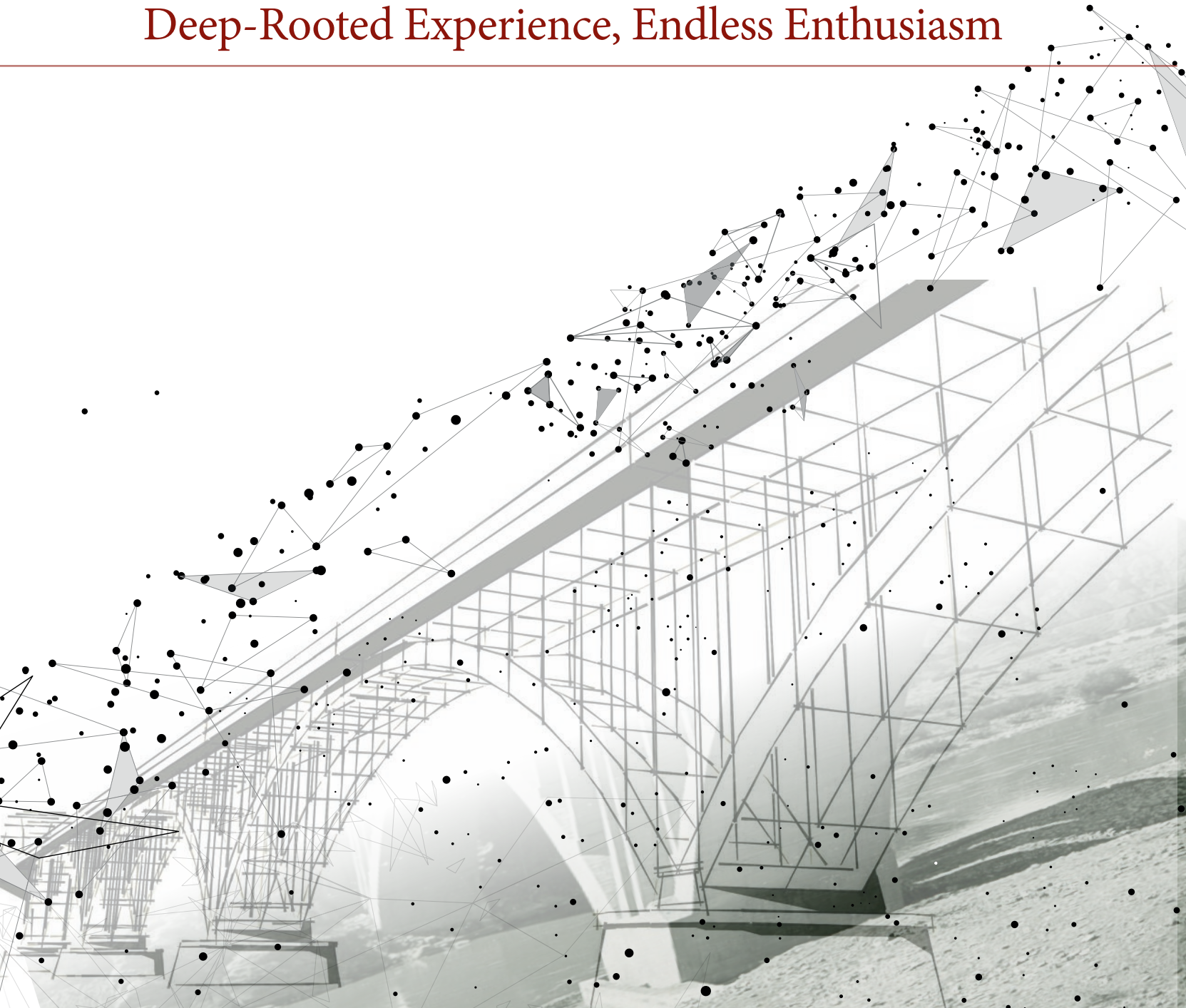
STFA 80 yıl

2017 ANNUAL REPORT

Deep-Rooted Experience, Endless Enthusiasm



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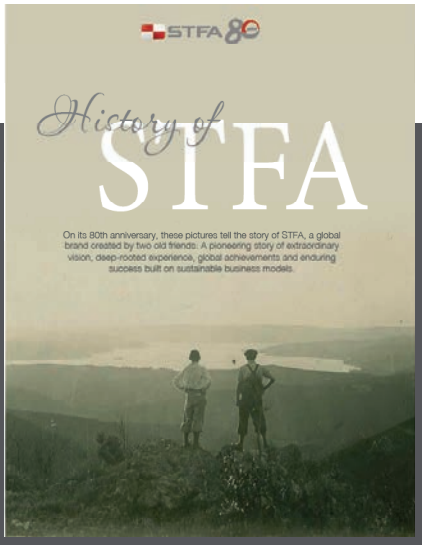

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Strong Friendships, Sound Partnerships, Big Projects
Contribution to the Turkish Economy
Sustainable Activities
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Strategy and Management
Global Company
Bridges... that Connect and Unite
Vision and Future

STFA

Corporate Profile

STFA Group continues its activities with strength it takes from an 80-year-long history and management approach that foresees and adopts to change.

ABOUT US

STFA Group grew together with our nation and continues to carry the values of its founders, Sezai Türkeş and Feyzi Akkaya, into the future.

One of the most respected organizations in Turkey with a history of nearly 80 years, STFA Group was founded by Sezai Türkeş and Feyzi Akkaya in 1938. After starting out on a challenging road at the end of the 1930s, when the construction industry was in foreign hands, STFA has achieved many firsts and successes over its 80 years, which have accompanied the growth of the Republic. STFA became the first Turkish contractor to win a foreign tender with the construction of the Tripoli Port in Libya in 1972. This success story continued with further major and prestigious projects. STFA became an important player in the construction sector as the first Turkish contractor to win contracts in Saudi Arabia in 1978, Egypt in 1981, Iran in 1983, Tunisia in 1984, Pakistan in 1992, Oman and Qatar in 2000 and India in 2001.

As one of Turkey's leading companies in the construction, energy and machinery industries, STFA Group carries the vision of its founders into the future without compromising its core values. Among the core reasons for the company's sustainable success are the value it places on employees, the ability to manage change with accurate analyses and overall operational proficiency.

In construction, STFA Group's main line of work, the company added to its expertise in bridge construction and pile works with dams, roads, tunnels and maritime constructions, continually expanding its markets with the highest standard of engineering and construction services. STFA's innovative and business-oriented approach, together with the ability to quickly integrate technology into business processes, helped to win several projects in Turkey, North Africa and the Middle East, and the company has now set its sights on new projects in new regions.

STFA continues to grow by continually strengthening the trust, respect and confidence it has already earned in Turkey and abroad and carrying it into other sectors.

STFA embarked on significant investments in the energy sector after making a comprehensive analysis of the sector's future, entered the energy sector at the beginning of the 2000s. Enerya entered the sector in 2003 with natural gas distribution and wholesale operations and is growing stronger day by day as Turkey's second largest natural gas distribution company. Enerya started its renewable energy generation activities in 2014 and since then has been an important player in the sector with investments in wholesale trade of natural gas, solar energy projects, electricity trading and wind energy in addition to natural gas distribution.

Through SİF İş Makinaları, STFA also maintains a strong partnership with JCB, one of the three largest construction equipment manufacturers in the world. This global partnership gets stronger every year, offering innovative solutions and a rapidly growing service network with sales points in 8 cities and 35 authorized service outlets throughout Turkey.

STFA Group, which has successfully implemented the transformation strategy initiated with the "change for the better" approach, continues to contribute to the development and future of Turkey, supported by more than 18,000 employees, business partners, stakeholders and a long-established history.

MESSAGE FROM THE HONORARY PRESIDENT

The success of the strong friendship between our distinguished founders, Sezai Türkeş and Feyzi Akkaya, served our nation well and STFA Group is proud of the journey they have made to become one of the most respected organizations in the country.

The success of our Group, founded in 1938 on the ideals of two young talented construction engineers, was built on unshakeable values, making us one of the industry's most important actors when it comes to pioneering "firsts". We embraced the responsibility of being the first Turkish contractor to go abroad as much as the honor, putting our heart and soul into adding value to different geographical regions. We have undersigned numerous major projects with the values of our corporate DNA: honesty, diligence, transparency and the ability to adapt quickly to global developments. As we expanded our fields of activity, we harnessed innovation to develop different solutions for the development of the sectors we operate in. With our established business culture, we are working hard to carry our founders' vision into the future by contributing to society and creating economic value, not only in our country but also in other parts of the world.

To maintain success over a long period of time, companies need to build the right strategies for managing change by analyzing developments and conditions correctly. Behind our ability to achieve the same high standards wherever we are in the world lays an innovative and change-oriented business culture, which gives us the strength and confidence to take decisive steps towards continually achieving the best.

In all our fields of activity, we have focused on achieving goals while maintaining our values and principles. We will continue to work hard to match our success in the construction, energy and machinery sectors with success in meeting our social responsibilities and contributing to our country's progress.

We will continue to embrace the STFA culture of competently managing change, staying true to our core values and always looking to the future.

Just as we have always done, we will carry the STFA name even further, supported by the invaluable corporate values laid down by our founders and by our valuable employees, who adopt and convey these values to those who succeed them. I'd like to take this opportunity to extend my deepest gratitude to all those who have worked so hard throughout the history of STFA, to all the members of this huge, beautiful family and our stakeholders.

Yours Sincerely

TOMRİS TAŞKENT

Honorary President

MESSAGE FROM THE CHAIRMAN

In all sectors, our priority is the creation of economic and social value with a sustainable approach that takes into account our responsibilities towards people and society. As part of these efforts, we keep a close watch on technological advances, rapidly adapting our business processes to any developments.

2017 has been a year of important developments that deeply affected economic data in the world and in Turkey. Considering the world economy in general, global trade seems to be reviving. Having achieved a remarkably balanced and lasting growth momentum since the global crisis, the world economy has gained a positive outlook with economic growth first in the USA and then in Europe.

2017 has been a year in which Turkey was affected by the political developments in the world and neighboring areas. However, despite all the adversities and subsequent uncertainties, by the end of 2017, Turkey had achieved 7.4% growth, the highest growth performance among OECD countries.

Political and economic developments across the world, both positive and negative, impact on the sustainable success and existence of businesses. Therefore, it is vitally important that close attention is paid to reading

economic data, which is as important as financial strength. Elements of the company's DNA, such as evaluating opportunities in line with vision and targets, a skilled workforce and strategy, are of critical significance at these times. This approach breeds the long-term sustainable success of companies that manage change rather than turning their back on it.

With the 80 years of experience and expertise we have developed since 1938, STFA Group continues to produce value both in our country and in other countries of the world. STFA Group, which grew together with our nation, continues to carry the values of its founders, Sezai Türkeş and Feyzi Akkaya, into the future and develop them even further. As one of the pioneers and major players in the construction, energy and machinery sectors, our global achievements contribute to the economy as we endeavor to reach the 2023 targets.

In terms of our group, 2017 was a year in which we focused on change and transformation processes and implemented strategies and projects that will serve our sustainable growth goals. We continued to take decisive steps toward our goals while getting stronger and more robust as we drew our roadmap for the next 80 years.

In the construction sector, where we have a leading role, the projects we have undertaken abroad are progressing as planned. Significant achievements have been made in our projects in Morocco, Oman and Kuwait. The Qatar Doha Metro, the "Gold Line Underground", one of the most valuable tenders ever won by a Turkish contractor in the world, continues as planned. While increasing our presence in current markets, we are also assessing potential opportunities in new areas by following global economic and political developments.

Our influential energy brand, Enerya, has become Turkey's second largest natural gas distributor, breaking records and pioneering more firsts in the sector in 2017. With around 1,200,000 subscribers, Enerya reached an annual gas volume of 3.8 billion cubic meters and laid 10,300 km of lines.

Our Machinery Group, acting under the name of SİF İş Makinaları, is one of the most important players in the Turkish construction machinery sector. It has a presence in 8 cities with 9 sales points and a network of 35 authorized services throughout Turkey and continues to serve its customers as the sole distributor of JCB machines.

In keeping with the principle of effectively managing the changes ahead, STFA will not veer from the values that are the most important inheritance of our founders, regardless of any alterations to our roadmap.

I have absolute confidence that we will walk with determination towards the next 80 years with the support of our employees, who have been our most valuable asset since the establishment of STFA and the architects of our success. On this note, I would like to express my utmost gratitude to all the employees who have worked hard throughout our history, as well as our managers, business partners, customers and valued stakeholders.

Yours Sincerely

İLKER KEREMOĞLU

Chairman

MESSAGE FROM THE CEO

As we maintain the pace of our work without pause, we take great pride in having achieved many firsts over our 80-year history and from seeing our country's name among the leading countries of the world.

STFA Group continues to take determined steps towards future goals, supported by the strength of our deep-rooted corporate culture and the endless enthusiasm we share, even as we approach our 80th year. We are pleased to share with you the activity report for 2017, a year in which economic, political and social developments in Turkey and across the world impacted all sectors. Forecasts at the end of 2016, predicting that 2017 would be a challenging year, turned out to be true. While global and regional issues justified this view, the world economy outperformed expectations with a growth rate higher than the previous year. After the IMF had revised its forecast upwards four times, the year ended with a growth rate of 3.7%. I believe that the contribution of developing countries was as much a factor in this as that of developed countries.

From the point of view of Turkey, our performance in the third quarter of the year, which was 11.1% above expectations, made our economy the fastest growing

economy in the G20 in 2017. Turkey's economy grew by 7.4% in total showing the strongest performance of the past six years as it entered 2018.

In the light of this data, despite significant risks to growth, it is clear that the business world's accurate interpretation of economic, political and social data succeeded in turning risks into opportunities, having a direct impact on the economy. This achievement can be attributed to keeping pace with rapidly evolving conditions and managing the inevitable change.

Behind the sustainable success of the STFA Group since its foundation is the ability to adapt quickly to all periods and manage change effectively while retaining corporate values and principles. This ability is born from deep-rooted experience and expertise. Established 80 years ago by the future vision of our venerable founders, Sezai Türkeş and Feyzi Akkaya, STFA Group continues to add value at home and abroad as one of the most important actors in the construction, energy and heavy machinery sectors.

With our innovative business approach and effective management of change and talent - the building blocks of our corporate DNA - we made important inroads in the process of achieving our goal of "Change for the better." In line with the change strategy drawn up to address our profitable and sustainable growth targets, we have continued with special projects offering high added value, while at the same time implementing a dynamic strategy to evaluate opportunities that support other goals. By changing our organizational structure and updating our business plans accordingly, we have taken important steps to transform our experience into new initiatives. While strengthening our corporate structure with effective talent management, we have launched innovative projects to evaluate our personnel skills profile in line with the running of a successful, productive organization. In 2018, we hope to focus on our activities and goals with the renewed dynamism that our group has gained from the change and transformation process.

In construction, our flagship industry, we are engaged in numerous projects in our country and abroad, as detailed in this report. We are at the delivery stage of some of our projects, which include countries from Kuwait to Morocco. At the same time, new projects to evaluate opportunities in other countries are being meticulously evaluated.

Our Enerya brand continues its successful performance as the second largest natural gas distribution company of Turkey. Our machine group continues to make its mark with its outstanding product range and quality of service. As the sole distributor of JCB in Turkey, a leading global manufacturer of construction equipment, we continue to grow in the industry with sales outlets in İstanbul, Adana, Ankara, Antalya, Bursa, Diyarbakır, İzmir and Trabzon, as well as 35 authorized service points.

Social Contribution, one of the priorities in our sustainability goals, is one of the most important features of our corporate identity. We need self-confident and visionary generations empowered with education to move our country forward and increase our global competitiveness. For this reason, alongside our existing social responsibility projects, we are on the lookout for new initiatives, particularly in the field of education. Khan Academy Turkish, the online education platform translated into Turkish by the Foundation for Translation of Scientific and Technical Publications, is a reflection of the value STFA places on education for life. We started with the belief in "Free, World-class Education, For Anyone, Anywhere", and continue with our goal of contributing to equality of opportunity in education.

It gives us great pleasure and honor to have achieved many successes in our 80-year corporate history, while at the same time helping our country to become a world leader. We have worked very hard to improve the economic outlook of the sector and the country. Together with our employees and stakeholders, our most valuable assets, we will continue to create value with the change-oriented vision that has made us one of the most respected institutions in our country.

I would like to take this opportunity to extend my thanks to the Board of Directors, our employees and all our stakeholders.

Yours Sincerely

YETİK KADRİ MERT

CEO

Board of Directors

İlker Keremoğlu

İlker Keremoğlu, born in 1948, graduated from the Economics Department of Middle East Technical University. He held various positions at Efes Beverage Group from 1972 to 1984. He held the position of CEO from 1984 to 1999. He held several CEO positions at STFA group companies from 1999 to 2011 and has been serving as the Board Chairperson since 2012.

Sezai Emin Taşkent

Sezai Emin Taşkent, born in 1967, graduated from University College London Economics Department (BSc). He holds an MBA degree from Koç University and attended the Management Training Program at Harvard University. He has been a Board Member of various group companies since 1998.

Alp Yalçın Taşkent

Alp Yalçın Taşkent, born in 1968, graduated from the Political Science and International Relations Department of Boğaziçi University. Taşkent holds an MBA degree from Koç University and attended the Management Training Program at Harvard University. He held various positions in group companies from 1992 to 1997. He has been a Board Member of various group companies since 1998.

Nur Çetin Taşkent

Nur Çetin Taşkent, born in 1968, graduated from the Political Science and International Relations Department of Boğaziçi University. He worked in various group companies from 1992 to 1998. He has been a Board Member of various group companies since 1998.

Sinan Tahan

Sinan Tahan, born in 1962, graduated from Law School at İstanbul University. He has an MBA degree from the Fiscal Law Department of the same university. Sinan Tahan started to serve as a legal consultant at İGL-STFA J.V. in 1990 and then as a Board Member for various companies of STFA Group from 1998 onwards. In 1992, he started to work as a freelance lawyer, providing consultancy services for many local and international companies, including STFA group companies.

Norman Anthony Stalker

Norman Anthony Stalker, born in 1959, has a master's degree from Cambridge University and MBA degrees from Cambridge and California universities. He was responsible for the Asia Department at Merrill Lynch, where he worked from 1995 to 2006. Norman Anthony Stalker was appointed as a Board Member of STFA Companies Group in 2008 and has been a Partner and Chief Operating Officer of ADM Capital Europe LLP since 2006.

Barış Sivri

Barış Sivri, born in 1975, graduated from Koç University Economics Department and has an MBA degree from George Washington University. Barış Sivri has been a Board Member of STFA Investment Holding since 2008. He has also been a Partner of ADM Capital since 2007 and the company's Turkey Director. Barış Sivri started his career in 1995 at Global Menkul Kıymetler. He later worked in Washington at the World Bank for three years and at International Finance Corporation (IFC) for one year. Barış Sivri served in top level management for two well-known family companies in Turkey.

C. Hulusi Suphi

C. Hulusi Suphi, born in 1964, graduated from Birmingham University's Metallurgical and Materials Engineering Department. He has an MBA degree from Boston University. He started his career in 1990 in the energy industry and held managerial positions at Mobil and BP in England, Russia, Azerbaijan and Angola. C. Hulusi Suphi worked for BP Turkey as the President and has been serving as a Board Member of STFA Investment Holding since 2014.

