TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2017

(Translated into English from the report
originally issued Turkish)

Tel : +90 212 365 62 00
Fax: +90 212 365 62 01
e-mail: bdo@bdo.com.tr
www.bdo.com.tr

BDO Denet Bağımsız Denetim
ve Danışmanlık Anonim Şirketi
Ticaret Sicil No : 254683
Mersis No : 0291001084600012
Şirket Merkezi : Eski Büyükdere Cad.
No:14 Park Plaza
Kat:4 Maslak 34398
İstanbul, Turkey

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

Tekfen Holding Anonim Şirketi
To the Board of Directors of;

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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

Key Audit Matters

How The Matter is Handled

Revenue recognition

Revenue is recognized when; it is probable that the economic benefits associated with the transaction will flow to the entity and the benefits subject to revenue can be measured reliably and the significant risks of ownership are transferred to the buyer.

Revenue of the Group, when compared with the previous period, has increased significantly.

With regard to explanations mentioned above, it has been determined as key audit matter whether the conditions for recording sales as revenue have been fulfilled and whether the revenue has been recorded in the correct period.

Explanations on the Group's accounting policies and amounts related to revenue are disclosed in Note 2 and Note 23.

The following audit procedures have been performed in addition to the standard audit procedures for revenue recognition:

- The Group's revenue business process has been reviewed, sales and delivery process have been analysed;
- The Group's contracts with related parties and other customers have been reviewed.
- Third party confirmations are obtained and substantive audit procedures have been performed on a sample basis for selected transactions accordingly;
- In addition, the compliance of the disclosures has been assessed within the scope of TAS.

Accounting of contract revenue, margin, receivables from ongoing construction contracts and ongoing construction progress payments

The construction industry is characterized by contract risk with significant judgements involved in the assessment of both current and future contract financial performance.

Revenue and margin are recognized based on the stage of completion of individual contracts, calculated on the proportion of total costs at the reporting date compared to the estimated total costs of the contract.

The status of contracts is updated on a regular basis. In doing so, management are required to exercise significant judgement in their assessments of the valuation of contract variations, claims and liquidated damages (revenue items); the completeness and accuracy of forecast costs to complete; and the ability to deliver contracts within forecast timescales.

The potential final contract outcomes can cover a wide range. Dependent on the level of judgement in each, the range of each contracts can be individually material. In addition, change in these judgements, and the related estimates, as contracts progress can result in material adjustments to revenue and margin.

The following audit procedures on the recognition of contract revenue, margin and related receivables from ongoing construction contracts and ongoing construction progress payments have been performed:

- We assessed the key controls implemented by the Management over the recognition of contract revenue and margin, tested to assess whether these controls were designed and implemented effectively.
- We inspected minutes of Early Detection of Risk Committee related to the construction contracts and assessed its impacts on the consolidated financial statements;
- We selected a sample of contracts in order to challenge both current and future financial performance. Samples were selected based on a number of quantitative and qualitative factors, as well as other randomly selected contracts;

The potential final contract outcomes can cover a wide range. Dependent on the level of judgement in each, the range of each contracts can be individually material. In addition, change in these judgements, and the related estimates, as contracts progress can result in material adjustments to revenue and margin.

Explanations on the Group's accounting policies and amounts related accounting of contract revenue, margin, receivables from ongoing construction contracts and ongoing construction progress payments are disclosed in Note 2, Note 11 and Note 23.

- For sampled contracts, we challenged management's key judgements inherent in the forecast costs to complete that drive the accounting under the percentage of completion method, including the following procedures:
    - A review of the contract terms and conditions by reference to the contract documentation;
    - Tested the existence and valuations of claims and variations both within contract revenue and contract cost via inspection of correspondence with customers and supply chain;
    - An assessment of the forecast through discussion with Group, finance, commercial and operational management;
    - An assessment of the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works;
    - A review of post-balance sheet contract performance to support year end judgements of Management used in the preparation of the financial statements;
    - An assessment of the Management estimations made in the previous year and the realizations in the current year for sampled contracts;
    - An assessment of the adequacy of immediate losses recorded for the contracts estimated to be resulted in losses.