Namık Tan

Namık Tan, born in 1956, worked in the Marine Department of the Ministry of Foreign Affairs, holding various positions in Moscow, Abu Dhabi and Washington from 1984 to 2014. Namık Tan was the Turkish Ambassador to Israel from 2007 to 2009. He then served as the Foreign Affairs Ministry Ambassador-Deputy Secretary responsible for Bilateral Political Relations and Public Diplomacy in 2009 and became Turkey's US ambassador in 2010. He has been a Board Member of STFA Investment Holding since 2014.

Senior Management

Yetik Kadri Mert
CEO

Yetik Kadri Mert graduated from the Mechanical Engineering Department of Middle East Technical University and has an MBA degree in Finance from Fairleigh Dickinson University in the USA. He attended the Executive MBA programs at Columbia Business School in 2002 and Harvard University in 2009. His professional career started with large-scale projects in a number of Middle Eastern countries.

Yetik Kadri Mert, who served as CEO of İstanbul Sabiha Gökçen International Airport Investment Development and Operations Inc. between 2006 and 2008, returned to Enerjisa in 2008 as CEO at Başkent EDAŞ, where he had previously worked as General Manager from 2003 to 2006.

He served as the CEO of Enerjisa from 2011 to 2016 and has been CEO at STFA Yatırım Holding since March 2016.

Altan Dinç
CFO

Altan Dinç, born in 1979, graduated from the Business Administration Department of Middle East Technical University and has an EMBA degree from Sabancı University Business Administration Department. Altan Dinç was appointed as STFA CFO in 2013 after serving as an inspector at Dışbank Inspection Committee from 2002 to 2005 and as Corporate Finance Manager at Avea from 2005 to 2008 and Global Menkul Değerler from 2008 to 2011. He joined STFA Investment Holding A.Ş. in 2011 as a Corporate Finance Director. Altan Dinç is also a member of DEİK International Investments Business Council and the Business World and Sustainable Development Association.

Sinan Tahan
Legal Coordinator

Sinan Tahan, born in 1962, graduated from Law School at İstanbul University. He has an MBA degree from the Fiscal Law Department of the same university. Sinan Tahan started to serve as a legal consultant at İGL-STFA J.V. in 1990 and then as a Board Member for various companies of STFA Group from 1998 onwards. In 1992, he started to work as a freelance lawyer, providing consultancy services for many local and international companies, including STFA group companies.

Uğur Koyunoğlu
President, STFA Construction Group

Born in 1957, Uğur Koyunoğlu graduated from İstanbul Technical University, Department of Civil Engineering and began his career in 1980 as a field supervisor at BTK İnşaat. Between 1987 and 2009, he worked as Project Manager, Project Director and Board Member at ENKA Construction and as General Director at Yapı Merkezi Construction between 2010 and 2012. Prior to joining the STFA Construction Group, he worked as the Construction Group President at Renaissance Construction between 2013 and 2015, and then as the Executive Committee Chairman. Uğur Koyunoğlu has been Head of STFA Construction Group since 2017.

Aslan Uzun
President, Energy Group

Aslan Uzun, born in 1962, graduated from Middle East Technical University Mechanical Engineering Department and has an MBA degree from the same university. He served as Ford Otosan Purchasing Assistant Manager, Ram International Trade Vice President, TNT Lojistik/Ceva Lojistik Turkey Business Development Director, Ceva Lojistik Vice President for Turkey, Greece, the Balkans and Central Asia, and Toros Tarım President from 1985 to 2013. Aslan Uzun has been the General Manager of Enerya since 2013.

Anıl Erkan
CRO

Born in 1973, Anıl Erkan completed his Bachelor of Business Administration at Bilkent University in 1995. He holds an Executive MBA degree from Koç University and started his career in 1995 at Arthur Andersen. He served as a Finance Manager at Citilease, Project Manager at Citibank and consultant at PricewaterhouseCoopers and Mazars. He was a partner and manager in the consultancy department of Mazars from 2012 to 2014. Anıl Erkan has been CRO at STFA Holding since 2014. As well as being an expert on risk management, internal audit and process improvement, he is also a Board Member at KRYD (Corporate Risk Management Association).

Berna Öztınaz
Strategy & Human Resources President

Berna Öztınaz graduated from the Business Administration Department of İstanbul University and completed the Executive MBA program at Sabancı University in 2007. She joined Sabancı Group in 1998 with the Kordsa A.Ş. Human Resources team. After 2007, in her role as Head of Human Resources and Business Support Director, Berna Öztınaz managed the human resources, business excellence, corporate communication, purchasing, IT and legal functions of Enerjisa. In 2012, she was appointed Strategic Business Support Director. As of the end of 2016, she has been STFA Holding Strategy and Human Resources Director. Berna Öztınaz is also Chair of the Board at PERYÖN, The Turkish Human Management Association.

Cüneyt Divriş
General Manager, SİF

Cüneyt Divriş, born in 1965, graduated from İstanbul Technical University Shipbuilding and Marine Equipment Department and İstanbul University Business Administration Department. He has an MBA degree from Virginia Tech University in the USA. He started his career in 1990 at STFA as an Investment Expert and served as the Assistant General Manager of SİF from 1999 to 2001. Cüneyt Divriş was appointed as the SİF General Manager in 2001 and was the president of the Construction Equipment Manufacturers and Distributors Association (İMDER) from 2010 to 2014.

Our Values

EMBRACING CORPORATE CULTURE CREATES ADDED VALUE

At the STFA family, we believe that successful institutions are those with a strong corporate culture. The STFA spirit is supported by the corporate culture created by STFA's founders and employees. Mutual beliefs, values and customary behaviors are embraced and maintained by the employees. Our corporate culture unites employees, defining the ways of contact, communication and interaction between them and creating a sense of belonging and synergy.

RESPECT FOR EMPLOYEES CREATES ADDED VALUE

We know that satisfied customers are nurtured by the skills of our employees. We believe that achievement of our objectives is fundamentally dependent on human resources, investing in the development of employees and guaranteeing sustainable growth with the leaders of tomorrow. We support the careers of our employees and ensure that their skills are improved. Each of us is part of an international team so we work with people from diverse places and diverse cultural, religious and linguistic backgrounds. We respect each other and our differences and take pride in this.

BEING SUCCESS-RESULT ORIENTED GIVES ADDED VALUE

Our corporate culture works by focusing on success. We are committed to persevering until we get results, overcoming any obstacles, continual improvement and to a firm belief in the necessity of motivating others accordingly.

RELIABILITY AND CUSTOMER-FOCUS CREATE ADDED VALUE

We believe that we can achieve sustainable growth through the trust of our customers. We gain this trust by meeting customer requests and requirements, on time and in full, with a high-quality and innovative service approach which adds value for customers. We believe in the importance of creating a sense of “partnership” with our customers, building positive relationships based on mutual trust.

CHANGE AND INNOVATION CREATE ADDED VALUE

We know that the only thing that does not change is change itself. We are well aware that change is not just about being open to innovations; we believe that development and always being one step ahead comes with change. We use our innovative approach to sustainable growth effectively across all our processes.

TAKING RESPONSIBILITY FOR A SUSTAINABLE FUTURE CREATES ADDED VALUE

We believe that a successful company makes a difference not only with its products and services but also with its contribution to the environment and society. STFA works in cooperation with all social stakeholders in every country of operation. Through our training programs, we ensure that our employees are aware of and embrace a culture of health, safety and environmental care. We make it our duty to respect people in all our activities and act in full compliance with laws, ethical standards and human rights. We know there is no need to harm the environment and act accordingly.

Firsts

STFA has accomplished many successful projects and brought firsts to the sector and led the way for Turkish contractors.

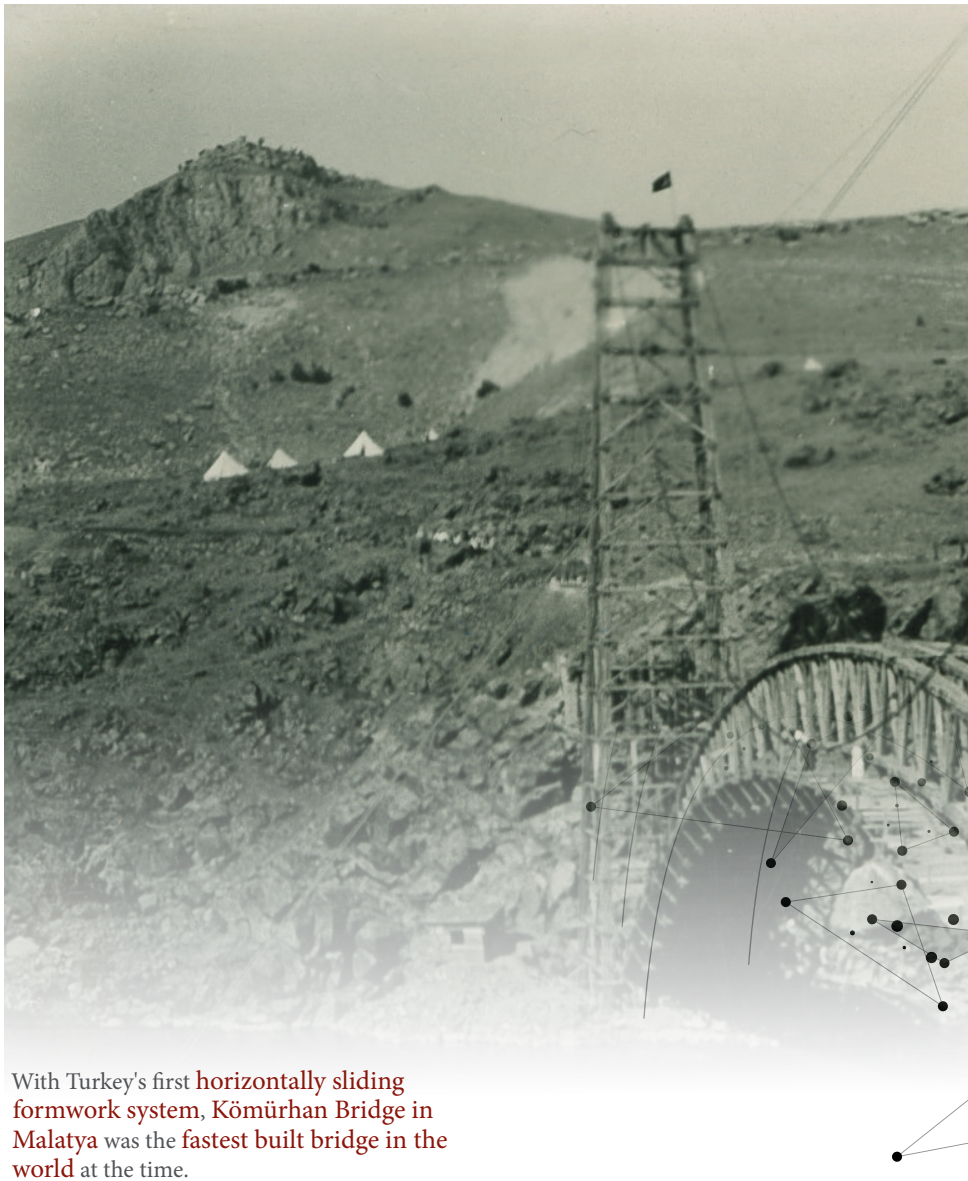
STFA founders Sezai Türkeş and Feyzi Akkaya were decorated with the first ever Order of Merit in 1990 as a result of their outstanding achievements in contracting both at home and abroad.

With the Libyan port project in 1972, STFA became the first Turkish contractor to win a contract abroad. Subsequently, STFA was the first Turkish contractor to win projects in Iran in 1983, Tunisia in 1984, Pakistan in 1992 and Oman, Algeria and Qatar in 2000.

When pursuing a project, STFA researches the most appropriate methods for the job, integrating these activities with technology transfer after participating in international seminars. The company also exchanges information with various organizations regarding engineering activities and collaborates with specialist departments within the company.

In recent years, STFA successfully employed some new technologies for the first time in Turkey during construction of the Second Bosphorus Bridge. With a span of 1090 meters, the Second Bosphorus Bridge is ranked 6th in the world among this type of suspension bridge. The 2160-meter long Karasu Viaduct on Kınalı-Sakarya Highway is still the longest bridge ever built in Turkey. One section of the viaduct in this project was built with a push system implemented for the first time in Turkey.

The New Galata Bridge was built by STFA to replace the Galata Bridge built on pontoons in 1912. 114 steel tube piles, each 2 meters in diameter, carrying the upper bridge structure were driven to a depth of 80 meters due to the thick alluvial layer on the sea floor. Piles of this diameter and length make this one of the major structures in this field of civil engineering.



With Turkey's first horizontally sliding formwork system, Kömürhan Bridge in Malatya was the fastest built bridge in the world at the time.

A dynamic consolidation system for ground improvement was implemented for the first time in Turkey by STFA during the construction of Rize Çaykur Head Office building.

Turkey's first jet-grouting system was implemented in 1985 for the İstanbul Sewer Project's Fatih, Haliç and Eyüb tunnel work.

Marmara Ereğlisi LNG Terminal, Turkey's first LNG terminal, was constructed by STFA. İskenderun Port Slipway was built in 1983 for TCDD and was Turkey's first marine slipway.

Following the port construction for Ereğli Iron and Steel Works Co. in 1960, no port projects in Turkey were undertaken by foreign contractors. The tetrapod system used in port construction was first used in Turkey by STFA.

In 1973, STFA built a crane capable of lifting 1200-ton caissons for the first time in the world helping successful completion of the Tripoli Port project in Libya.

In 1984, a gantry crane with a 3200-ton lifting and moving capacity was constructed for the first time in the world by STFA and used successfully in the construction of Gabes Port in Tunisia.

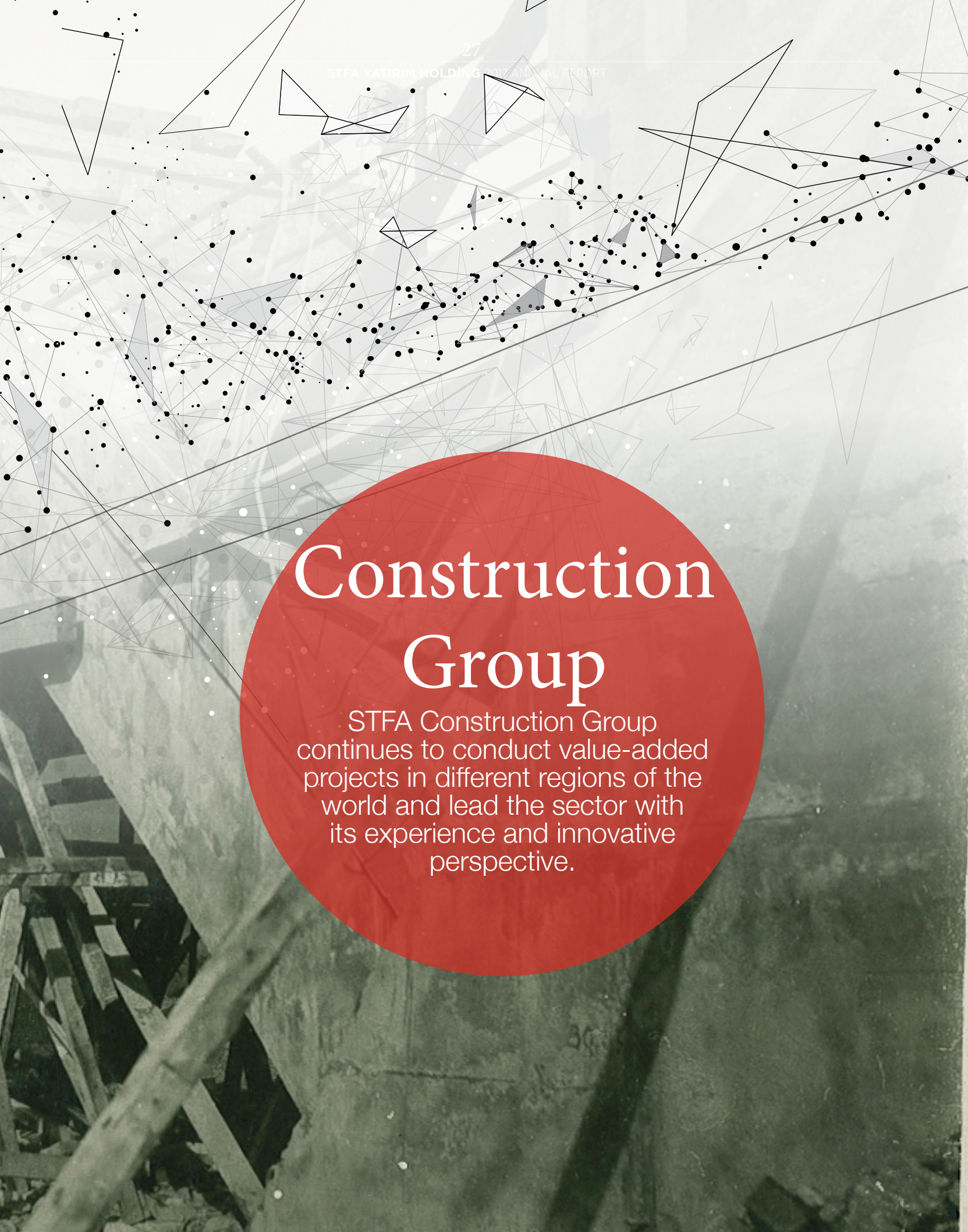
In energy, STFA constructed Turkey's first 154 kV power transmission line in 1952. In 1997, the continents of Asia and Europe, separated by a 1880 m span were connected to each other through the first 735 kV energy transmission line as part of the İstanbul Bosphorus Crossover project.

In the Egypt-Jordan Interconnection Project, the pole height of 221 meters for the 500 kV Suez Canal Crossing project approached the height of the Eiffel Tower.

STFA constructed 30% of Turkey's existing pipelines, and was the first Turkish contractor to complete a natural gas pipeline with a 48" diameter during the 301-km Erzurum-Doğubayazıt project.

In telecommunications, STFA implemented its first long-distance cable project with a 1450-km underground cable in 1983 and implemented Turkey's first telephone network with a length of 1000 km as part of the NATO Infrastructure Project in 1958.

A tunnel boring machine was used for the first time in Turkey by STFA for the construction of the Kadıncık Energy Tunnel.



Construction Group

STFA Construction Group continues to conduct value-added projects in different regions of the world and lead the sector with its experience and innovative perspective.

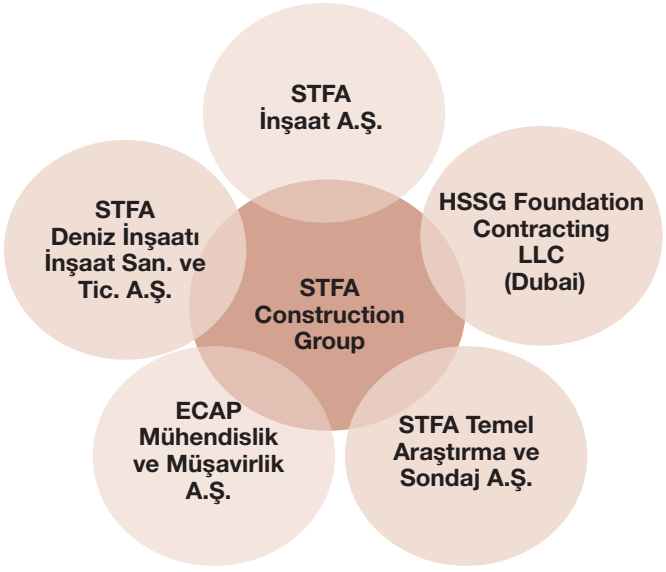
Sectoral Outlook

The construction sector, which makes an undoubted contribution to Turkey's employment, continues to change and grow in parallel with developing technology, consumer preferences and global trends.

2017 will be remembered as a year in which the construction industry, the driving force of the Turkish economy, exceeded the overall growth by achieving a growth rate of almost 9%. Due to significant domestic infrastructure and health projects, the construction industry enjoyed a very dynamic year in 2017, at the same time making great contributions to the employment. The performance of Turkish construction companies in the international arena improved and grew in 2017. 46 Turkish construction firms who have gained a reputation for their prestigious work made it to the list ENR (Engineering News Record) List, which is compiled as a result of global research and data. Turkey now ranks second in the market after China.

The slowdown in the infrastructure and construction sector, especially due to oil and gas prices over the last few years, was replaced by a more resilient and lively climate in the last two quarters of 2017. This change led to an increase in the number of active projects and the positive expectations it created for 2018 also enabled the sector to revive.

Low commodity prices, political tensions and risks of conflict were among the factors that negatively affected the global construction market in 2017. Along with other sectors, the construction industry has closely monitored USA-China relationships, the North Korea-South Korea conflict, the long standing Syria issue in the Middle East, the uneasy atmosphere in North



the construction sector in 2018 as in 2017, have created the greatest difference between yesterday and today. As one of the companies most capable of adapting quickly to an ever changing climate, STFA reflects this ability to manage change in all business processes. Looking at the company's 80-year-old history, it is clear that STFA has become used to setting an example in the sector by acting ahead of its time through innovative development and implementations. With a reflex coded into its DNA, STFA has exceeded target performance by supplementing conventional methods developed in the past with the latest technology, making use of both electronic and robotic systems. Today, it is the clearest evidence of STFA's success in this area, even if it is only millimetrically placed in giant reinforced concrete structures in the Atlantic's most critical regions with satellite-linked systems and managed from İstanbul, which is thousands of kilometers away with live drone broadcasts.

Africa after the Arab Spring and the Brexit process. It is expected that these issues will continue throughout 2018.

Industry 4.0, green and environmentally friendly buildings, and the internet of things are developments that began to have a greater effect on all sectors in 2017. These factors are expected to have a rapid impact in the construction industry, especially bearing in mind that different scenarios are emerging every day on how Industry 4.0 will affect the construction world. It seems highly unlikely that conventional methods will be able to survive in the face of new and more competitive methods in the near future. Today, robotic systems already in use in ordinary construction manufacturing can do the same job faster and cheaper than the conventional methods and workforce. All these developments signal that the construction markets will enter a period of radical change and transformation in the near future.

In today's world, where consumer preferences are the main determinant, contracting companies are adopting green, environmentally-friendly approaches and shaping construction and operation scenarios based on these criteria

These developments, which will affect the dynamics of

2017 Activities

STFA Construction Group closely followed global developments in the sector, while successfully keeping projects in all its fields of activity on schedule.

Alongside corporate transformation, the group also focused on completing ongoing projects, implementing new ones and pursuing opportunities in alternative markets. Strategic plans formulated to achieve targets were carefully implemented, and global and national developments monitored closely. Significant progress was made on ongoing projects in Morocco, Oman and Kuwait, while work continued on the Doha Gold Line Metro project as planned.

The STFA Signature Brings Added Value Worldwide

In 2017, STFA Construction Group was engaged in major projects nationally and internationally. STFA's signature projects include: İzmit Bay Bridge Infrastructure Construction and Deep Sea Foundation Construction; Yarımca Container Terminal; Tupras Pier Construction in Turkey; Tripoli, Misurata and Tobruk Ports in Libya; Manifa Causeway and Dareen Port in Saudi Arabia; Pakistan Ormara Military Port; Qasim, Jask, B. Lengeh Ports in Iran; Gabes Port Piers in Tunisia; Gold Line Metro Project, Ras Laffan LNG Loading Ports and Mesaieed Ports in Qatar; Sohar Port Piers and Intake Structures, Duqm Port, Taqah Port in Oman; Safi Port in Morocco; and Service Ports Construction in Kuwait.

STFA Construction Group is currently engaged in major projects in Turkey, Kuwait, Morocco, Saudi Arabia, Oman, Qatar, UAE, Turkmenistan, Azerbaijan and Georgia. As of the end of 2017, 10 projects with a total value of approximately USD 5.6 billion (STFA share: USD 1.8 billion) were in progress. In parallel with changing regional and global conditions, the group focuses on projects within its fields of expertise in regions where it has presence and knowledge of internal dynamics, formulating all its strategies and objectives in this direction.

Kuwait, Service Ports

Ongoing projects include: the Doha Gold Line Project in Qatar; Bid Bid Sur Road Construction and Khasab-Tibat Motorway Project in Oman. Projects at completion stage are: the Salalah Sea Outfall Project, Musannah Treatment Plant and Musannah Fishery Harbour Project in Oman; Service Ports Project in Kuwait; Safi Port Project and Nador Port Project in Morocco.

Activity Areas and Ongoing Projects

STFA Construction Group's experience and fields of activity can be summarized as follows;

As Turnkey **Engineering-Procurement-Construction** services

- **Marine Structures**

(Ports and Harbours, Jetties, Quaywalls and Causeways

Water Intakes and Outfalls, Marine Piling Works)

- **Civil Works / Infrastructures**

(Roads, Bridges, Tunnels/Metros, Hydraulic Works, Industrial Plants, Water / Waste Water Treatment Plants, Buildings, Telecommunication Network)

- **Oil, Gas and Power**

(Oil and Gas Facilities, Power Plants, Power Transmission Lines Pipelines)

- **Foundation Engineering**

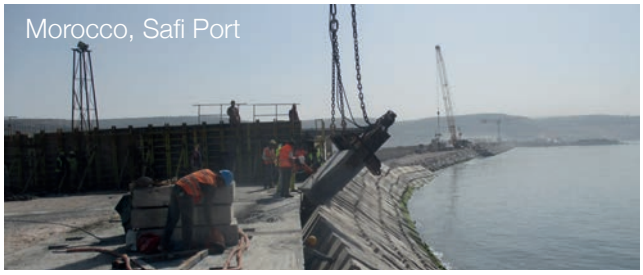
(Soil Improvement and Foundation Works, Soil Investigation Works)

- **Project Management and Engineering**

(Engineering and Consultancy Services, Project and Engineering Management Services)

The STFA Construction Group earned its prestigious position, nationally and internationally, with innovative

Morocco, Nador Port


Morocco, Safi Port

Morocco, Nador Port

management, excellent service delivery and the ability to read changing conditions correctly. From this starting point, the group is working hard to extend its presence to new areas. The company, which strives for excellence in every one of its projects, has operations in Oman, Qatar, Saudi Arabia, Morocco, Iraq, Kuwait, Libya, United Arab Emirates, Turkmenistan, Azerbaijan, Georgia and Turkey.

Projects in Kuwait

Kuwait Service Ports Project

By the end of 2017, significant progress had been made in procurement for marine and electromechanical works and in the construction of port and building concrete works. The procurement process for jib crane and generators has reached completion stage, together with steel assembly material, the uninterruptible power supply, and security and loud- speaker systems.

Construction of the North Port is largely complete. Preparations are continuing at full speed for the new shoreline works. Floating scaffold installation works have begun. At the South Port, breakwater and dock construction have been completed to a considerable extent. Also jib crane and fixed scaffolding installation works have started.

A substantial proportion of concrete, steel and facade works has been completed in reinforced concrete buildings in the North Port. In the South Port, the building piling works were completed and handed over. In both ports, electromechanical assembly was accelerated along with front of house works. 1,400 new staff were employed to speed up the building work. The number of marine staff has been reduced significantly. The completion date for the project is scheduled for July 2019.

Projects in Oman

Khasab-Tibat Coastal Road Improvement Project

The Khasab-Tibat Coastal Road Improvement Project aims to stop falling rocks and ensure safe travel. The project has two sections; “Coastal Road Protection (Aliyman) & Slope Stabilization” and “Protection”.

The total amount of filling and coastal protection work has increased with the additional alignment work that was approved under the project. 63% of these filling and coastal protection works have been completed.

Furthermore, additional intersections and connections (Al Harf, Al Jirri, Al Jadi 1, Bukha Mosque, Fudgah) were completed together with sections 2-4-5-6. Slope stabilization works on the existing road to prevent rocks from high mountains and steep slopes still continue. The installation of a barrier to prevent rock fall also started in October.

Musannah Fishery Harbour

STFA Construction's second project from the Ministry of Agriculture and Fisheries in Oman is the "Musannah Fishery Harbour". In 2017, a 1800-meter length of breakwaters, dredging and filling activities, block dock walls, floating scaffolding systems and road and electricity works were completed.

Morocco, Safi Port

BidBid Sur Highway Project

The 75-kilometer Bidbid Sur Highway Project, an STFA-HLG Joint Venture, had previously been partially opened for traffic but was completed and fully opened in 2017. Work on the side roads is also expected to be completed by 2018. The project value is approximately USD 400 million.

Salalah Sea Outfall

Having completed the construction works at the Salalah Sea Outfall Project, STFA continues to work on landscaping and repair works. Following the final tests on electromechanical work, the project is scheduled to be handed over in April 2018.

Projects in Morocco

Safi Port Project

In 2017, there were some intensive periods of activity on the Safi Port Project. It has now been completed except for the service pier and capping beam construction. The remaining works on the secondary breakwater (crown wall, accropode placement and coal dock) are scheduled to be completed by November 2018.

The main breakwater was completed on the harbor side except for a small area of antifur blocks, the crown wall construction and the antifer blocks behind the wall. On the sea-facing side it has been completed except for a small amount of ground improvement. The remainder of the work is scheduled for completion by the end of March 2019.

Nador Port Project

General excavation, dredging-sand substitution, ground improvement, diaphragm wall works and accropode production are underway in the Nador Port Project built by the STFA-SGTM-JDN Joint Venture. In addition to these works, mobilization work for marine equipment is already underway.

Within the scope of temporary works, the first line has been completed in the installation of the caisson production area and commissioning works are continuing. Construction of a split barge loading dock is also completed. The preparation of automation systems continues.

Delivery of technical documents, stone quarry, ground improvement and breakwater equipment mobilization, field office mobilization and field office equipment work have all been completed.

Projects in Qatar

Doha Metro Gold Line Project

The general progress has reached 75% on the Doha Metro Gold Line Project in Qatar's capital Doha. The project has a total value of USD 3.5 billion and has been undertaken as an ALYSJ Joint Venture (Aktor-Larsen&Toubro-Yapı Merkezi-STFA-Al Jaber). In addition to the tunnel works completed in the past year, other general construction works in the stations have come to an end. Work still to be completed consists of aboveground works such as the Central Cooling Building and MEP rooms as well as backfill and underground works (excavation + wall + roof + backfill).

Approximately half of the MEP works undertaken by STFA are completed. The completion rate of architectural front of house works, which are also a joint enterprise, has reached 25%.

Most of the station buildings are of the 3-storey, 178-meter general type with under platform, platform and ticketing floors, although some have a mezzanine to accommodate MEP services between platforms and ticketing floors.

12,000 employees from 44 countries are working on the project. Completion is scheduled for January 2019.

Targets and Expectations

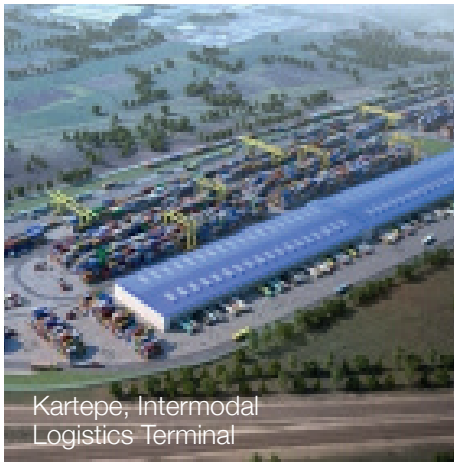
Focusing on the future goals, in 2017 the Construction Group took strategic steps in line with its sustainable growth target.

As being the pioneers in the construction industry for 80 years, STFA Construction Group have undersigned numerous prestigious projects across the world, while structuring their entire organization and strategy in line with their future vision. In 2017, the company implemented new practices as part of a change strategy built to support profitable and sustainable growth targets. Focusing on future goals in 2017 as in previous years, STFA Construction Group restructured its entire organization and business plans in a style consistent with the company's DNA. As part of this process, the Company has successfully implemented change management on the basis of sustainability in all fields from human resources to business processes, and from technology to innovation. The group's ability to conduct accurate analyses, take rapid action and manage change effectively goes back a long way and has been influential making progress along the road to future goals.

Unlike the challenges of 2017, 2018 is expected to be a promising year for the global construction industry. This projection is particularly influenced by rising oil and commodity prices. However, if the political controversies and unrests reach critical levels, the growth performance especially in the Middle and Far East is expected to be adversely affected. Despite all these scenarios, there is an expectation that the year 2018 will be a positive year in terms of Turkish contracting services.

The main factor supporting the growth of the global construction market over the next few years seems to be the large-scale infrastructure investments in emerging markets. During this period, the global construction market is expected to grow at an average annual rate of 5.50%, while small and medium-sized emerging

Oman, Salalah Sea Outfall


Kartepe, Intermodal Logistics Terminal

economies, particularly in Asia, the Middle East and Sub-Saharan Africa, are expected to outperform this figure. While increases in commodity prices are playing a positive role in this growth, it seems possible that more funds could be allocated to infrastructure investments, especially in petroleum-based economies.

From this perspective, the North Africa and Middle East markets, where STFA has been operating for over 40 years, are the top areas where infrastructure investments will accelerate due to rising oil prices in the upcoming period. Taking into account the current structure, a more intense project schedule is planned especially in these areas in 2018 and after. In addition to its current activities, STFA Construction Group focuses on developing activities that will enhance its impact in these regions which have a large potential client portfolio and where it has already built a reputation with successful projects. This includes strategic work towards synergies and partnerships that can produce effective business techniques considering the changing and developing market dynamics in the area.

In addition to its current regions of operation, the company aims to speed up its structuring in 2018 by creating a portfolio of projects specifically for Sub-Saharan Africa, which has extensive infrastructure needs.

The STFA Construction Group intends to establish a large network in the region by the end of 2018, particularly in West and East Africa, where the underground wealth and the geopolitical positions of the countries promise development potential. The region, which will maintain its growth performance over the next 10 years and will grow even more after 2020, will grow in prominence, especially in terms of the construction sector. The current fundamental problems of the region include political instability, underdeveloped financing systems, lack of debt repayment capacity and non-transparent state processes. However, despite this the regions are still appealing due to the avid interest of international finance institutions, development banks and private venture funds in financing projects to be carried out in there.

STFA Construction Group's 2018 goals include gaining a presence in the Central Asian Republics. Investors are interested in the expected growth of Kazakhstan and Uzbekistan in particular, and the underground wealth that supports it. Increased commodity prices also enable greater allocations for the necessary infrastructure investments.

STFA Construction Group's 2018 goals include gaining a presence in the Central Asian Republics.

Oman, BidBid Sur Highway

ECAP MÜHENDİSLİK VE MÜŞAVİRLİK A.Ş.

Utilizing over 80 years of know-how of STFA Construction Group, ECAP Mühendislik ve Müşavirlik A.Ş. continues its activities in fields of marine engineering, structural engineering, geotechnical engineering and earthquake engineering. ECAP provides engineering services such as feasibility studies, concept & detailed design, tender consultancy, site supervision, construction management and project management on behalf of reputable clients from public and private sectors covering a wide area including Middle East, Africa and the Commonwealth of Independent States. The company also continues to provide design, engineering and technical consultancy services for the construction projects undertaken by STFA Construction Group.

In 2017, ECAP completed site investigations and detail design studies for the Oyak Port Project, investment of which is planned by Oyak Denizcilik ve Liman İşletmeleri A.Ş. in association with Nippon Yusen Kaisha (NYK) of Japan at Kocaeli/Yarimca. The project includes various structures and facilities, including a berthing area designed for 8,000 CEU capacity ro-ro vessels, car storage areas, interconnection bridge and associated electrical and mechanical infrastructure. The annual vehicle capacity of the project is estimated to be 780,000. ECAP is currently preparing the technical and administrative tender documents for the project and it is planned that the port will become operational within 2019.

Another significant project in 2017 was the Kartepe Intermodal Logistics Terminal project at Kocaeli, investment of which is planned by Arkas Group with its German partner Duisburger Hafen AG. As part of this project, ECAP is delivering various engineering services including: electrical, mechanical, architectural concept and detailed design for the terminal infrastructure and buildings along with the design of ground improvement works, connection bridge, in-terminal roads and level crossings. ECAP is preparing the technical and administrative tender documents for the project, which will be delivered in phases with the first tender for building operations scheduled to start in the first quarter of 2018. It is anticipated that the technical consultancy services of the tender stage will also be conducted by ECAP.

In 2017, ECAP also successfully completed Construction Supervision Services for Refurbishment of Berths No. 14 and 15 on behalf of Mersin International Port Management Inc., who has utilized ECAP services for many occasions since 2012. ECAP also undertook a detailed engineering project to investigate the capacity and structural condition of the existing piers in the port in 2017. Completion is planned for the beginning of 2018.

Qatar, Doha Metro Gold Line

STFA Temel Araştırma ve Sondaj A.Ş. is engaged in a wide range of activities in the construction sector, which include: preparation of geological, engineering and topographical maps; horizontal drilling works; drilling works for land survey purposes on land and sea and geophysical measurements; soil improvement; slope stabilization designs and manufacturing; laboratory tests and geotechnical evaluation reports.

STFA TEMEL ARAŞTIRMA VE SONDAJ A.Ş.