- We attended multiple site visits across the business and questioned the physical progress of the contracts;

- We tested the post year end cash receipts to measure reliably the collectability of related receivables.

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

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

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

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

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

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

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

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 22 February 2018.

Istanbul,
22 February 2018

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

Erdal Aslan, YMM
Partner

CONTENT		PAGE

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

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

ASSETS	Notes	Audited 31 December 2017	Audited 31 December 2016
Current Assets		**7.013.920**	**4.533.781**
Cash and cash equivalents	5	2.985.833	1.483.429
Financial investments	6	330.126	108.121
Trade receivables	8	1.890.014	1.075.322
- Related party receivables		*14.468*	*20.680*
- Trade receivables		*1.875.546*	*1.054.642*
Other receivables	9	23.518	61.083
- Related party receivables		-	*53.922*
- Other receivables		*23.518*	*7.161*
Receivables from ongoing construction contracts	11	171.361	391.944
Derivative instruments	33	6.460	2.245
Inventories	10	948.789	968.741
Prepaid expenses	16	335.754	91.213
- Prepaid expenses		*335.754*	*91.213*
Assets related with current tax	30	65.598	48.324
Other current assets	21	228.070	279.178
- Other current assets		*228.070*	*279.178*
		6.985.523	4.509.600
Assets classified as held for sale	29	28.397	24.181
Non-Current Assets		**2.352.830**	**2.135.028**
Financial investments	6	181.971	175.435
Trade receivables	8	76.585	152.542
- Trade receivables		*76.585*	*152.542*
Other receivables	9	4.235	3.823
- Other receivables		*4.235*	*3.823*
Investments valued by equity method	12	194.510	118.445
Investment property	13	103.866	82.559
Property, plant and equipment	14	1.597.309	1.487.673
Intangible assets	15	20.236	16.678
Prepaid expenses	16	2.470	6.348
- Prepaid expenses		*2.470*	*6.348*
Deferred tax assets	30	77.176	50.999
Other non-current assets	21	94.472	40.526
- Other non-current assets		*94.472*	*40.526*
TOTAL ASSETS		**9.366.750**	**6.668.809**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

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

LIABILITIES	**Notes**	**Audited 31 December 2017**	**Audited 31 December 2016**
Current Liabilities		**5.586.667**	**3.896.563**
Short-term borrowings	7	605.081	920.641
Short-term portion of long-term borrowings	7	110.508	88.774
Trade payables	8	2.038.629	1.528.823
- Related party payables		*6.128*	*10.919*
- Trade payables		*2.032.501*	*1.517.904*
Payables related to employee benefits	20	72.332	70.449
Other payables	9	78.440	73.815
- Other payables		*78.440*	*73.815*
Payables to ongoing construction contracts	11	792.605	384.782
Derivative instruments	33	9.547	131
Deferred revenue	16	1.638.897	685.253
- Deferred revenue		*1.638.897*	*685.253*
Current tax liability	30	62.100	57.062
Short-term provisions		178.067	82.935
- Short-term provisions attributable to employee benefits	20	*65.613*	*72.905*
- Other short-term provisions	18	*112.454*	*10.030*
Other short-term liabilities	21	461	3.898
- Other short-term liabilities		*461*	*3.898*
Non-Current Liabilities		**771.769**	**392.789**
Long-term borrowings	7	464.104	251.550
Trade payables	8	117.342	44.033
- Trade payables		*117.342*	*44.033*
Other payables	9	70.146	28.517
- Other payables		*70.146*	*28.517*
Government incentives and grants	17	1.132	1.194
Long-term provisions		57.996	40.135
- Long-term provisions attributable to employee benefits	20	*57.924*	*40.054*
- Other long-term provisions	18	*72*	*81*
Deferred tax liabilities	30	61.049	27.360
TOTAL LIABILITIES		**6.358.436**	**4.289.352**
EQUITY		**3.008.314**	**2.379.457**
Equity Attributable To Owners Of The Parent	22	**2.975.717**	**2.349.681**
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		(2.349)	1.369
- Gain (loss) on revaluation and remeasurement		*(2.349)*	*1.369*
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		219.312	199.373
- Currency translation reserve		*154.480*	*125.977*
- Hedging reserve	33	*(2.408)*	*1.621*
- Gain (loss) on revaluation and reclassification		*67.240*	*71.775*
Legal reserves		197.180	194.145
Prior years' income		1.115.816	955.924
Net profit for the period		771.299	324.411
Non-controlling Interests		**32.597**	**29.776**
TOTAL LIABILITIES AND EQUITY		**9.366.750**	**6.668.809**