Established in line with STFA construction work needs in 1970, Temel Investigation and Drilling Corp. has been providing services in the following fields for nearly 50 years:

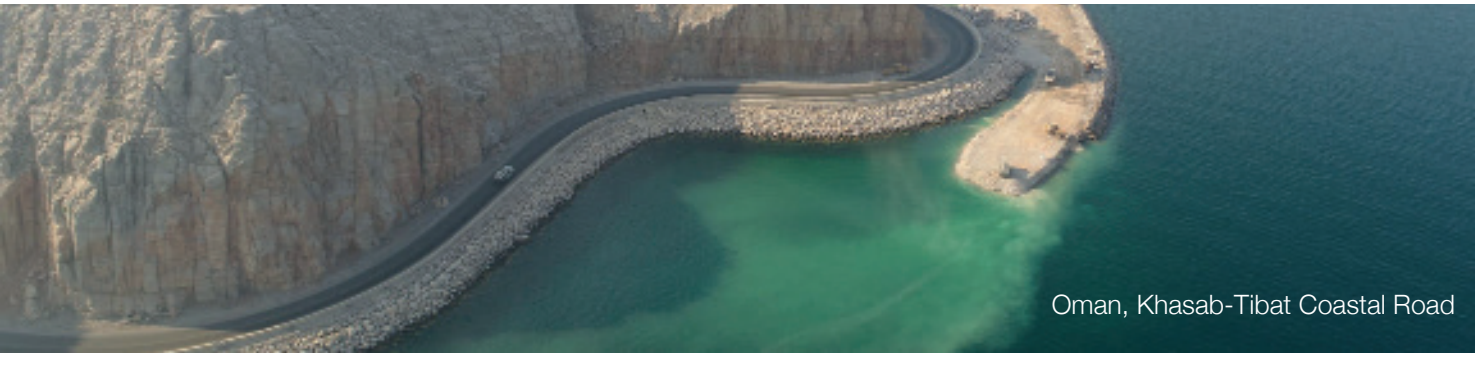
- Geotechnical, geological, geophysical investigations
- On-shore and off-shore drilling for ground surveys
- On-shore and off-shore geophysical surveys
- Geological mapping
- Raw material investigations
- Drilling for geothermal investigations
- Off-shore bathymetric, oceanographic and resistivity surveys
- Topographical mapping
- Horizontal drilling works
- On-site and laboratory tests
- Generation of geotechnical investigation and assessment reports,
- Soil improvement, injection, jet-grout columns, ground and rock anchors
- Mini piles
- Design and implementation works for slope protection and retaining structures
- Installation of slope protection barriers
- Geotechnical consultancy and design services

HSSG FOUNDATION CONTRACTING (HSSG)

As one of the leading ground engineering companies in the Middle East, HSSG provides services to customers in the infrastructure, housing, energy and transportation segments within the remit of ground engineering stipulations.

Providing a wide portfolio of services for large-scale ground projects, HSSG has undertaken more than 120 prestigious projects in the region, thereby continually achieving greater levels of success. Roads, subway lines, bridges, high-spec residential dwellings, commercial buildings, 5-star hotels, health centers and educational and cultural institutions are among the projects of HSSG in the United Arab Emirates and Qatar. HSSG has also been involved in large-scale power plant and port infrastructure projects in Saudi Arabia and Oman and successfully completed the diaphragm wall works for subway construction in Chennai, India.

The Company is among the leading ground engineering companies of the Middle East and has over 1,000 employees.



Oman, Khasab-Tibat Coastal Road

R&D, INNOVATION

Behind the sustainable success of STFA Construction Group is the management of innovation, an important part of its corporate culture since the beginning. The culture of innovation that is built into the DNA of the STFA Construction Group has maintained its importance throughout the long history of the company, keeping pace with changing needs and developing technology. The concepts of "engineering", "design" and "creativity" play a key role in conveying the knowledge and experience the company has accrued over many years to future generations.

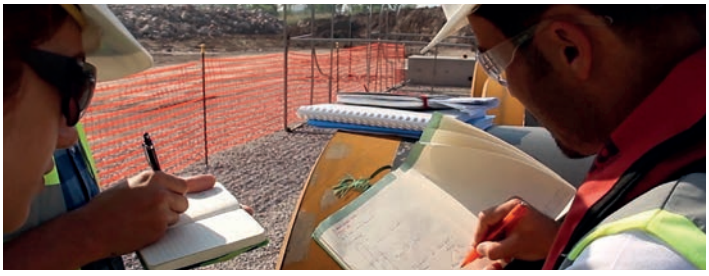
Skilled Human Resources in Transformation

Skilled human resources that have embraced the culture and values of the STFA Group constitute one of the most important elements in reaching strategic targets. The Group has a human resources policy that supports its employees in terms of education, health, continuous improvement, equality of opportunity, fairness, cooperation, open communication and encouragement of creativity. Global researchers point to three critical issues that will drive the construction industry forward: technology, human resources and effective evaluation and joint management of managerial tools. This equation has been part of the STFA approach since its establishment and is reflected in all the steps taken to meet goals and in human resources practices. In this respect, while carrying out many projects simultaneously, the company ensures the right people and teams join together to implement the strategies that will carry the group into the future.

While implementing the "Change for the Better" approach in 2017, STFA also conducted a backup and career management program under the name of "Talent Map". Interviews were conducted with managers to identify the potential grades of white-collar employees with the aim of ensuring the continuity of workforce and management resources. When these potential grades were determined, managers were interviewed to assess the strengths and improvement areas of each employee and potential positions were discussed. Throughout the study, critical managerial roles were identified and a list of potential candidates for these roles was compiled as part of a back-up plan. The aim of these studies was to analyze the current workforce and human resources to ensure that the right person is assigned to the right position, to provide training for employee development and career moves, and to contribute to the professional development of employees.

We also worked with Aon Hewitt to conduct a engagement and satisfaction survey among both head office and project field employees. Confidential surveys

Meeting on the theme of Building Success



were conducted online and the utmost care was taken over the protection of personal data. The reports were analyzed in detail and strength and improvement areas were identified. The results were compared with Turkish averages, other group companies and across departments to help determine areas for improvement.

Building Success

All headquarters' office employees and project representatives met at the "Preliminary and Objective Meeting" organized under the heading of "Building Success" in November 2017. For two days, information was given on the new organizational structure and working principles as defined by the Construction Group's change strategy. At the meeting, which was led by the Construction Group president Uğur Koyunoğlu, expectations for 2018 were shared and different events were arranged for internal communication. STFA employees attended the meeting for two days and proposed questions, which were answered by the Construction Group president and relevant managers during the question and answers section in the afternoon of the second day.

PMO - Project Management Office

In 2017, organizational changes were made in STFA Construction Group within the remit of change and restructuring. As part of this, the Project Management Office (PMO) was created to manage projects more efficiently and more effectively. Occupational Health, Safety and Environment, Quality Assurance, Planning and Cost Control departments were gathered under the Project Management Office to improve project management processes.

OHSAS 18001 Occupational Health and Safety and ISO 14001 Environmental Management System external audits were conducted in 2017. Moreover, ISO 14001:2015 management system integration was completed and certificates were renewed.

13,797,591 man-hours of work were completed in 2017. There was no fatal incident. STFA Construction Group maintained its steady decrease in the lost time incident frequency rate and the total recordable injury frequency rate, which are considered an indicative measurement of occupational health and safety performance across the world.

Number of workforce trained:	18,650
Number of Fatal Incident at 2017:	0
Lost Time Incident (LTI) Rate:	0.104
Total Recordable Incident (TRI) Frequency Rate:	0.31
Occupational Disease Rate (ODR) rate:	0

A new, up-to-date quality management system was established and its certification was completed successfully in compliance with ISO 9001:2015, the latest revision of the internationally recognized ISO 9001.

Planning and reporting procedures, guides and formats, which were required to monitor the field production progress more closely and frequently, were swiftly prepared and shared with all project teams. Later on, all project teams were visited and training was delivered on reporting requirements. Project management teams were trained on how to read the reports and also asked for feedback, which resulted in some improvements. The reports prepared by project teams were shared with the related project management and senior management at headquarters after reports have been received from all projects every week. The reports provided a basis for discussion of each projects and feedback was communicated to the project teams every week, providing a bridge between headquarters and projects.

In the last quarter of 2017, the cost control department started to prepare a new system for more stringent monitoring and control of costs. The system was first implemented in the Kuwait Port Project. In the second quarter of 2018, it was aimed to follow up the cost of all projects with the new system. Software support was provided for this system, which enables budget follow-up at every stage of the cost cycle from purchase demand to cash. A more transparent and sustainable cost system, which was harmonized with STFA systems and developed every day, was taken as the basis. With this system, which started to be monitored before the costs occurred yet, it is foreseen that the project costs will be avoided and the related costs will be reduced.

INFORMATION TECHNOLOGY

There is no doubt that technology plays a huge role in the development of the construction sector. In today's world, where new technologies are continually appearing, there is a great variety of business models. Impact of the digital transformation and Industry 4.0 is increasing everyday, which leads to the transformation of the construction sector. In line with the increasing influence of digitalization, concepts such as Digital Transformation have been placed at the heart of STFA Group operations, just as in all other companies.

In 2017, STFA Group continues its efficiency oriented optimization projects for the IT business procesess without compromising on quality standards.

4 STFA Group companies' IT hardware operating and maintenance costs were reduced by 25% under one roof of the data center. A higher service and process quality was achieved.

Consolidation efforts continued with to Human Resources payroll applications. In 2017, all STFA Group companies' payroll processes were consolidated under the roof of one single System.

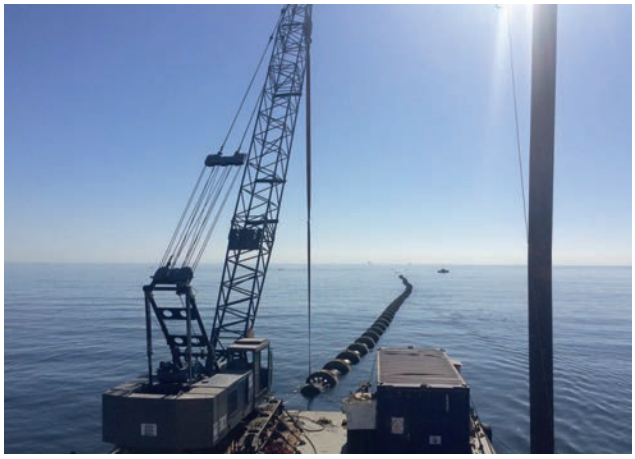
Within the scope of strategies and plans focused on change and transformation of the Construction Group, business applications based on the "cost control" have gained speed. With the establishment of the Project Management Office (PMO), a "cost control mobilization" was launched with the inclusion of cost control engineers employed in every construction project with a new software investment made in the middle of the year. Three main targets of this project are:

1. Increase in efficiency
2. Improvement in quality
3. Decrease in costs and loss

Kuwait, Service Ports

Oman, Salalah Sea Outfall

Qatar, Doha Metro Gold Line



SUSTAINABILITY

Under the scope of waste management, STFA aims to reduce the amount of waste produced at the first step, to separate and recycle the waste and to dispose via authorized companies where other options are not possible to implement firms. The company performs waste management in compliance with the legal requirements. Monitoring all stages -beginning with the production of waste until its disposal- as well as checking compliance with relevant law and regulations are all managed within the framework of the Waste Management Program.

Waste produced by the central office include printer toner cartridges, paper, packaging materials and electronic devices. Paper, plastic, glass, metal, packaging and battery collection containers are available at the building for separation. Activities and campaigns are organized in the Group in order to raise awareness and encourage employees to reduce, separate, collect and recycle the waste.

In project activities, re-usable waste is separated on-site. Collected materials are categorized according to their types and sent to recycling facilities via authorized companies. Waste oil that can be used for recycling purposes is sent to recycling facilities as well.

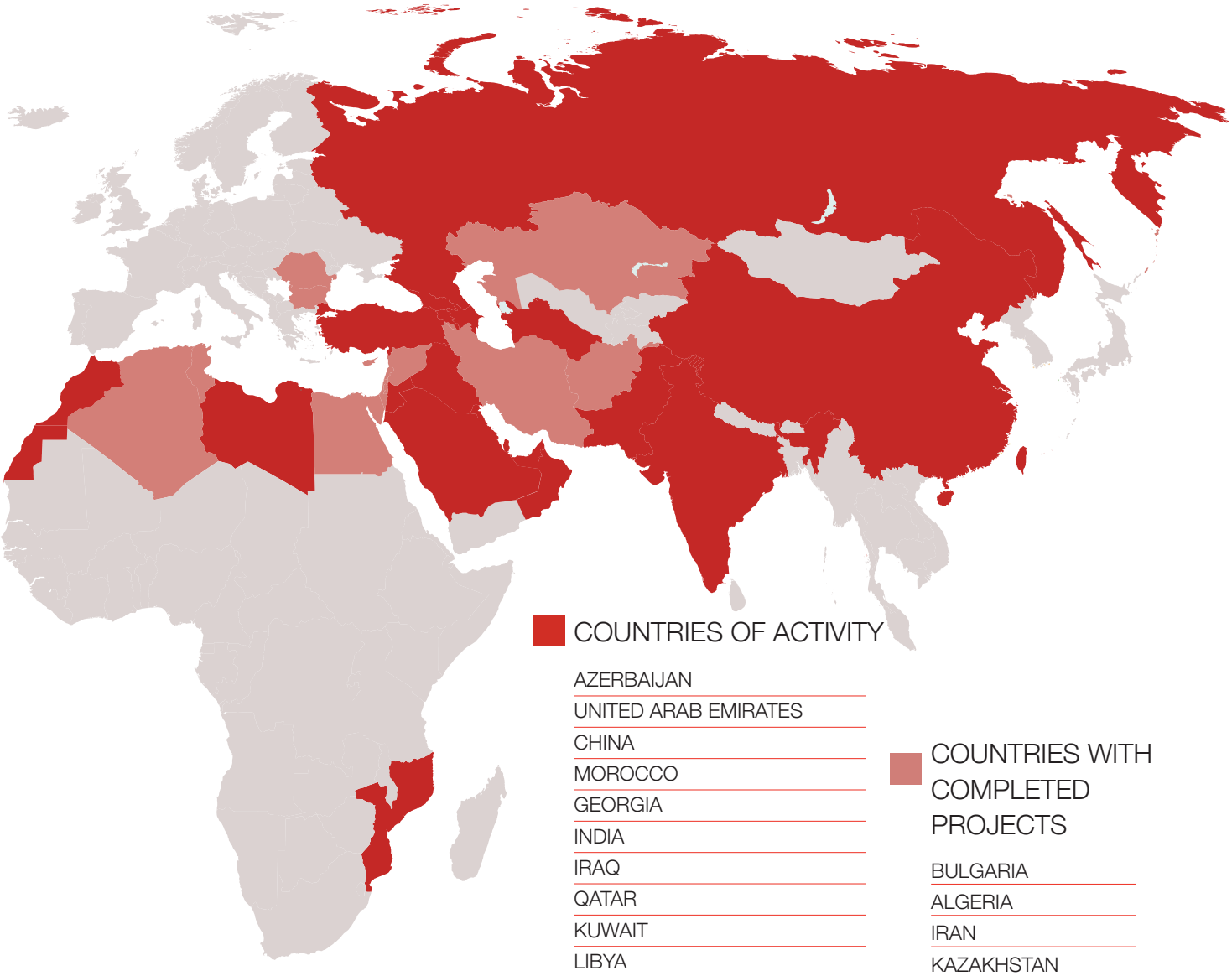
STFA Construction Group also conducts studies on efficient and economical use of resources in order to create environmental consciousness, raise awareness and leave a healthier and more liveable environment to future generations.

SOCIAL CONTRIBUTIONS

STFA Construction Group places the utmost importance on making effective and beneficial contributions to society, as necessitated by its approach to social responsibility. Acting in the belief that it should give back what it takes from society, STFA Group carries out all its activities with a humanitarian and environmentally - friendly approach. One of the most significant factors behind STFA Group's successful history in sustainability is that all employees have adopted and internalized the concept of social responsibility, which is an essential part of the corporate culture.

Operations Map

The Construction Group continues to make an impression on the sector with completed and ongoing projects in different locations.



COUNTRIES OF ACTIVITY

- AZERBAIJAN
- UNITED ARAB EMIRATES
- CHINA
- MOROCCO
- GEORGIA
- INDIA
- IRAQ
- QATAR
- KUWAIT
- LIBYA
- LEBANON
- MOZAMBIQUE
- PAKISTAN
- RUSSIA
- SAUDI ARABIA
- TURKMENISTAN
- TURKEY
- OMAN

COUNTRIES WITH COMPLETED PROJECTS

- BULGARIA
- ALGERIA
- IRAN
- KAZAKHSTAN
- CYPRUS
- EGYPT
- ROMANIA
- SYRIA
- TUNISIA
- JORDAN

Milestones

1938
Sezai Türkeş-Feyzi Akkaya Partnership (STFA) was established.

1948
Malatya Bridges, STFA's first large-scale contracting job in Turkey, were completed.

1952
The first 154kV Power Transmission Line Project in Turkey was completed by STFA.

1958
The first telephone network in Turkey was completed by STFA as part of the NATO Infrastructure Project.

1962
Construction of the 1,800 m long NATO Dörtyol Petroleum Filling Pier, which was at the time the longest breakwater in Turkey, was completed by STFA.

1965
Bartın Port Project, which is the first submarine base in Turkey, was completed by STFA.

1968
The petroleum sea platform, which was designed by Feyzi Akkaya for the Aliağa Refinery Sea Terminal Project, was used for the first time.

1970
A tunneling machine was used for the first time in Turkey by STFA in the Kadıncık II Hydro-electric Power Plant Project.

1972
STFA began work on the Libya-Tripoli Port Project, the first international tender to be won by a Turkish contracting firm.

1973
A 1,200-ton portal crane, used to place the caissons used in Tripoli Port Project in Libya, was designed and manufactured.

Some of the projects completed by STFA Group over the years...

1978
The Feyzi Akkaya Basic Education Foundation was established to award scholarships for vocational training.

STFA worked on the Mecca Mina Tunnels, becoming the first Turkish contractor to operate in Saudi Arabia.

1981
The 220kV 145 km Power Transmission Line Project was completed by STFA - its first tender in the United Arab Emirates. STFA was the first Turkish engineering company to operate in Egypt.

1983
STFA became the first Turkish contracting company completing a project in Iran with work on the Jask, Keşm and Lengeh Port Projects in the Persian Gulf.

Sezai Türkeş and Feyzi Akkaya, founders of STFA, were granted the title of Honorary Doctor by İstanbul Technical University (İTÜ).

1984 STFA became the first Turkish contracting company conducting a project in Tunisia under the scope of the Gaber Port.

1985 The Second Bosphorus Bridge, the world's sixth biggest suspension bridge, and a 230 km Highway Project were undertaken by STFA. Within the scope of the İstanbul Sewage Project, STFA was the first company to use a jet grouting injection system in Turkey.

1986
During construction of the Kömürhan Bridge, the free overhang method on cast-in-place pile foundations was used for the first time in Turkey by STFA.

1990
In recognition of their achievements in engineering and contracting at home and abroad, STFA founders Sezai Türkeş and Feyzi Akkaya were awarded with the "Order and Certificate of Merit".

1992
STFA undertook the Indus Highway Project in Pakistan, in addition to the construction of Galata Bridge, which is one of the bridges with the biggest foundations in engineering in terms of diameter, length and number of piles. STFA thereby became the first Turkish engineering company to operate in Pakistan. As part of the Orhaneli Thermal Power Plant Project, STFA constructed a 275 m stack, the highest in Turkey at the time.

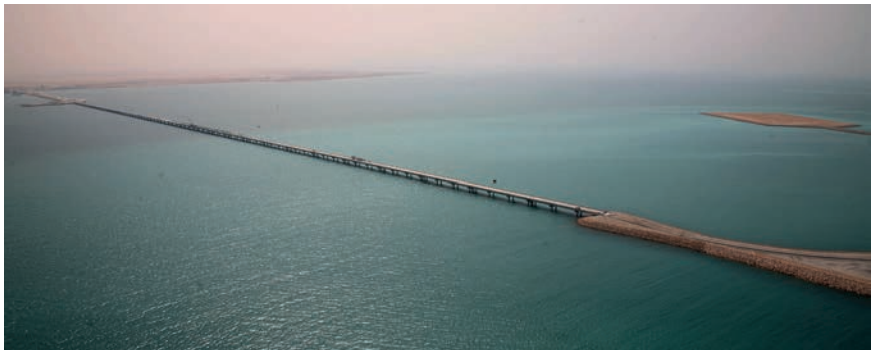
1994
STFA completed its first contract in Turkmenistan, the 500kV 374 km long Energy Transfer Line.

1995
Turkey's first Liquid Natural Gas Terminal Project was completed by STFA in Marmara Ereğli.

1997
735 kW İstanbul Bosphorus Crossing Power Transmission Line Project was completed by STFA.

1998
STFA undertook the 500kV Egypt-Jordan Connection Project, which established intercontinental links from Asia to Africa, as well as the Antalya Sea Outfall Project, which included the world's first installation of a HDPE (high density polyethylene) pipe of a diameter of 1,600 mm at a depth of 50 meters.

2000
STFA became the first Turkish contracting company to work in Oman with the Sohar Port works.



STFA was the first Turkish contractor to operate in Algeria with its work on the Lakhdaria-Bouria Motorway Tunnel.
STFA was the first Turkish contractor to operate in Qatar with work on the Ras Laffan Port Services Dock.

2001
STFA undertook its first contracting project in India, undertaking pile foundation works from Trinagar to Rithala for the company, Delhi Metro Train Enterprises Viaducts.

2003
ECAP was established as part of STFA Construction Group in order to create innovative engineering solutions, and provide qualified consultancy and project management services making use of STFA's vast accumulation of knowledge.

2004
1,795 m tunnel excavation was completed by STFA in two and a half months during the King Halid Tunnel Project in Saudi Arabia.

2005, Al Habtoor-STFA Soil Group L.L.C. was established in Dubai by Al Habtoor Engineering Enterprise Co. L.L.C and STFA.

2007
STFA undertook the construction of Duqm Port in Oman, which is one of the world's biggest ports. STFA was granted with the turnkey delivery (EPC) of the marine and construction works in the "Manifa Oil Field" Project, one of the biggest investments in Saudi Arabia, for the employer Saudi Aramco.

2008
STFA got its most extensive "supply, assembly, commissioning" contract with the Qatar Container Terminal Pier 7 Project.

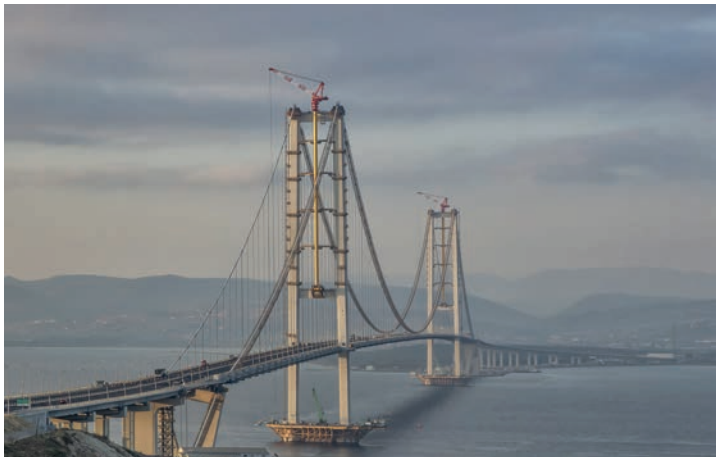
2009
Annual turnover of STFA Construction Group reached 700 million dollars.

2010
STFA's Gabro Terminal Pier Project in Qatar was completed before its deadline.

2011
As part of the Deep Water Groundworks and Infrastructure Construction Project, pile placement with a top elevation of -40 and the sinking of 50,000 tons of caissons was achieved for the first time during the İzmit Gulf Transit Bridge, one of the biggest medium-span bridges in the world.

2012
STFA took on its first contract in Iraq, the Erbil Water Supply Network project.

2013
STFA undertook the Service Ports Project, its first project in Kuwait, and the Yeni Safi Port Project, which was its first project in Morocco.



2014
Qatar Metro Gold Line Project, the biggest contract won by Turkish contractors abroad, was undertaken by STFA.

2016
Infrastructure Construction and Deep Water Groundworks for the İzmit Gulf Transit Project carried out with IHI in Turkey have been completed.
We finished the Yarımca Container Terminal Project, which in terms of regional trade holds a strategic importance for Dubai Port World (DPW), the world's leading container port operator. Substantial completion of the project was finalized.

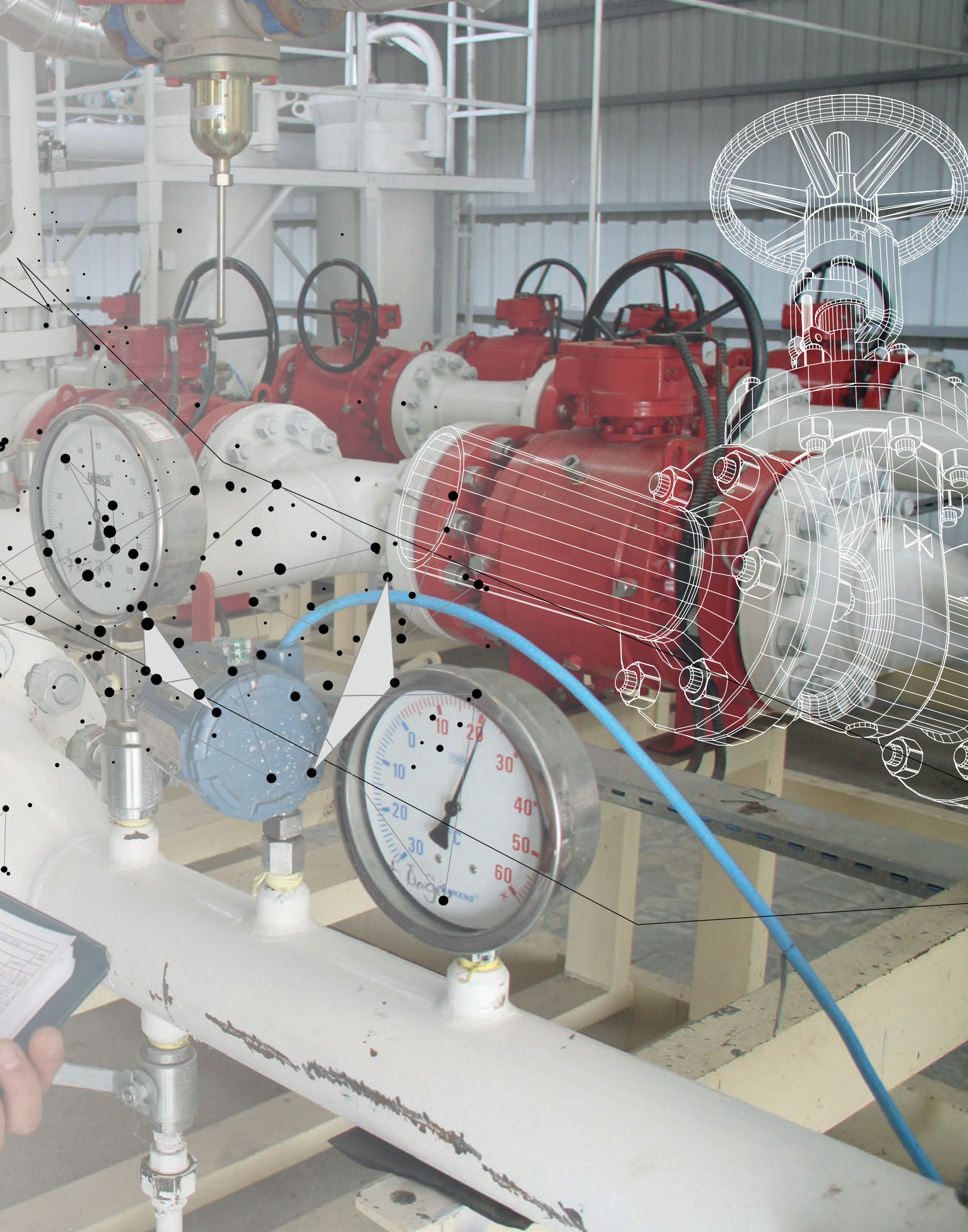
In Northern Iraq, the Erbil Water Supply System and Duhok Distribution Network Package 1 project has been completed. A substantial completion certificate was issued for the project.

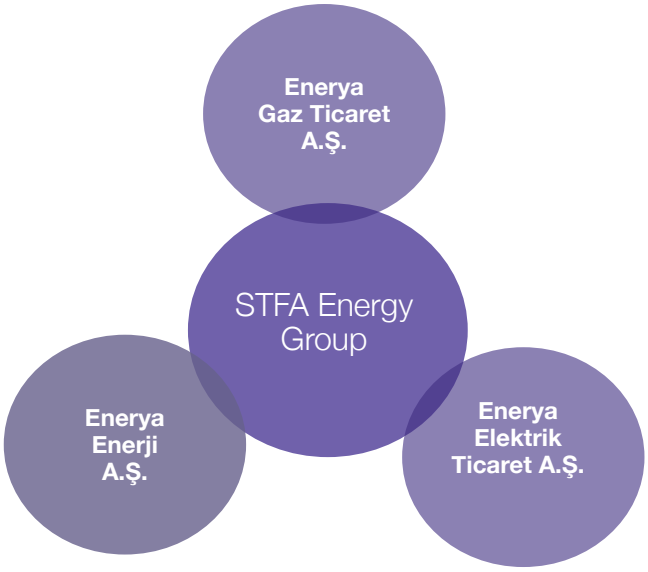
The Dareen Port project for Saudi Aramco was completed. The machinery demobilization phase was completed.

The success that has carried STFA to the present day is built on 80 years of knowledge and experience.

Energy Group

With effective investment plans, Enerya maintained a leading position in the industry throughout the year, providing services to 87% of the population in the provinces it serves.





Sectoral Outlook

The Turkish natural gas distribution network reached 130,585 km in 2017: increased 10% in comparison to 2016.

As 2017 was a year of different developments in the energy industry, the most significant events were: the decision of Organization of Petroleum Exporting Countries (OPEC) to extend the duration of petroleum production restriction agreements, an acceleration of renewable energy investments in many countries in order to combat climate change, Russia's approval of the TurkStream Natural Gas Pipeline Project and the National Energy and Mining Policy announced by the Ministry of Energy and Natural Resources.

By the end of 2017, natural gas distribution companies had made a total network investment of TRY 21.5 billion. With the help of these investments, the Turkish natural gas distribution network reached 130,585 km, increased 10% in comparison to 2016. This marked 2017 as the year of the industry's highest network investment till now.

Throughout the year, natural gas was provided to 101 districts and towns, by the end of the year, natural gas has reached 78 cities, 426 districts and towns in Turkey. 2.3 million people gained access to the natural gas distribution network due to an investment of nearly TRY 500 million in districts and towns as part of expansion operations.

The expansion investment calendar for 2018 includes 98 districts and towns and estimated investment is planned as TRY 700 million. As a result, it is envisaged that within the year the distribution network will extend to 2.5 million people, bringing the total number of those supplied to 64.5 million.

By the end of 2017, the total number of natural gas subscribers was 14,162,930, the number of household subscribers was 13,610,325 and the number of eligible (able to choose between suppliers) consumers rose to 552,605. Also in 2017, the total number of new subscribers in the Turkish natural gas distribution network was 1,162,691. The amount of natural gas consumed in electric power plants reached 20.4 billion m^3, recording an increase of 22.5% in comparison to 2016.

Significant developments took place in renewable energy during the year in the scope of National Energy Policies conducted by the Ministry of Energy and Natural Resources. Operations started for wind and solar energy by realizing Renewable Energy Resource Area (YEKA) tenders. In addition to YEKA, the number of plants included in the Renewable Energy Support Mechanism (YEKDEM) continued to increase. Installed power under the scope of YEKDEM reached 17,400 MW in 2017.

SUBSIDIARIES

Distribution license start and end dates of the group's subsidiaries and affiliates are as below:

Name of Subsidiary	Province of Activity	Percentage of Shares (%)	License Date	License Expiry Date
Enerya Denizli	Denizli	90	February 16, 2006	February 16, 2036
Enerya Konya	Konya	75.64	December 5, 2003	December 5, 2033
Enerya Ereğli	Konya	89.97	June 22, 2004	June 22, 2034
Enerya Antalya	Antalya	90	October 12, 2006	October 12, 2036
Enerya Kapadokya	Niğde and Nevşehir	63	September 29, 2005	September 29, 2035
Enerya Aksaray	Aksaray	89.95	May 25, 2004	May 25, 2034
Enerya Karaman	Karaman	90	July 14, 2006	July 14, 2036
Enerya Erzincan	Erzincan	90	August 4, 2006	August 4, 2036
Enerya Aydın	Aydın	90.00	August 21, 2008	August 21, 2038
Enerya Gaz Ticaret	Turkey	99.99	October 7, 2009	October 7, 2039

Affiliate Name	Province of Activity	Percentage of Shares (%)	License Date	License Expiry Date
Çorumgaz	Çorum	30	March, 16 2004	March 16, 2034

ENERYA ENERJİ A.Ş.

The company established in 2003 as a natural gas, electricity and renewable energy operator and combined all of its energy bodies under one single roof on February 7, 2014, continued in business as Enerya Gaz Dağıtım A.Ş. Then changing its name to Enerya Enerji A.Ş, the company quickly achieved a key industry position, especially in the natural gas distribution market. Through its energy and natural gas distribution licenses in Antalya, Konya, Karaman, Erzincan, Denizli, Aydın, Aksaray, Çorum, Niğde, Nevşehir and the Ereğli district of Konya, Enerya is the second largest natural gas distribution company in Turkey, supplying 1.2 million subscribers in a total of 11 cities with 30-year license periods.

The Company achieved a turnover of TRY 1.7 billion in 2017 with a gas volume of 3.8 billion m^3 and a total network of 10,826 km, including 9,788 km of polyethylene lines and 1038 km of steel lines.

ENERYA GAZ TİCARET A.Ş.

Enerya Gaz Ticaret A.Ş. was established to distribute natural gas to distributors and individual consumers all around Turkey and engage in the wholesale natural gas trade.

ENERYA ELEKTRİK TİCARET A.Ş.

Enerya Elektrik Ticaret A.Ş. was established to obtain electric power from suppliers and engage in sales to eligible consumers (corporate or individual) and other wholesales companies.

2017 Activities

One of the most important developments for Enerya in 2017 was the increase in the number of its subscribers. Enerya serves 1.2 million subscribers with 3.8 billion m^3 of gas and has installed 10,826 km of lines in Enerya cities since its establishment.

As one of the most significant actors in the energy industry for 13 years, Enerya maintained its efforts to transfer the experience and synergy of the STFA Group to the regions it operates throughout the year. As the second largest natural gas distribution company in Turkey, Enerya has established a distribution network of 10,826 km with an investment of TRY 924 million in 11 cities, carrying out natural gas distribution and infrastructure works in Antalya, Konya, Karaman, Ereğli, Erzincan, Denizli, Aydın, Aksaray, Çorum, Niğde and Nevşehir. With its rapid investment plan, Enerya reached 1.2 million subscribers, a turnover of TRY 1.7 billion and a total volume of 3.8 billion m^3 in 2017, providing services to 87% of the population in the cities where it operates.

Enerya maintained its leading position in the industry with its investments and operations throughout the year, with its motto of "Turkey's most innovative energy company, closest to its customers." 2017 was a year in which Enerya leaded innovations and broke industry records.

COMPLETED PROJECTS

In the period that the Ministry of Energy and Natural Resources directed the gas distribution industry with its vision of "No city or district will be left without natural gas", targeted 13 new expansion regions were supplied with natural gas. Due to new practices, the operation was completed quickly and on time with a 100% completion rate.

Besides Container RMS-A (Turkey's first pervasive&fixed container project) and CNG (compressed natural gas project), Enerya again realized a first in 2017. Enerya, who is conducting many projects to supply gas to expansion regions, carried out "LNG City Supply Project" a first in Turkey, where natural gas supply through transmission lines is technically difficult, has a high construction cost and long installation time. Enerya brought natural gas, trading and logistic sectors together with this LNG Project, successfully completed its LNG operations in Ermenek

in Karaman, Beyşehir and Karapınar in Konya and Çayırlı and Tercan in Erzincan. Two more large RMS stations were established in Karaman and Döşemealtı. The RMS A3 station in Konya has been put into operation and the network proportion in cities was increased by 12%.

As a reflection of the change and transformation approach adopted by the STFA Group, Enerya also conducted project including the emergency operation processes during the year. Another pioneering step was taken through transformation. As part of 22nd SAP Forum, Enerya won the "Mobile Transformation of the Year Award" for its Workforce Management Project. The safety of people and other living creatures in Enerya cities is the prime responsibility and the company attaches the highest importance to this issue. By this project, that's carried out with this awareness and responsibility, emergency process is arranged and system is improved. As a result, the system was purged of human errors and the intervention period was lowered to near zero.

The company won another award with its "Remote Gas Leakage Detection Device for Internal Natural Gas Installations", which detects gas leakage before it is reported. This project received the R&D Award from the Energy Market Regulatory Authority (EMRA).

Energy was provided to more than 300 locations with the use of solar energy at RMS stations in 2017. Enerya also currently engages in periodic facility maintenance operations as part of the maintenance agreements provided especially for the solar energy industry.

In Turkey's Capital 500 League, Enerya rose to 121st position, going up 10 ranks in comparison to the previous year. The company was also ranked 23rd in the listings for the energy sector, which creates the highest turnover in the Turkish economy.

Targets

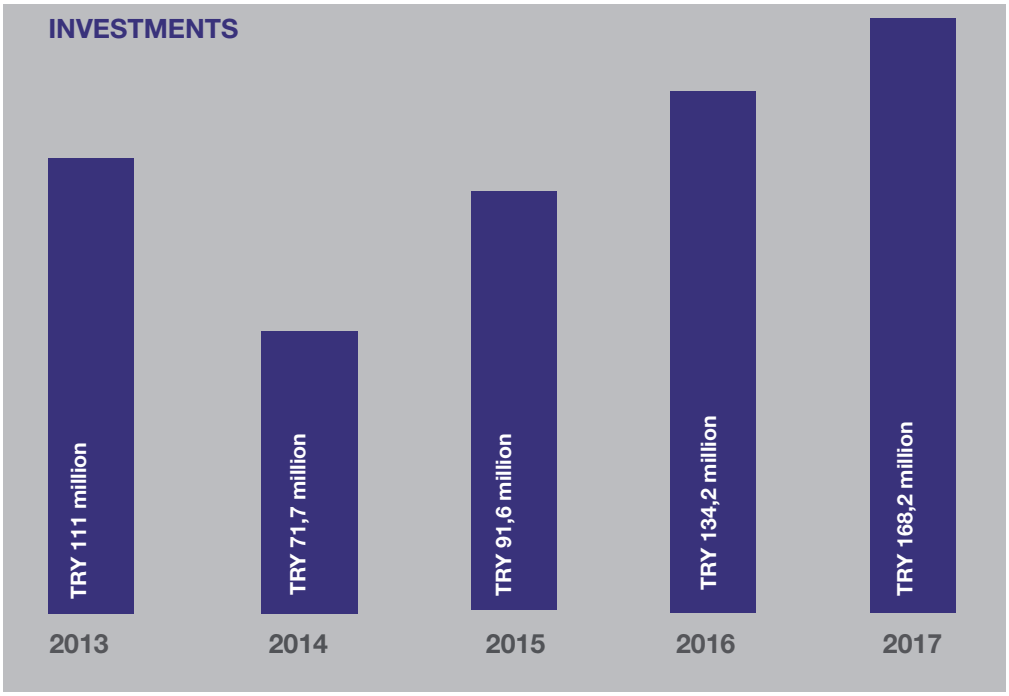
In 2018, Enerya aims to continue implementing innovative projects in expansion regions, just as it has done in previous years.