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Revenue	23	7.487.133	4.737.397
Cost of revenue (-)	23	(6.458.698)	(4.083.852)
GROSS PROFIT		**1.028.435**	**653.545**
General administrative expenses (-)	24	(214.665)	(171.635)
Marketing expenses (-)	24	(155.290)	(123.712)
Research and development expenses (-)	24	(1.930)	(1.256)
Other operating income	26	339.711	269.673
Other operating expenses (-)	26	(429.064)	(370.560)
Share on profit (loss) of investments valued using equity method	12	211.000	57.238
OPERATING PROFIT		**778.197**	**313.293**
Investment income	27	17.396	13.375
Investment expense (-)	27	(21)	(140)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		**795.572**	**326.528**
Financial income	28	576.102	307.701
Financial expense (-)	28	(469.420)	(195.291)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		**902.254**	**438.938**
Tax Expense from Continuing Operations (-)	30	**(131.526)**	**(108.615)**
Tax expense for the period (-)		(125.009)	(144.562)
Deferred tax (expense) income		(6.517)	35.947
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		**770.728**	**330.323**
Distribution of Profit (Loss) for the Period			
Non-controlling interests		(571)	5.912
Owners of the parent		771.299	324.411
Earnings Per Share	31	2,085	0,877

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
PROFIT FOR THE PERIOD		**770.728**	**330.323**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss		**(3.718)**	**1.745**
Profit (loss) on revaluation of defined benefit plans (-)	22	(4.648)	2.181
Taxes based on other comprehensive income that will not be reclassified to profit or loss		930	(436)
- Deferred tax (expense) income		*930*	*(436)*
Items that will be reclassified to profit or loss		**23.331**	**35.431**
Currency translation reserve differences	22	31.895	14.030
Gain (loss) on revaluation of available for sale financial assets	6	(4.774)	20.821
Other comprehensive income (expenses) related to cash flow hedging (-)		(5.165)	2.026
Taxes based on other comprehensive income that will be reclassified to profit or loss		1.375	(1.446)
- Deferred tax (expense) income		*1.375*	*(1.446)*
OTHER COMPREHENSIVE INCOME		**19.613**	**37.176**
TOTAL COMPREHENSIVE INCOME		**790.341**	**367.499**
Distribution of Total Comprehensive Income for The Period			
Non-controlling interests		2.821	2.199
Owners of the parent		787.520	365.300