With operations in progress to provide natural gas economy and comfort to the expansion regions of Enerya cities, Tavas in Denizli, Eskil in Aksaray, İncirliova in Aydın, and Kulu and Bozkır in Konya, Enerya aims to continue to realize firsts in the energy sector in 2018.

For Enerya, 2018 will be a year that the objectives are raised in the means of quality, safety and digital transformation, with the motto of "From good to perfect".

CONTINUED INVESTMENTS

Enerya investment rose from TRY 134.1 million in 2016 to TRY 168.2 million in 2017.

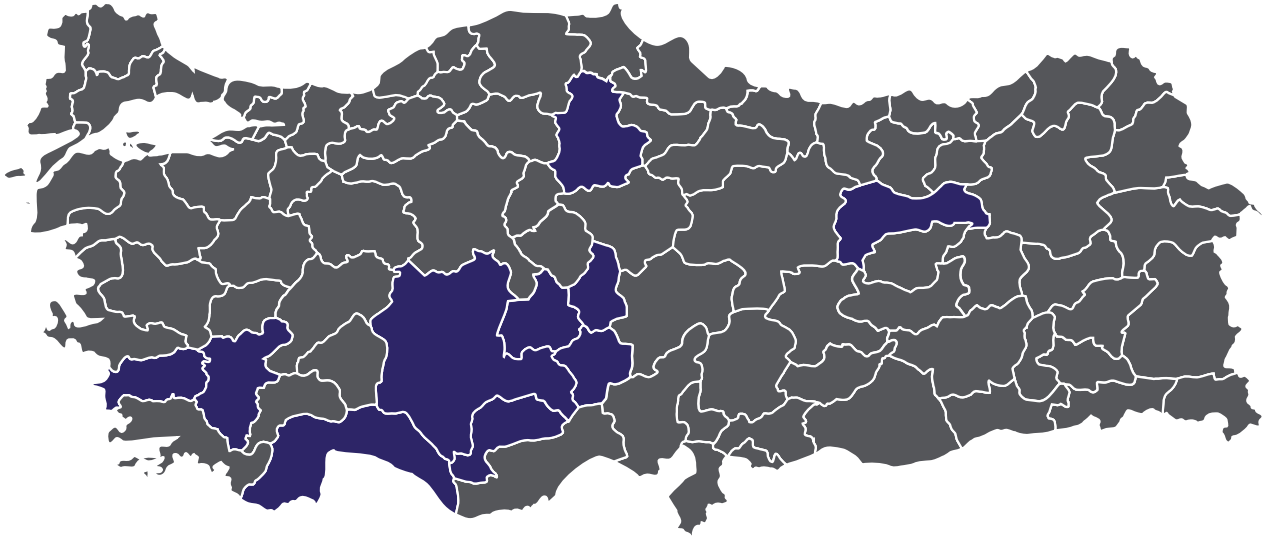


Operations Map

To date, Enerya has established a distribution network of 10,826 km in 11 cities with an investment of TRY 924 million.

PROVINCES OF ACTIVITY:
AKSARAY - ANTALYA - AYDIN - ÇORUM - DENİZLİ - EREĞLİ - ERZİNCAN - KARAMAN - KONYA - NEVŞEHİR - NİĞDE

HEADQUARTERS:
İSTANBUL - ANKARA



- In Konya, as of the end of 2017, the latest figures are 411,000 individual subscribers, 3011 km of line construction and annual gas sales of 635 million m^3,
- In Denizli, as of the end of 2017, the latest figures are 232,000 individual subscribers, 1930 km of line construction and annual gas sales of 1,130 billion m^3,
- In Kapadokya, as of the end of 2017, the latest figures are 120,000 individual subscribers, 988 km of line construction and annual gas sales of 130 million m^3,
- In Aksaray, as of the end of 2017, the latest figures are 77,000 individual subscribers, 662 km of line construction and annual gas sales of 125 million m^3,
- In Antalya, as of the end of 2017, the latest figures are 89,000 individual subscribers, 1305 km of line construction and annual gas sales of 227.3 million m^3,
- In Karaman, as of the end of 2017, the latest figures are 60,000 individual subscribers, 553 km of line construction and annual gas sales of 117 million m^3,
- In Erzincan, as of the end of 2017, the latest figures are 47,000 individual subscribers, 662 km of line construction and annual gas sales of 68 million m^3,
- In Ereğli, as of the end of 2017, the latest figures are 39,000 individual subscribers, 416 km of line construction and annual gas sales of 81 million m^3,
- In Aydın, as of the end of 2017, the latest figures are 51,000 individual subscribers, 773 km of line construction and annual gas sales of 97.4 million m^3.

INNOVATION/LNG PROJECT

As the representative of the STFA Group's wide experience and vision in the energy industry, Enerya continued its innovative approach in 2017 by monitoring the industry closely and initiating innovative projects.

"Supply the City with LNG" projects were developed within the remit of license expansions, providing gas more quickly and at lower cost to districts where transmission lines would have taken almost 3 years to complete at a projected cost of nearly TRY 65 million.

For the first time in Turkey, natural gas was rapidly supplied to consumers in areas with no natural gas transmission lines by simultaneously completing LNG Satellite Stations at 5 different locations in 5 months.

The districts where gas is supplied with LNG:

- Ermenek (Karaman)
- Çayırlı (Erzincan)
- Tercan (Erzincan)
- Beyşehir (Konya)
- Karapınar (Konya)

INNOVATION/CONTAINER RMS-A PROJECT

Enerya, which plays a leading industry role in finding ways to reach natural gas consumers faster and more efficiently, continued to make its mark with new enterprises in 2017.

In line with a target of providing gas to 220 districts, a container type station design project was developed to lower the investment costs of distribution companies and to accelerate production in expansion regions. Specifications for Container Type RMS-A Stations were developed after working with BOTAŞ to make changes/simplifications the current workstation specifications. Working with the input of the GAZMER Business Commission, which the distribution companies and ENERYA are also members of, requests for changes to facilitate production and management processes without sacrificing safety measures were developed and submitted to BOTAŞ for approval. The specifications were published in April 2017 after further negotiation. Following production and implementation, work continues with BOTAŞ regarding specifications for the supply of gas to cities and industrial facilities. In addition to the negotiations with BOTAŞ, similar meetings have been held with station manufacturing companies. Line and equipment was selected and installed with the aim of facilitating the work of maintenance teams in the station. As a result, serial production rates were achieved in the manufacturing processes of container type stations.

Savings of up to 20% were achieved in workstation costs and production times.

Container stations (in order of implementation):

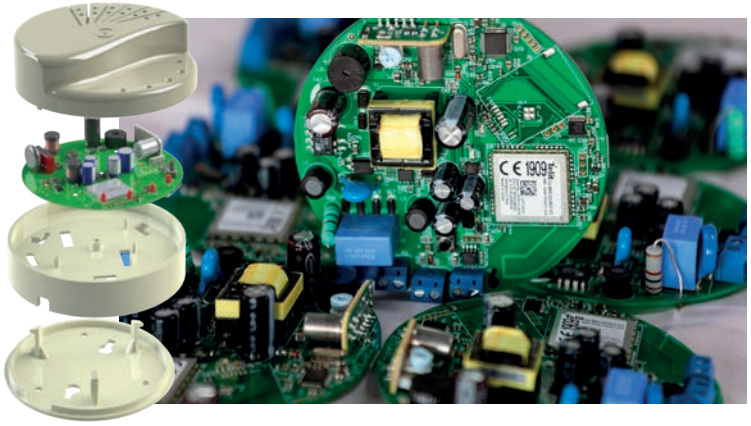
Gülşehir 19,000 m^3/h RMS-A
Refahiye 19,000 m^3/h RMS-A
Sarayönü 19,000 m^3/h RMS-A
Ortaköy 19,000 m^3/h RMS-A
Çine 19,000 m^3/h RMS-A
Acıpayam 19,000 m^3/h RMS-A
Serinhisar 19,000 m^3/h RMS-A

REMOTE GAS LEAK DETECTION DEVICE / R&D PROJECT

After a successful R&D project application to the Energy Market Regulatory Authority in July 2015, TRY 1,308,000 was approved for this 24-month project, which was completed in 2017.

The product developed by Enerya during the project can instantly determine potential gas leakage in all indoor natural gas installations and automatically send detailed information related to the leakage (leakage detection time and duration, amount of leakage, etc.) to the SCADA system of the gas distribution company. This will minimize the number of installations where the smell of gas is undetectable or is not reported due to negligence, enabling the management to receive notification of the leakage quickly and take the necessary actions.

The device, which uses GSM technology, is also equipped with a battery capable of providing uninterrupted service for 3 years in the case of power outage. When a leak is detected, the modules will instantly communicate with the system, and they also provide daily reports on the current status of the device. The product will not only prevent accidents caused by gas leakages, which present a huge risk to distribution companies and natural gas users, but also aims to reduce the amount of time wasted by distribution companies responding to “False Calls”.



NATURAL GAS INTERNAL INSTALLATION APPROVAL PROGRAM / R&D PROJECT

This R&D project is aimed at eradicating problems in the project control process and creating an approval screen for the distribution company. After an application for the 24-month project was made to the Energy Market Regulatory Authority in July 2015, approval was secured for TRY 872,250 and work was completed in 2017.

The program developed by the project can check all natural gas interior installation projects. All outputs resulting from the project can be independently converted into the required format for storage or viewing. This will facilitate access to the system for companies outside of the two bodies currently in the market, encourage healthier competition and eliminate the risk of monopolies developing.

The system completely fulfills the analyzed needs and also offers solutions to problems. As well as minimizing time loss and error risk during the approval stage of natural gas projects, the program eliminates the dependency on drawing programs. The project aims to create a more robust foundation for communication between the client, certified company and distribution company.

OPERATIONS

In 2017, SCADA systems for 3 RM-A stations (Konya A3, Karaman A2, Antalya Döşemealtı), 7 container type RM-A stations (Refahiye, Gülşehir, Ortaköy, Sarayönü, Serinhisar, Acıpayam, Çine) and 5 LNG stations were implemented in accordance with the latest BOTAŞ specifications. SCADA integration was completed and enabled for remote monitoring.

In compliance with SKM regulations, work on SCADA system integration with remote monitoring capabilities was completed in 275 Regional Regulator Stations.

Fifty-four client stations were enabled for remote monitoring by completing their SCADA system integration.

SAP-SCADA alarm transfer system integration was implemented, enabling the automatic transmission of SCADA alarms to the hand terminals of emergency teams

through the SAP system.

The website was updated with new pages in compliance with SKM regulations for clients whose readings can be taken remotely through the SCADA system.

HUMAN RESOURCES

Believing that happy and committed employees are the key to success, Enerya reached out to employees throughout the year with various HR initiatives. Projects were developed to contribute to the personal and professional development of company employees in line with the principle of "Respect for Employees", which is among STFA's deeply-rooted values.

A total of 47 classes were delivered in 2017, reaching 90% of employees. Training under the following headings was delivered in accordance with the company's business targets: Being proactive, priority management and accurate planning skills, matching Enerya values with personal values, creating strategies for emotional control and using emotional intelligence, performance management and becoming a feedback expert.

After reorganizing 360 Degree Feedback appraisals to include management positions, Enerya used the results of this process to support leadership development in 2017.

The "Employee Satisfaction Survey" conducted annually by Enerya's Human Resources Department showed that the commitment level of company employees was above average for the energy industry and for Turkey as a whole. Enerya is also very close to entering the Best Companies section in the satisfaction category and efforts to reach this target soon are ongoing.

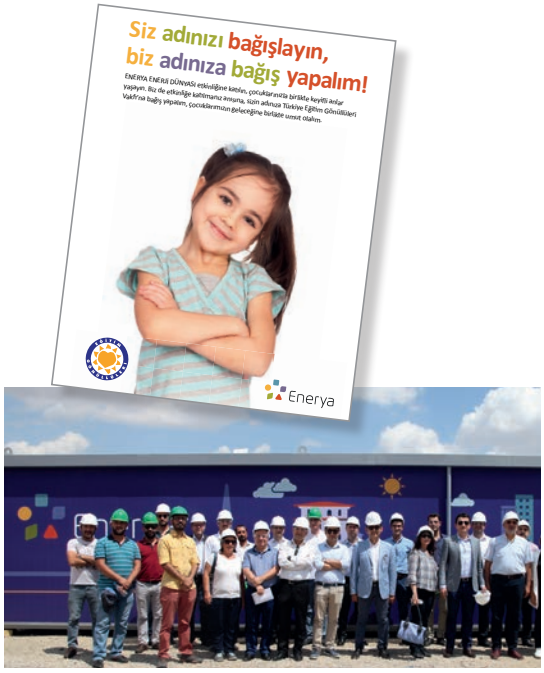
As part of its "Valuable Employees" program, the company organizes health seminars and sessions to discuss current issues, as well as announcing newborn babies and presenting a "Motherhood Package" as a gift to its female employees on maternity leave.

Employees completing their 5th year in the company receive a congratulation card and a plaque is awarded to those completing their 10th year.

SOCIAL CONTRIBUTIONS

Believing that well-educated children will shape the future, Enerya conducted a social responsibility project especially for children in 2017. In collaboration with the Turkish Education Volunteers Foundation, one-year's education expenses were provided to 200 students.

As part of International Women's Day on March 8, the Company made a contribution to the Hayatım Yenibahar Association which was set up to give social and economic support to women in Mardin.



Enerya also attended three major energy summits within the scope of its sponsorship activities:

- ISTRADE 2017, organized between May 25, 2017 and May 26, 2017 with the support of EPDK under the Ministry of Energy and Natural Resources.

- Turkish Energy Summit, organized for the 8th time in Antalya between October 10, 2017 and October 11, 2017.

- Silver sponsor for the 7th International Natural Gas Congress and Fair (INGAS) organized on November 2 and 3, 2017.

Enerya was one of the sponsors for the 58th International Nasreddin Hoca Festival held in Aksehir, which is among its expansion regions.

WORKPLACE HEALTH AND SAFETY ACTIVITIES IN 2017

Risk Analyses

- 6 Risk Analyses were updated.

OHS Councils

- 99 Workplace Safety Board Meetings were held.

Emergency Action Plans

- 4 Emergency Action Plans were updated.

OHS Training

- 350 workers in extremely hazardous occupations received 16 hours of OHS training.
- 280 workers in less hazardous occupations received 8 hours of OHS training.
- 600 employees received advanced driving techniques training.

Occupational Accidents

- 7 occupational accidents with lost working time.
- 7 occupational accidents without lost working time.

Contractor Occupational Accidents

- 5 occupational accidents with lost working time.
- 4 occupational accidents without lost working time.

Periodic Environment Assessments

- Periodic workplace environment assessments took place in 10 cities.

Periodic Technical Assessments

- Periodic tests and checks were completed in 10 cities for units such as pressure vessels, conductors, static grounding, forklifts, cranes and elevators.

Personal Protective Gear

- Personal protective gear was replaced for 400 technical site personnel.
- Corporate work clothes were distributed to 115 customer services personnel.

Emergency Drill

- 13 Emergency Drills and escape drills were performed.

Environmental Impact Evaluation

- Environmental Impact Evaluation Studies were conducted in 9 expansion regions.

Waste Management

- 88,700 kg of waste was used for recycling.
- 4,770 kg contaminated and hazardous waste were disposed.

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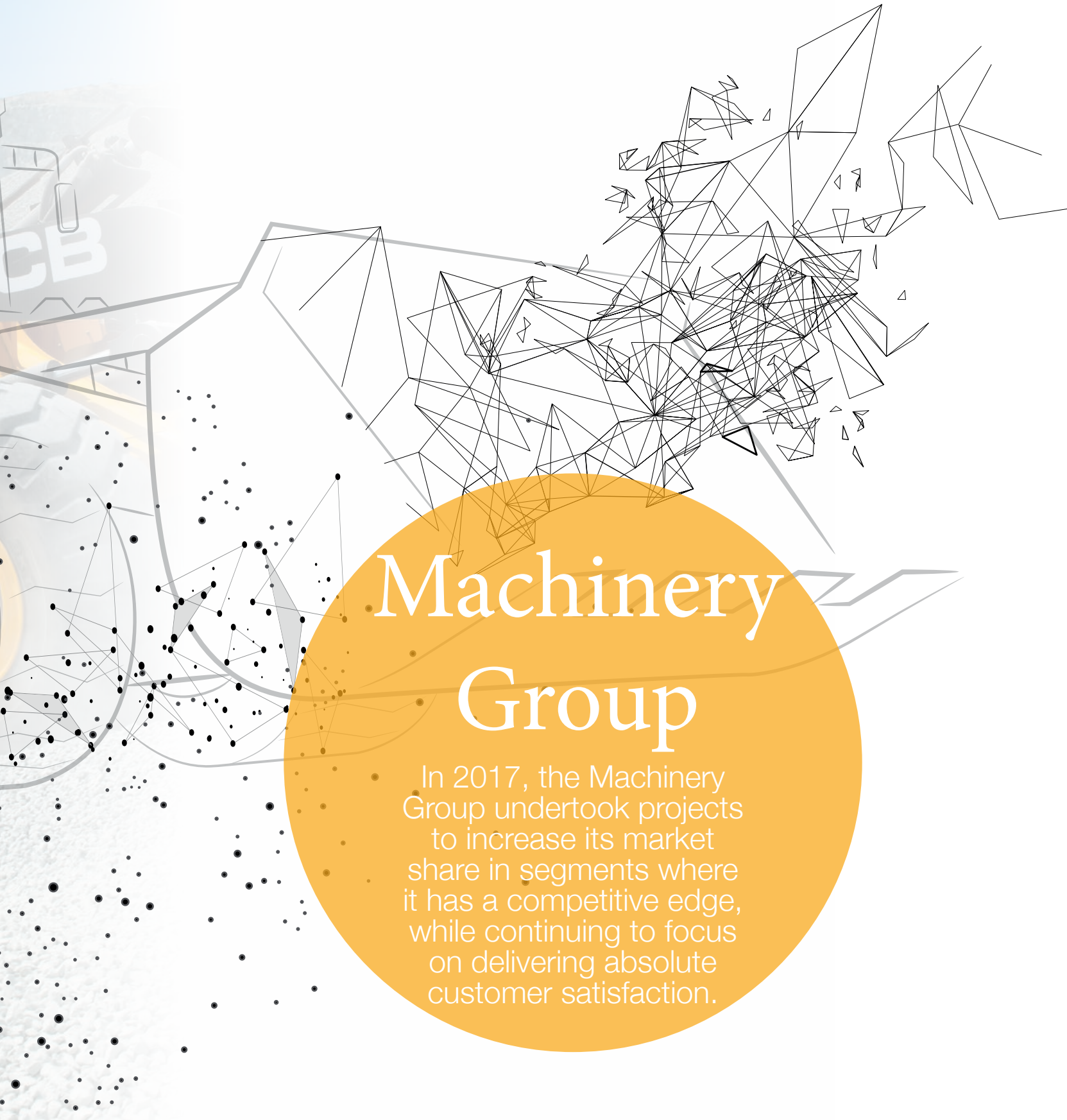


Machinery Group

In 2017, the Machinery Group undertook projects to increase its market share in segments where it has a competitive edge, while continuing to focus on delivering absolute customer satisfaction.

Sectoral Outlook

Ranked as the most attractive product group of the construction equipment industry due to its turnover, the excavator market also stood out as the product group with the most intensive competition in 2017.

The construction equipment industry experienced a challenging year due to the economic, social and political developments in Turkey and around the world. A decrease in investments and an increase in exchange rates caused by the uncertainty in the economy led to a rise in equipment prices, which had a negative impact on the market. In the light of these developments, the industry shrank by nearly 3% in comparison to the previous year.

Data on the construction equipment industry in 2017 is presented below and is provided by the Turkish Construction Equipment Manufacturers and Distributors Association (IMDER), of which STFA Machinery Group is a member.

sales numbers in 2017 in comparison with the previous years.

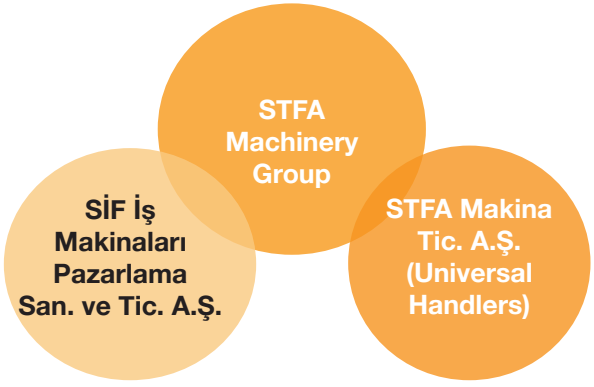
In line with STFA Investment Holding strategies, the Machinery Group increased its share of the telescopic handler market, improving its growth rate from 21.4% last year to 24.1% this year, largely due to a greater focus on telescopic handlers since 2016. The increase in machinery use in construction and industrial applications contributed to the growth of the 14m and 17m class in particular. Bioenergy industry investment stimulated growth in the agricultural market, while housing estate projects contributed to the growth of the construction sector.

Construction Equipment Sales in Turkey

Product	2016	2017	Change%
Crawler Excavators	3,063	3,148	2.8
Backhoe Loaders	3,686	2,986	-19.0
Wheel Loaders	1,139	1,308	14.8
Telescopic Handlers	681	845	24.1
Mini Excavators	890	818	-8.1
Skid Steer Loaders	353	360	2.0
Tandem Rollers	287	307	7.0
Graders	365	215	-41.0
Wheeled Excavators	145	168	15.9
Others	951	975	2.5
Total	11.560	11.130	-3.7

Considering the averages over the last five years of IMDER data, growth in the telescopic handler, mini excavator and mini loader markets shows a high potential for returns on investments.

The product group with the most intensive competition is the excavator market, which became the most attractive product group of the construction equipment industry due to its turnover and fast growth trend in the last two years. It is noticeable that only the large client segment reached high



The loader market grew by nearly 16% in 2017, but was accompanied by difficulties in supply starting from the third quarter of the year. It is expected that the growth trend in this segment will continue in 2018.

STFA Machinery Group is expected to increase its share in the backhoe loader market in 2018 with the 5CX and ICXT, two new members of the backhoe group in which JCB is the world leader. One of the significant steps taken by SIF Construction Equipment to boost the sector was switching from 250-hour to 500-hour maintenance periods on the "standard 3 years/4,500 hours warranty" which has accompanied backhoe products for the past two years.

At the same time, some companies launched their first hybrid excavators during the year, and it is expected that other companies will also launch hybrid excavators in 2018. Although hybrid equipment is new in the market, there is a growing likelihood of a switch to the hybrid-electrical market as it was the case with the automotive sector. It is more probable that this switch will be quicker in countries like Turkey where fuel prices are high. In anticipation of this, JCB is expected to launch its 19C-1 E-TEC electrical compact excavator onto the market in 2018.

Since early 2017, manufacturers reacting to global demands have started to focus their efforts more heavily on autonomous machinery.

It is planned that the next phase of engine regulation, which has been postponed twice by the Ministry of Science, Industry and Technology, and the process of bringing engine use in line with the European Union will start in the 10th month of 2018. The plans are due to be completed in the 10th month of 2019 if there are no further postponements. This change will affect not only machinery with an engine power below 50 HP, but also almost all the machinery sold currently in the market. Moreover, this will change the procedures of import companies and the component supply locations of manufacturing companies. It is also expected that this change will cause an increase in costs for all companies concerned. Another prediction is that increase in costs will vary depending on the company, leading to market share switches.

2017 Activities

SIF İş Makinaları continued to shape the Turkish construction equipment industry with its change-oriented business approach and accurate interpretation of economic and social data, injecting its innovative outlook into all work processes.

Established in 1956 as a company within STFA and Işıklar Holding, SIF İş Makinaları Pazarlama San. ve Tic. A.Ş. has been the Turkish distributor of JCB since 1974, working in successful partnership with one of the world's leading construction equipment manufacturers.

In line with the STFA Group future vision, SIF İş Makinaları has lead the Turkish construction equipment industry with its change-oriented business approach since the day of its establishment, accurately interpreting economic and social data and reflecting the importance it gives to innovation and change in all its work processes. JCB's innovative approach has made it a pioneer in global construction equipment manufacturing. SIF continues to make its own contribution to JCB with its own ideas and practices structured within a framework of innovation.

Due to the negative effects of the previous year, the construction equipment market was predicted to shrink in 2017 and these estimates were confirmed by a 2.7% shrinking of the market. SIF İş Makinaları engaged in numerous activities over the year in order to minimize the negative economic effects and reach machinery sales targets.

PRODUCT RANGE EXPANDED

As a result of the growth trend in the mini excavator market in recent years, SIF İş Makinaları organized roadshows for the promotion of mini excavators in 2017. The company continues its negotiations with JCB in line with this objective, focusing on increasing its market share by offering more products to the mini loaders market, where it has a greater competitive edge.

Analyzing 5 different TH models of JCB within the year, SİF Makinaları also reviewed the machinery of its competitors and shared the data with its employees and dealers through comparative and hands-on training. As of September 2017, the company had provided 490 hours of training to regional employees and 120 hours of training to those working at dealerships. Fifteen machines were sold as a result of 27 demos. JCB undersigned two special campaigns in 2017 to mark the 40th year of the Telescopic Handler's entrance into the industry.

As a result of research and a strategic business plan, it was decided to launch JCB compact Loadall models onto the Turkish market and subsequent work was carried out in pursuit of this aim.

The product range was diversified by introducing a model especially suited to industrial facilities where articulated loaders are used, such as energy facilities, marble plants, casting facilities and concrete plants.

Moreover, information about machinery performance was gathered by visiting UK agricultural and industrial facilities involved in the agricultural sector and which use Agri Pro (with both Hydrostatic and Powershift transmission) models.

In 2017, JCB undertook a joint study with Universal Handlers, entitled "Premier Dealer Projects". As a result of the study that focused on the TLT logistics model, a decision was made to concentrate on leasing, following which the relevant work was initiated with Universal Handlers. Special training was provided to the Universal Handlers sales team.

The most significant work of 2017 was further CRM investment and the opening of new service centers to expand spare parts and servicing operations with a focus on customer satisfaction.

The studies show that the TLT logistics model will play a more active role in leasing.

As the 13-ton excavator supplied by SİF İş Makinaları has been well-received on the market, it was given a special placement in the product range. Stocks of the product have been kept at a high level in order to meet potential demand. It is expected that this trend will continue in 2018. In 2017, the highest demand for excavators in the market was for 20-ton class excavators.

There is heavy demand on the market for the JS220LC model from the JCB product range. One of the best equipped crawler excavators, it is popular for its rear-view camera, T4i JCB motor and smart control system. Taking this fact into consideration, SİF İş Makinaları included the JS220LC model in its 2017 product range to meet demand for long-chassis and premium excavators. Both models sold out within a month of arriving in stock.

With standard features such as a T4i JCB engine, rear-view camera, centralized grease points and hose burst valves, there was great demand from users for the JS175W's high-specification equipment.

SIF İş Makinaları also launched 455 model loaders in 2017. Despite being positioned in a competitive segment, the 455 model loader was in high demand from customers and was rated as the highest performing product of its segment especially in terms of fuel consumption. It is expected that the product will maintain its sales growth trend in 2018.

The 4CX model figures significantly in sales statistics for the excavator-loader product group; in accordance with the "rural" plan made in 2017, it is hoped that recruitment of a dedicated 4CX sales team will be completed in 2018.

SİF strengthened its position in the market by making changes to its current structure and increasing the effectiveness of second hand sales and leasing operations in the lease market.

ABSOLUTE CUSTOMER SATISFACTION

SİF JCB places customer satisfaction at the center of all its activities, closely following developments in technology and other channels, which can be integrated into its work processes in order to meet requirements more quickly. In addition to the SİF JCB WhatsApp Line that was created in 2016, two different communication groups were created in the company in 2017 to increase the level of service. The groups, which included Sales and Service teams, aimed to provide a faster response to customer questions and requirements.

Projects to open new services continued in 2017 in order to offer more widespread spare parts and service-station services. Materials management was made more efficient through a project for the integration of internal SAP software with SSH processes.

Another important project in 2017 was the new CRM investment, which was aimed at developing a CRM Program integrated with SAP to replace the SİF City software that covers all the sales processes and is currently used mostly by the sales team. Preliminary studies indicated that SAP Hybris will provide the maximum level of benefit and development work is in progress for both sales and after sales service modules. The program, which is designed to be easily accessible on all mobile devices, is scheduled to go live in August 2018.

Targets and Expectations

In the years ahead, SİF İş Makinaları will continue to use its vast experience and expertise in the industry to create plans and strategies informed by a long-term vision.

Factors such as an overall contraction trend in the machinery market and exchange rate increases impacted the entire industry in 2017. New strategies were created and managed in compliance with business processes, benefitting from the group's long-standing experience, ability to quickly adapt to changing conditions and manage change.

In line with a customer-focused approach, spare part sales and new service investments were managed in parallel with targets and expectations. As a result of these endeavors, second hand sales exceeded targets in terms of units and turnover.

It is predicted that the backhoe loader market, which contracted in 2017, will expand, especially in the second half of 2018. Efforts to increase market share continued throughout 2017, including the decision to invest in the roller product group. The decision was based on the different potentials offered by the roller market and its higher competitive edge in comparison to other product ranges.

There was also a greater focus on business plans to sharpen the companies competitive edge in the excavator market. Ongoing activities aim to position JCB excavators as the most important player in the Turkish market, on a par with their position in global markets.

R&D AND INNOVATION WORK

SİF İş Makinaları prioritizes "change" in all its activities, seeing it as an essential component of sustainable performance. Within the framework of innovative business approaches rooted in corporate culture, incentivizing applications are used to build business processes in which the company, its employees and stakeholders are fed by continuous change.

As a result of a declining market and decreasing margins, competition in the machinery sector is increasing day by day. Conscious of the need to preserve and increase its share in a very competitive market, SİF İş Makinaları is proactive in changing habits and in encouraging new approaches and ideas which can be transformed into innovation.

The new versions of the new CRM system have arisen as a result of investments in technology and R&D. These include sales and after sales processes and are scheduled to be rolled out in 2018. Data and analyzes provided by the system will be used to improve the efficiency of the Call Center, increase customer satisfaction and earn potential new customers.

SUSTAINABILITY

In accordance with the Group's sustainability approach, SİF İş Makinaları prioritizes sustainability in all its activities, endeavoring to meet its needs without depleting the resources of future generations.

Under the headings of occupational health and safety, social contribution, corporate governance and management of communications with stakeholders, the sustainability approach is reflected in all business processes in an ethical manner. As part of these efforts, the company constantly communicates with customers, suppliers, non-governmental organizations and other organizations and engages in joint projects.

While each area of this work is carried out by the relevant departments, SIF has established a Sustainability Board (SK) in order to coordinate activities within the company.

The Sustainability Board aims to create and implement approaches that comply with the sustainability concept in all SIF activities and processes, closely following critical changes or new approaches related to sustainability and informing the departments concerned. The Board, which provides a platform for different viewpoints, collects and evaluates different opinions, thereby aiming to provide effective dissemination and participation in their work. It also evaluates changes in sustainability indicators by monitoring the progress of sustainability-related processes. The board's other activities include developing proposals for the improvement of the sustainability approach, conducting necessary training activities and steering improvement initiatives.

A Business Culture that Respects People and the Environment

The SİF İş Makinaları Quality Policy sets out the company's approach and commitment to sustainability, stating its objective of "developing projects which contribute to society, protect the natural environment, respect people and the environment, make efficient use of resources, and take necessary measures to reduce waste." The company regularly monitors the various indicators defined under the main process of Environmental Management.

In line with environment responsibility, great attention is paid to the separation and recycling of wastes on site. Batteries, dangerous types of waste, medical and domestic waste are stored at different locations. Collection and disposal of waste are carried out by municipalities as part of a partnership agreement. Additionally, quantities of operational waste are constantly measured. Waste oil collected at service stations is accumulated in special tanks and delivered to the Petroleum Industry Association (PETDER) on a regular basis. Water used for washing the machinery is delivered to a treatment plant to be decontaminated, and filters are sent to authorized waste collection companies. These procedures ensure that all waste is disposed of under the proper conditions.

CONTRIBUTION TO SOCIETY AND PEOPLE

SİF İş Makinaları is continually engaged in work on "developing projects that will contribute to society", in accordance with the belief that added value provided for a sustainable future should be shared with society,

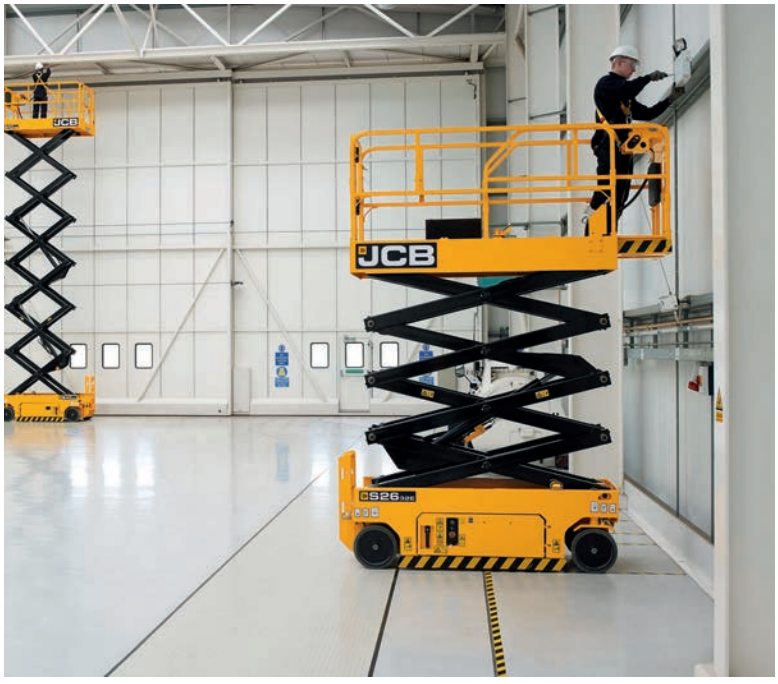
In this regard:

With the "Hope is in Yellow" social contribution project, run in collaboration with AKUT (Search and Rescue Association) since 2013, heavy equipment operators employed by municipal authorities are given training on using machinery for search and rescue activities in natural disasters.

Operators from different municipalities are also given theory training within the scope of the project. Subsequently, they attend the hands-on training at the debris simulation site at the AKUT Training Institute located in Istanbul Ataşehir, where they have practical experience operating JCB Excavators-Loaders. The training helps operators learn how to use the equipment in various natural disaster scenarios and coordinate with search and rescue teams. These operators are given Natural Disaster Logistics Expert certificates accredited by the United Nations.

Within the scope of the Hope Is in Yellow project, eight courses were completed and 144 local municipality operators received training. These operators were from Istanbul as well as other cities. Municipalities that participated in training include Düzce, Bolu, Zonguldak, Ankara, Sakarya, Ataşehir, Beykoz, Çekmeköy, Şişli, Başakşehir and Silivri.

JCB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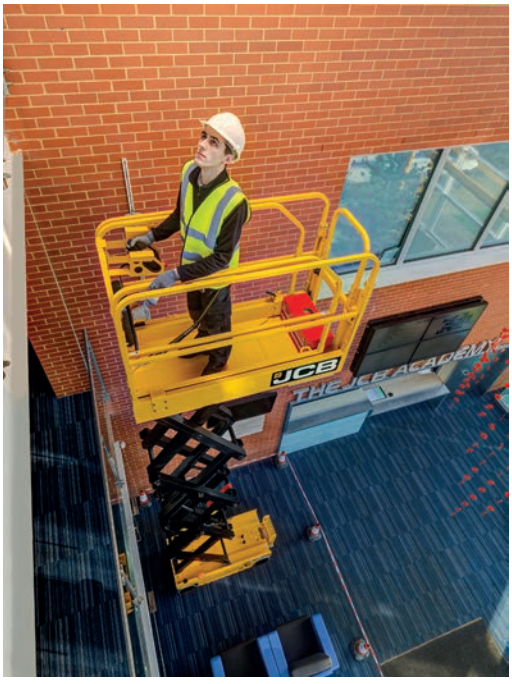

JCB

Believing that children are the future of a nation, SİF İş Makinaları makes donations to the Association for the Support of Contemporary Living (ÇYDD) at the completion of every employee's year of employment; the money is used to pay for a month's education for one adolescent girl. Donations are also made to the Association for Children with Leukemia (LÖSEV) on the birthday of each employee.

Only educated individuals can provide the sector with the skills it needs to thrive and, bearing this in mind, SİF İş Makinaları sends its specialists and managers to participate in university career days, also offering internships to students.

In addition, unused clothing and books are collected and delivered to those who need them in cooperation with Tuzla Municipality. Regular blood donation sessions are held in partnership with the Turkish Red Crescent Blood Center.

HUMAN RESOURCES

SİF İş Makinaları highly values its employees, implementing many initiatives for their development and welfare.

"Employee Satisfaction Surveys" measure and evaluate employee feedback under sub-categories including management, communication, work environment, tasks undertaken and performance assessment.

360-Degree Evaluation is carried out every year to contribute to employee development, identifying areas of improvement and implementing plans accordingly.

In line with the principle of managing Human Resources processes with the employee satisfaction at the focus, SIF İŞ Makinaları also provides employees with additional benefits such as private health insurance and individual pensions. This is supplemented by numerous internal communication and motivational activities aimed at helping employees to achieve a good work-life balance.

The company evaluates employee feedback on different topics through a number of specific channels. Apart from the Employee Satisfaction Survey and the 360-Degree Evaluation, employees' opinions and contributions are received at departmental meetings, Board of Directors Meetings, Voice of Customers Meetings and Coordination Meetings. Employees are also able to pass on their views and suggestions using SIFLINK, Big Ideas Action, an effective internet communication channel, as well as through HR and OHS communication channels. All feedback is subsequently evaluated.

SİF İş Makinaları considers the concept of ethics as an integral part of its corporate culture, believing that ethical norms increase the reputation, reliability and popularity of

every business that cares about its customers, employees, society, and all its other stakeholders. As part of this approach, all employees of the company are brought into the process by receiving STFA Group Ethical Principles and Guidelines Training. Relevant information can be reported via the Ethics Line. Approval limits are specified within the definitions of rights and responsibilities for all procedures. By creating control mechanisms at critical points, it is hoped to simplify processes and prevent mistakes and violations.