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

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

				Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss				Retained Earnings				
Audited	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Gains (loss) on hedging	Gain on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period	Equity attributable to owners of the parent	Non-controlling interests	Equity
Opening balance as of 1 January 2016	370.000	3.475	300.984	(376)	108.234	-	51.995	176.413	861.167	185.466	2.057.358	27.777	2.085.135
Transfers	-	-	-	-	-	-	-	17.732	167.734	(185.466)	-	-	-
Total comprehensive income (loss)	-	-	-	1.745	17.743	1.621	19.780	-	-	324.411	365.300	2.199	367.499
- Profit for the period	-	-	-	-	-	-	-	-	-	*324.411*	*324.411*	*5.912*	*330.323*
- Other comprehensive income (loss)	-	-	-	*1.745*	*17.743*	*1.621*	*19.780*	-	-	-	*40.889*	*(3.713)*	*37.176*
Dividends	-	-	-	-	-	-	-	-	(63.666)	-	(63.666)	-	(63.666)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	91	-	91	(200)	(109)
Other changes	-	-	-	-	-	-	-	-	(9.402)	-	(9.402)	-	(9.402)
Closing balance as of 31 December 2016	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Audited													
Opening balance as of 1 January 2017	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Transfers	-	-	-	-	-	-	-	3.035	321.376	(324.411)	-	-	-
Total comprehensive income	-	-	-	(3.718)	28.503	(4.029)	(4.535)	-	-	771.299	787.520	2.821	790.341
- Profit for the period	-	-	-	-	-	-	-	-	-	*771.299*	*771.299*	*(571)*	*770.728*
- Other comprehensive income (loss)	-	-	-	*(3.718)*	*28.503*	*(4.029)*	*(4.535)*	-	-	-	*16.221*	*3.392*	*19.613*
Dividends	-	-	-	-	-	-	-	-	(120.292)	-	(120.292)	-	(120.292)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	(244)	-	(244)	-	(244)
Other changes	-	-	-	-	-	-	-	-	(40.948)	-	(40.948)	-	(40.948)
Closing balance as of 31 December 2017	370.000	3.475	300.984	(2.349)	154.480	(2.408)	67.240	197.180	1.115.816	771.299	2.975.717	32.597	3.008.314

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		**1.829.978**	**686.422**
Profit for the Period		770.728	330.323
Adjustments to Reconcile Net Profit		218.474	183.657
- Depreciation and Amortization	13,14,15	136.995	114.396
- Impairment/Reversed Provision	14	-	2
- Provision Adjustments	8,18,20	197.781	66.400
- Dividend Income and Expenses	27	(8.612)	(8.972)
- Interest Income and Expense Adjustments	28	(19.540)	(35.195)
- Gain/Loss on Fair Valuation	6,33	97	(90)
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	12	(211.000)	(57.238)
- Allowance for Taxation	30	131.526	108.615
- Adjustments for Gain/Loss on Sale of Fixed Assets	27	(8.773)	(2.906)
- Adjustments for Gain/Loss on Sales of Assets Held for Sale	27	-	(1.355)
Movements in Working Capital		1.012.451	401.799
- Changes in Financial Investments	6	(222.005)	(108.121)
- Changes in Trade Receivables	8	(770.535)	(144.393)
- Changes in Other Assets		34.315	(40.621)
- Changes in Receivables from Ongoing Construction Contracts	11	220.583	59.396
- Changes in Inventories	10	11.262	(51.967)
- Changes in Prepaid Expenses	16	(242.176)	(26.227)
- Changes in Trade Payables	8	583.115	358.840
- Changes in Payables Related to Employee Benefits	20	1.883	33.953
- Changes in Ongoing Construction Progress Payments	11	407.823	222.482
- Changes in Other Liabilities		34.542	22.289
- Changes in Deferred Revenue	16	953.644	76.168
Cash Generated by Operating Activities		2.001.653	915.779
Interest Paid		(39.533)	(46.718)
Interest Received		101.456	68.427
Provision Paid Related to Employee Benefits	20	(95.546)	(46.722)
Other Provision Paid	18	(807)	(63.693)
Tax Paid/Return	30	(137.245)	(140.651)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(84.892)**	**(163.651)**
Proceeds from Disposal of Subsidiary Resulting in Loss of Control	29	-	2.716
Acquisition of Non-controlling Interests' Shares		(244)	(109)
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	6	(43.984)	(56.414)
Proceeds from Sales of Tangible and Intangible Assets	14,15	9.918	4.682
Acquisition of Tangible and Intangible Assets	14,15	(209.204)	(155.671)
Acquisition of Investment Properties	13	(23.527)	(770)
Proceeds from Sales of Assets Held for Sale		-	1.005
Advances and Debts Given	16	1.513	2.611
Dividend Received	12,27	180.636	38.299
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(361.855)**	**(207.581)**
Proceeds from Borrowings		908.171	911.879
Repayments of Borrowings		(1.141.606)	(1.047.341)
Payments of Financial Lease Obligations		(8.128)	(8.453)
Dividend paid	22	(120.292)	(63.666)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		**1.383.231**	**315.190**
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		119.173	136.037
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**1.502.404**	**451.227**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.483.429	1.032.202
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	**2.985.833**	**1.483.429**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 31 December 2017, the Group has employees 18.296 (31 December 2016: 14.295) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