Rapidly changing customer behavior compels companies to review their current strategies on an ongoing basis. SİF İş Makinaları aims to improve existing services and customer experience in anticipation of greater added value stemming from modernization in heavy equipment and machinery. As part of their digital transformation strategy, the company is also investing in SAP Hybris software to provide fast, state of the art services to dealers and customers. This project, which is due to go live in 2018, is designed for integration with various departments and processes within SIF.

SİF İŞ MAKİNALARI MANAGEMENT APPROACH

SİF İş Makinaları business processes are implemented in line with its mission and vision, which are based on the Values and Quality Policy built into the DNA of STFA Group. The company adds value to lives through a product range that is shaped in line with needs and expectations.

SİF İş Makinaları adopts a Total Quality Management approach that is based on the FQM Excellence Model for effective management of business processes. Strategies and activities are defined with the active participation of managers. Within the framework of process management and standard practices, the company is committed to the Quality Management System standards defined by ISO 9001: 2015, which are audited and certified by an independent regulatory body.

As part of this Quality Management System, issues related to market developments, customer expectations and processes are assessed at weekly meetings of the Directors' Committee, which is made up of company managers. The meetings address all critical developments and make decisions on implementations or improvements. Marketing and Sales teams also participate in these meetings to present their future campaigns in line with market developments.

Operations Map

SIF sales points:

İstanbul, İzmir, Ankara, Bursa, Antalya, Adana, Diyarbakır, Trabzon

SIF service points:

İstanbul, İzmir, Bursa, Balıkesir, Kırklareli, Kocaeli, Muğla, Denizli, Antalya, Ankara, Eskişehir, Konya, Adana, Kayseri, Çorum, Karabük, Samsun, Trabzon, Tokat, Erzincan, Erzurum, Iğdır, Van, Siirt, Şanlıurfa, Diyarbakır, Malatya, Kahramanmaraş, Hatay

STFA MAKİNA TİCARET A.Ş.

(UNIVERSAL HANDLERS)

SECTORAL OUTLOOK

Along with the economic growth of our country, there has been an increase in exports, development in the logistics sector and an increase in production. In 2017, this was accompanied by a corresponding increase in demand for transportation, lifting, loading, unloading, storage and stacking machinery and equipment.

Under the leadership of its stakeholders, the industry has maintained a strong performance, continually adding new innovations to its past achievements. By 2023, the sector's aims are to: be among the top three stacking machinery markets of Europe; make a USD 2 billion contribution to Turkish machinery exports and create a market of 20,000 units.

Turkey is the sixth biggest stacking machinery market in Europe, and its forklift sector grew by 6% in 2015 to reach a record-breaking 13,250 units sold. The sector grew by 14% in 2016, achieving sales of 12,500 units. In 2017, the market grew by 2% despite the many negative developments. However, the sales volume of machinery in the segment containing the Universal Handlers product range shrunk by 13%.

Today, "operational leasing" has a share of approximately 30% in the global stacking machinery industry. In Turkey, this share is 15%. This is expected to reach the 30% level within the next 10 years, equaling the global average.

Universal Handlers has a leasing history of 30 years and sectoral experience of 15 years. As the most well-established company in the Turkish stacking machinery leasing market, it continues to manage the stacking operations of companies in Turkey's Top 500 with its strong service network and uninterrupted service.

2017 ACTIVITIES

In addition to leasing, in 2015 Universal Handlers signed a new distributorship agreement to carry out leasing and direct sales of Yale forklifts and warehouse equipment.

Universal Handlers manages the stacking operations of Turkey's top-500 companies, providing an effective service network and uninterrupted service.

Universal Handlers continues to act as a solutions partner to its leasing customers, constantly listening to their concerns through aftersales activities and updating its internal operations and targets in line with their feedback.

In 2017, Universal Handlers focused on the sale and leasing of Yale forklifts and warehouse equipment. Investments started in 2016 continued through 2017. The focus was on developing the direct sales unit and the second-hand unit, which offers exchange and temporary leasing services, and also on finding solutions partners who can offer products and services all around Turkey.

With the primary goal of becoming one of the sector's top 5 companies by doubling its market share in 2017, Universal Handlers strengthened its collaboration with solutions partners and successfully completed its nationwide penetration by the end of the year.

The company's goals for 2017 included investing in a new CRM system and sales automation to accurately analyze customer goals and expectations and ensure the smooth running of internal processes. As part of these efforts, Universal Handlers improved the existing software in order to increase the efficiency of machinery and spare part ordering, and improve sales, procurement, import and logistics processes.

An Employee Satisfaction Survey was carried out as part of the company's HR program. Feedback received through the survey was used as a basis for creating and implementing short-, mid- and long-term action plans that will meet employee expectations and increase their satisfaction and loyalty.

SOCIAL CONTRIBUTIONS

At the heart of Universal Handlers' approach to social responsibility lies the objective of forming partnerships that will contribute to the development of the industry and provide training opportunities to build a skilled workforce.

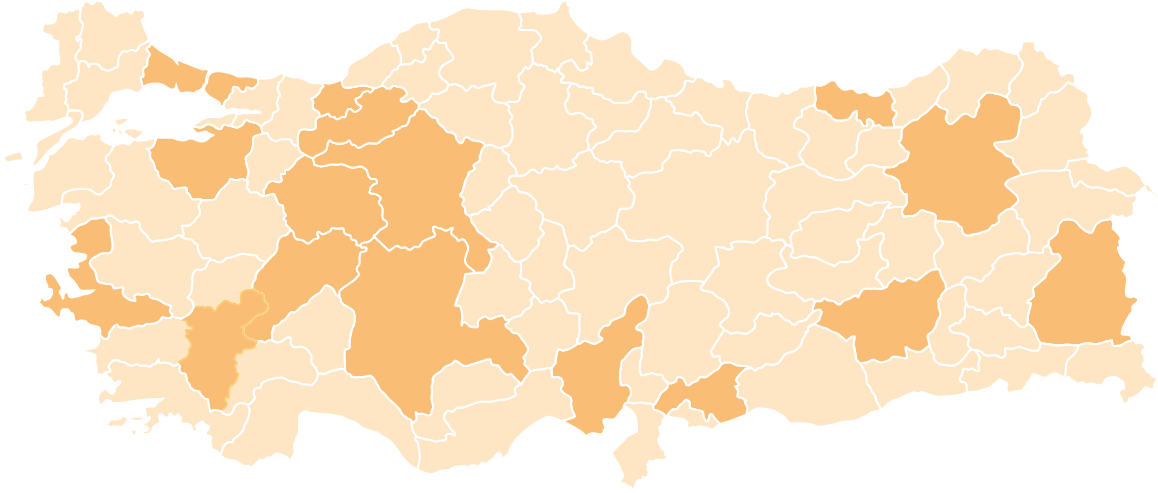
In line with this objective, Universal Handlers sponsored the textbook "Technology of Motor Vehicles - Lifting and Conveying Machinery" that was used in Technical Vocational High Schools in 2015, also sponsoring its distribution to all Technical Vocational High Schools in

Istanbul. In 2017, the company re-sponsored for the publication of the book in partnership with the Ministry of Education, as part of the "Project for Improving Vocational Education" (MEGEP).

In the same year, the company also supported the "Teaching the Teacher" project, which aimed to support the machinery training needs of those teaching courses on construction and stacking machinery operation. Spearheaded by the Ministry of Education, the initiative began in Istanbul and there are plans to roll out the scheme nationwide.

Additionally, first steps were taken towards various projects to be carried out jointly with ISDER (Association of Stacking Machinery Distributors and Manufacturers), including the decision to be the Gold Sponsor of the Leasing Conference to be held in Istanbul on March 28th, 2018.

Operations Map



İstanbul, İzmir, Ankara, Bursa, Eskişehir, Adana, Konya, Trabzon, Gaziantep, Erzurum, Van, Diyarbakır, Düzce, Denizli, Afyon

CORPORATE GOVERNANCE

STFA Investment Holding takes an ethical, fair and transparent approach to looking after stakeholder interests in all its areas of activity. The corporate management approach at STFA Investment Holding embodies the values embraced by the company since its foundation together with principles to support increased economic performance with corporate culture and responsibility.

The corporate management approach comes at the top of the STFA Investment Holding Sustainability Issues Matrix, and is the most crucial subject for strategy workshops, group companies and key stakeholders.

BOARD OF DIRECTORS AND COMMITTEES

STFA Yatırım Holding Board has nine members. Eight members of the Board are non-executive members. Minority shareholders are proportionally represented at the Board. As well as the legal provisions protecting minority rights, shareholding agreements also contain additional provisions.

After the work of the reporting period has been completed, auditing, risk and remuneration committees are set up and continue to work on these areas in respective order of priority. Committees connected to the Board of Directors have direct responsibilities for managing economic, social and environmental impacts and continue to work in these areas.

The main function of the Audit Committee is to ensure the effective auditing of the financial, legal and administrative affairs of the Holding and its affiliates on behalf of shareholders. The Audit Committee manages the impact on sustainability issues, providing direct support to senior management with regard to sustainability management, and plays a role in ensuring legal compliance and the effective running of our management systems.

The main function of the Risk Committee within the corporate risk management system is to outline the measures required for the early detection, observation and management of factors that may threaten the existence, development and sustainability of the Group.

The main function of the Remuneration Committee is to create a salary system which includes the wages, premiums, bonuses, vehicles and similar additional benefits applicable to the Holding and its affiliates, and ensure it is implemented in a way which will support the company in the achievement of its objectives. The Remuneration Committee therefore plays

a significant role regarding the satisfaction of employees, who are the most important stakeholders.

RISK MANAGEMENT

With the belief that sustainable growth can only be achieved by efficiently identifying, assessing and managing risks, STFA Investment Holding makes risk management a priority as a significant part of its mission to "create value for stakeholders".

Construction, energy and heavy equipment are crucial industries in terms of risk management. Corporate risk management work, which began in 2009 in the STFA Group, has been accelerated since 2012, leading to more effective risk management processes. A Risk Management and Compliance department was established in the Holding in 2014. A risk analysis of STFA Group was completed at the beginning of 2014. Risk management not only improves transparency, but also provides the opportunity to evaluate the risks at every level of investment and management decisions in a systematic way. Risks are questioned and evaluated in detail through regular reports and meetings. Significant risks are monitored and the Risk Management Committee and Board of Directors receive regular updates about the situation. Workshops for risk owners and managers determine how to react to identified risks and specify which actions are to be taken in consideration of STFA's risk appetite and tolerance. The Risk Committee holds regular meetings. STFA Group's cautious and robust risk management has played a large part in the company's achievements. The future objectives in risk management are to fine-tune this approach by increasing risk awareness, transparency and financial discipline, while at the same time engaging in proactive risk management.

ETHICS AND TRUST

It has long been accepted that globalization, increasing social sensitivity and the higher expectations of customers and employees have meant that companies are social as much as economic entities. Consequently, there has been a redefinition of corporate ethical and social responsibilities, creating new obligations towards stakeholders (customers, employees, suppliers, distributors, shareholders, society, environment, relevant national and international institutions, public institutions and private companies). "Stakeholder" or "interaction" management is now widely expected.

The issue of business ethics gained importance in the 2000s, leading to the creation of corporate regulations

The "Ethical Misconduct Hotline" was designed as a system to be used by employees, suppliers and third parties who witness behavior that contravenes the principles of the STFA Ethics and Guidelines.

and processes addressing business ethics in almost all organizations. Accordingly, STFA Group created its own Ethics and Guidelines and carried out relevant employee training. The overall purpose of this work is to achieve greater success on both national and international platforms by establishing legal and ethical substructures that take free market competition into consideration, remove opportunities for the gray economy and protect intellectual property.

We invested great time and effort into developing the STFA Ethics and Guidelines to ensure they took into consideration the human rights, professionalism, ethics and legal compliance of STFA employees, while also defining the standards that must be adhered to in the context of just, kind and respectful behavior. An "Ethical Misconduct Hotline" was established to report any behavior not compliant with the Ethics and Guidelines, including misconduct, theft, bribery and unethical behavior which may harm the company's reputation. This provides a mechanism for STFA employees, suppliers and third parties to anonymously report issues that arise in the workplace, enabling early detection of problems and reducing any resultant losses. The purpose of the Ethical Misconduct Hotline is to allow STFA employees and other stakeholders to anonymously notify any misconduct relevant to STFA Ethics and Guidelines The anonymity of those using the hotline is fully protected. The benefits of the Ethical Misconduct Hotline can be highlighted under four headings

A) Equality: A point of access for all employees is provided to ensure compliance with Corporate Business Principles and ethical values.

B) Justice: Shortcomings or malpractices in corporate processes are evaluated by a committee authorized to be impartial and encourage compliance with Corporate Business Principles.

C) Loyalty: Correcting malpractice increases individual performance, motivation, loyalty and corporate efficiency.

D) Trust: The anonymity of whistle-blowing employees is ensured. This impartial and protective evaluation authority brings forward issues that are difficult to raise and potentially damaging to the company, ensuring that the required preventive measures are taken.

The corporate culture of STFA Investment Holding embodies principles that include, "unity and solidarity among

employees, and respect for their relationships, interactions and diversities". In addition to this, STFA's vision of "creating added value to clients by offering products and services with international quality and standards" and its mission to "become the best in the industry" serve as a significant guide in upholding these values. One of STFA's most important targets is to further develop the Ethics and Guidelines, while also improving the corporate culture, vision and mission to reflect the founders' life philosophy: Concrete should look good, even underground."

SOCIAL CONTRIBUTIONS

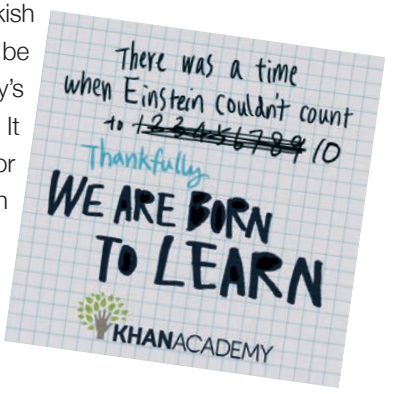
The importance placed on improving society has been one of the most significant features of the STFA corporate DNA since its establishment. In accordance with the principles of social good and corporate social responsibility, STFA Group prioritizes the taking of effective and beneficial steps in areas of need.

Believing that well-educated future generations will carry Turkey forward through innovation and the creation of more added value, STFA considers education among its highest priorities. In keeping with this belief, STFA supported the Foundation for Translation of Scientific and Technical Publications in its efforts to translate the online learning platform Khan Academy into Turkish. The platform, which aims to support equal opportunities in education, is a meaningful reflection of the value STFA places on lifelong education and learning. This platform contributes to the equality of opportunities in education with its mission of providing a free world class education to anyone, anywhere. Just as in education, the same approach of engaging in special, added value projects is applied in all other areas that will be socially beneficial, and as it develops its social responsibility work, STFA Group sees its employees as the ambassadors of this approach The adoption of corporate culture and values by employees has made a huge contribution to the success of STFA Group today. The venerable founders, Sezai Turkes and Feyzi Akkaya, placed great value on humanity, and STFA Group continues in this tradition by contributing to society through encouraging the innovative ideas of its employees and supporting the projects they create for a sustainable future.

KHAN ACADEMY TURKISH

Foundation for Translation of Scientific and Technical Publications, established by Sezai Türkeş in 1992 and sponsored by STFA, celebrated its twentieth year by launching Khan Academy Turkish. STFA began supporting the non-profit platform in its 75th year with the aim of contributing to equal opportunities in education delivered in the Turkish language. Khan Academy Turkish, which is now reaching out to every classroom in Turkey, has come to prominence as a multi-layered, corporate social responsibility project.

Khan Academy is a non-profit education platform; with the support of STFA, Khan Academy Turkish became the first local initiative to be established as part of the Khan Academy's international expansion process. It provides free world-class education for Turkish speakers worldwide using an innovative approach.



Khan Academy Turkish aims to contribute to the equality of opportunities in education in Turkish by merging the concepts of corporate social responsibility and volunteering for education. In 2017, it successfully achieved its targets of 25 million views and increasing the number of educational materials in its library to over 6,000 video tutorials. Moreover, the number of active users increased rapidly thanks to promotional activities aimed at increasing usage in schools. More than 7 million individuals benefited from Khan Academy Turkish courses by the end of 2017.

Khan Academy Turkish gave 12.5 million lectures over the

Merging the concepts of corporate social responsibility and volunteering for education, Khan Academy Turkish exceeded its year-end target of 6,000 videos by translating 6,322 Khan Academy video tutorials in 2017 with the voluntary support of more than 500 students, teachers, academicians and professionals.

platform in 2017. This ensured that Khan Academy Turkish's objective of reaching 25 million views by the end of 2017 was achieved. Khan Academy reached a larger audience thanks to lessons being made available over the Educational Informatics Network (EBA) provided by the Ministry of Education. Khan Academy Turkish video tutorials make up the majority of the content on the EBA (Educational Informatics Network), which is a digital educational library offered to schools by the Ministry of National Education, providing world class resources free of charge to 18 million students and more than 1 million teachers.

The Khan Academy library provides free content for a wide range of age groups, starting from pre-school and going all the way to university level, especially in the fields of mathematics and sciences. University-level courses such as economics and finance, content aimed at raising social awareness on issues like health and medicine, and educational videos on general cultural topics like art history are among the wide range of courses provided by Khan Academy.

The Academy's largest user group consists of secondary school students, followed by university and elementary school students. Just as in 2016, a significant increase was once again observed in the number of teachers using Khan Academy as an education resource in their classes. This was the result of promotional activities at conferences aimed at teachers and during school visits.

Foundation for Translation of Scientific and Technical Publications, which is an STFA charitable foundation, exceeded its year-end target of 6,000 videos by translating 6,322 Khan Academy video tutorials in 2017 with the voluntary support of more than 500 students, teachers, academicians and professionals. With 1,200 video lectures translated into Turkish in 2016, the Khan Academy Turkish team reached their objective of translating 1,000 video tutorials a year. Along with Spanish, the Turkish language section now offers the most educational content after English thanks to Khan Academy Turkish, the first international affiliate of the Khan Academy.

ONE WORLD SCHOOLHOUSE and YOU CAN LEARN ANYTHING!

The book "One World Schoolhouse", written in English by Khan Academy founder Salman Khan, attracted a huge amount of attention from educators all around the world. Translated into Turkish at the initiative of STFA, the book contains Salman Khan's opinions on the future of education and the story of the Khan Academy's establishment. "One World Schoolhouse" was included in the Ministry of National Education's recommended reading list for teachers, reaching thousands of practicing and prospective teachers during the pre-term seminar period.

The "You Can Learn Anything" campaign, which garnered worldwide attention, was replicated in Turkey by Khan Academy Turkish. The promotional video "You Can Learn Anything" emphasized the inspirational values of the campaign, successfully building social awareness in Turkey with its slogan of, "Anyone can learn. No matter who you are and where you are, you only have to know one thing: You can learn anything!" Khan Academy founder, Salman Khan, summarized his views and invited everyone to learn, saying: "The brain is like a muscle, the more you use it, the stronger it grows. If society as a whole begins to accept the struggle of learning, there is no end to what that could mean for human potential." www.herseyiogrenebilirsin.org

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