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

As of 31 December 2017 the details of registered names of the subsidiaries, joint ventures and branches, their nature of business, their countries of origin, their business segments and their direct / effective share participation rates are listed below:

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	2016	Business Segment
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	100	100	Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	100	100	Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Manufacturing	Turkey	100	100	Contracting
Cenub Tikinti Servis ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft "HMB"	Trading	Germany	100	100	Contracting
Tekfen International Limited "Tekfen International Ltd"	Investment	United Kingdom	100	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. "Tekfen Construction"	Construction	Ireland	100	100	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Agriculture-Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. "Toros Terminal"	Service	Turkey	100	100	Agriculture
Toros Gemi Acenteliği ve Ticaret A.Ş. "Toros Gemi"	Shipping Agent	Turkey	100	100	Agriculture
TST International Trading Limited "TST Trading"	Trading	Ireland	100	100	Agriculture
TST International Limited "TST Ltd."	Trading	United Kingdom	100	100	Agriculture
Industrial Supply and Trading Company Limited "Industrial Supply"	Trading	United Kingdom	100	100	Agriculture
Petrofertil Trd. Ltd "Petrofertil Trading"	Trading	United Kingdom	100	100	Agriculture
Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. "Tekfen Tarımsal"	Manufacturing	Turkey	100	-	Agriculture

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

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

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	2016	Business Segment
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Real Estate
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. "Tekfen Emlak"	Real Estate	Turkey	100	100	Real Estate
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul"	Investment	Turkey	100	100	Other
Belpa Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. "Belpa"	Trading	Turkey	100	96	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Other
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Other
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Other
Antalya Stüdyoları A.Ş. "Antalya Stüdyoları"	Studio Management	Turkey	100	100	Other
Tekfen Teknoloji Yatırım ve Ticaret A.Ş. "Tekfen Teknoloji"	Investment	Turkey	100	100	Other
Tekfen Ventures L.P. "Tekfen Ventures"	Investment	USA	100	100	Other
Tekfen Venture Management LLC "Venture Management"	Management Service	USA	100	100	Other
Petrofertil Shipping S.A. "Petrofertil Shipping"	Service	Panama	100	100	Agriculture/ Contracting/ Other

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	2016	Business Segment
Blacksea Gübre Ticaret A.Ş. "Black Sea"	Fertizilier Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik"	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesi "Azfen"	Construction	Azerbaijan	40	40	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. "Florya Gayrimenkul"	Real Estate	Turkey	50	50	Real Estate

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

As of 31 December 2017, branches included in the Group's consolidation are as follows:

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

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

Contracting Group

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

Agricultural Group

Agricultural group has operations in chemical fertilizer, ground and vegetable grain, production, distribution and trade of seedling and sapling. In addition to these operations, harbor and free zone operations are included in the operations of agricultural group. Toros Tarım's income provided from the consolidation of H-T Fidecilik and Black Sea by equity method is disclosed in this group.

Real Estate Group

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

Other Operations

Operations of "Other" segment comprise of insurance services and holding operations. Holding operations are executed by the Company and include responding to Group's financial needs when needed. Dividend income and rent income provided constitute Holding's revenue.

Approval of consolidated financial statements

Consolidated financial statements are approved by the Board of Directors and have been granted authorization to be published on the date of 22 February 2018. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

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

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

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

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

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

Functional and Reporting Currency

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

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

The exchange rates used in the consolidation process as of 31 December 2017 is; 1 USD= 3,7719 TRY, 1 EUR= 4,5155 TRY, 1 MAD= 0,4026 TRY, 1 SAR= 1,0058 TRY, 1 QAR= 1,0334 TRY (As of 31 December 2016; 1 USD= 3,5192 TRY, 1 EUR= 3,7099 TRY, 1 MAD= 0,3481 TRY, 1 SAR= 0,9385 TRY, 1 QAR= 0,9642 TRY)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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

Consolidation Principles

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

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

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

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

2.1 The Basis of Presentation (cont'd)

Consolidation Principles (cont'd)

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

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

Investments in associates and joint ventures

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

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

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

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

Interests in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joints operations of the Group as of 31 December 2017 are as follows:

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

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

2.1 The Basis of Presentation (cont'd)

Interests in Joint Operations (cont'd)

Joint Operations	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	Direct/Effective Share Participation Rate % 2016	Business Segment
Gate İnşaat Taahhüt San. ve Tic. A.Ş. "Gate J.V." (*)	Construction	Turkey	50	50	Contracting
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V."	Construction	Turkey	25	25	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Contracting
North Caspian Constr. B.V. "NCC J.V." (**)	Construction	Netherlands	-	50	Contracting
Doğuş - Tekfen Adi Ortaklığı "Doğuş - Tekfen"	Construction	Turkey	50	50	Contracting
Tekfen - Al Jaber Engineering "Tekfen – Al Jaber J.V."	Construction	Qatar	50	-	Contracting
Tekfen Rönesans Adi Ortaklığı "Tekfen Rönesans"	Construction	Turkey	50	50	Real Estate

(*) Company is a joint venture in terms of its operations; however, it is established as an equity company in terms at its legal structure.
(**) Liquidated within the year.

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

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

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

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated.

2.3 Changes in Accounting Estimates and Errors

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

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards

New and revised standards and interpretations are presented below:

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

None.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2017, but not affecting the consolidated financial statements of the Group:

- TAS 7 (amendments), "Disclosure Initiative", effective for annual periods beginning after 1 January 2017.
- TAS 12 (amendments), "Recognition of Deferred Tax Assets for Unrealized Losses", effective for annual periods beginning after 1 January 2017.
- Annual Improvements to TFRS 2014-2016 Cycle (TFRS 12), effective for annual periods beginning after 1 January 2017.

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

- TFRS 9, "Financial Instruments", effective for annual periods beginning after 1 January 2018.
- TFRS 15, "Revenue from Contracts with Customers", effective for annual periods beginning after 1 January 2018.
- TFRS 4 (amendments), "Insurance Contracts", effective for annual periods beginning after 1 January 2018.
- TAS 40 (amendments), "Transfers of Investment Property", effective for annual periods beginning after 1 January 2018.
- TFRS 2 (amendments), "Classification and Measurement of Share-Based Payment Transactions", effective for annual periods beginning after 1 January 2018.
- Annual Improvements to TFRS 2014-2016 Cycle (TFRS 1, TAS 28), effective for annual periods beginning after 1 January 2018.
- TFRS interpretation 22, "Foreign Currency Transactions and Advance Consideration", effective for annual periods beginning after 1 January 2018.
- TAS 28 (amendments), "Long-term Interests in Associates and Joint Ventures", effective for annual periods beginning after 1 January 2019.
- TFRS 16, "Leases", effective for annual periods beginning after 1 January 2019.

(d) New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

- TFRS interpretation 23, "Uncertainty over Income Tax Treatments", effective for annual periods beginning after 1 January 2019.
- TFRS 17, "Insurance Contracts", effective for annual periods beginning after 1 January 2021.

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

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

2.5 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated and actual customer returns, discounts, commissions, rebates, and taxes related to sales.

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income:

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

Construction Contracts:

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

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

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

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

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

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

Dividend and interest income:

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Retention Receivables from Contractors

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

Retention Payables to Subcontractors

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

Inventories

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

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

Property, Plant and Equipment

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

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

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

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

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

Financial Leasing Operations

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets

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

Impairment of Assets

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

Borrowing Costs

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

Financial Instruments

Financial Assets

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "held-to-maturity financial investments", "available-for-sale financial investments" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets that are bought and sold in the normal way transaction (the delivery date) on the date of is recorded. Financial assets are measured at initial recognition at fair value. Fair value of financial assets and financial liabilities that are not reflected in profit or loss at initial recognition, transaction costs that are directly attributable to the acquisition of a financial asset to fair value are added.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. These financial assets are presented at fair value and any gain or loss after valuation is recognized in profit or loss.

Available-for-sale financial investments

Quoted equity investments held by the Group that are traded in an active market are classified as being available-for-sale financial investments and are stated at fair value. The Group also has unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the gain / (loss) on revaluation and reclassification with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the gain / (loss) on revaluation and reclassification reserve is reclassified to profit or loss.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Held-to-maturity investments

Held-to-maturity investments are financial investments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment and relevant income is calculated through effective interest method.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified in this category. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

During the initial recognition, a financial liability measured at fair value. At fair value during the initial recognition of financial liabilities that are not reflected in profit or loss, transaction costs that are directly attributable to the financial liability related to fair value are added. In subsequent periods, interest expense is calculated on the effective interest rate financial liabilities that are accounted at amortized cost with using the effective interest method.

Derivative financial instruments and hedge accounting

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

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

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

Foreign Currency Transactions

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

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Foreign Currency Transactions (cont’d)

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

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

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

Earnings Per Share

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

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

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

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

Warranties

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

Reporting of Financial Information According to Segments

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Government Grants and Incentives

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

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

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

Investment Property

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

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

Corporate Income Tax

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

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

Controlled foreign corporation income:

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

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

Current tax

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Corporate Income Tax (cont'd)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Assets Held For Sale

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

Employee Benefits

Termination and retirement benefits:

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Redeemed Shares

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

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

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

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

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

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

<u>Deferred taxes</u>

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

<u>Income tax</u>

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

<u>Change in contract fee</u>

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

<u>Percentage of completion</u>

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

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

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

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

Construction costing estimates

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

Non-current retention receivables

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

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows (Note 33).

3. JOINT OPERATIONS

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

Financial information related to these joint operations is as follows:

	31 December 2017	31 December 2016
Current assets	159.247	75.502
Non-current assets	50.887	6.066
Current liabilities	498.181	238.266
Non-current liabilities	2.222	1.439
Shareholders' equity	(290.269)	(158.137)

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	220.573	24.531
Cost of revenue (-)	(268.235)	(29.514)
Loss for the period	(116.611)	(10.702)

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

4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	4.861.540	2.240.434	350.744	34.415	7.487.133
Cost of revenue (-)	(4.470.547)	(1.647.984)	(333.770)	(6.397)	(6.458.698)
GROSS PROFIT	**390.993**	**592.450**	**16.974**	**28.018**	**1.028.435**
General administrative expenses (-)	(120.557)	(38.365)	(8.129)	(47.614)	(214.665)
Marketing expenses (-)	(1.977)	(146.345)	(6.968)	-	(155.290)
Research and development expenses (-)	(47)	(1.860)	-	(23)	(1.930)
Other operating income	125.016	206.448	508	7.739	339.711
Other operating expenses (-)	(145.921)	(264.396)	(5.078)	(13.669)	(429.064)
Share on profit (loss) of investments valued using equity method	209.213	1.787	-	-	211.000
OPERATING PROFIT (LOSS)	**456.720**	**349.719**	**(2.693)**	**(25.549)**	**778.197**
Investment income	1.204	7.930	22	8.240	17.396
Investment expense (-)	-	(5)	-	(16)	(21)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**457.924**	**357.644**	**(2.671)**	**(17.325)**	**795.572**
Financial income	50.783	213.499	2.147	309.673	576.102
Financial expenses (-)	(32.451)	(200.174)	(18.659)	(218.136)	(469.420)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**476.256**	**370.969**	**(19.183)**	**74.212**	**902.254**
Tax (expense) income from continuing operations	(85.670)	(24.317)	5.315	(26.854)	(131.526)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**390.586**	**346.652**	**(13.868)**	**47.358**	**770.728**

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

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

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

4. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January - 31 December 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.823.581	1.851.309	32.714	29.793	4.737.397
Cost of revenue (-)	(2.577.125)	(1.469.063)	(29.761)	(7.903)	(4.083.852)
GROSS PROFIT	**246.456**	**382.246**	**2.953**	**21.890**	**653.545**
General administrative expenses (-)	(98.372)	(28.245)	(8.651)	(36.367)	(171.635)
Marketing expenses (-)	(1.780)	(116.023)	(5.909)	-	(123.712)
Research and development expenses (-)	-	-	-	(1.256)	(1.256)
Other operating income	158.190	107.956	715	2.812	269.673
Other operating expenses (-)	(165.408)	(192.483)	(520)	(12.149)	(370.560)
Share on profit (loss) of investments valued using equity method	54.522	2.719	(3)	-	57.238
OPERATING PROFIT (LOSS)	**193.608**	**156.170**	**(11.415)**	**(25.070)**	**313.293**
Investment income	1.680	2.555	-	9.140	13.375
Investment expense (-)	(121)	(1)	(10)	(8)	(140)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**195.167**	**158.724**	**(11.425)**	**(15.938)**	**326.528**
Financial income	9.312	73.249	3.122	222.018	307.701
Financial expenses (-)	(39.289)	(86.066)	(835)	(69.101)	(195.291)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**165.190**	**145.907**	**(9.138)**	**136.979**	**438.938**
Tax (expense) income from continuing operations	(83.887)	(6.297)	19.941	(38.372)	(108.615)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**81.303**	**139.610**	**10.803**	**98.607**	**330.323**

For the year ended 31 December 2016, revenue amounting 594.959 was obtained from a non-related client of construction segment which constitute 12,6% of the Group's revenue.

The Group has 136.679 of revenue and 82.936 of operating income from terminal operations classified as agricultural operation in 2016.

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

4. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities

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

	31 December 2016				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.620.960	2.273.292	583.594	1.190.963	6.668.809
Current and non-current liabilities	2.432.790	1.129.705	598.783	128.074	4.289.352
Equity attributable to owners of the parents	(133.072)	868.149	12.970	1.601.634	2.349.681
Non-controlling interests	29.632	192	-	(48)	29.776

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

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

	1 January - 31 December 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	45.730	119.984	2.577	1.362	169.653
Depreciation and amortization expense for the period (**)	60.593	48.873	871	4.059	114.396
Intra-segment revenue	38.856	35.358	40	297	74.551
Inter-segment revenue	18	934	1.598	10.546	13.096

(*) Fixed assets purchases through financial lease (2017: None, 2016: 690) and additional capitalized borrowing costs (2017: None, 2016: 12.522) are also included.

(**) Depreciation expense of 1.001 is deducted from the cost of inventory (2016: 5.932 added to the cost of inventory).

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

4. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information

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

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2016)	2.918.200	1.141.920	(1.406)	761.262	5.068	(87.647)	4.737.397
Total assets (31 December 2016)	9.041.938	2.484.914	52.655	727.912	99.883	(5.738.493)	6.668.809
Capital expenditures (1 January - 31 December 2016) (*)	164.865	4.356	-	432	-	-	169.653

(*) Fixed assets purchases through financial lease (2017: None, 2016: 690) and additional capitalized borrowing costs (2017: None, 2016: 12.522) are also included.

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

5. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash on hand	1.245	2.141
Cash at banks		
Demand deposits	228.382	134.403
Time deposits with maturity of three months or less	2.680.704	1.305.930
Other cash equivalents	75.502	40.955
	2.985.833	1.483.429

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

6. FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2017	31 December 2016
Time deposits with maturity of longer than three months	330.126	108.121
Short-term financial investments total	330.126	108.121
Long-term financial investments		
Available for sale financial investments	170.651	175.435
Fair value through profit or loss financial investments	11.320	-
Long-term financial investments total	181.971	175.435
Financial investments total	512.097	283.556

Short-term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 4,06% amounting to 122.292 (32.422 Thousand USD) and annual interest rate of 2,10% amounting to 207.834 (46.027 Thousand EUR) (31 December 2016: 108.121 (30.723 Thousand USD) with annual interest rate of 3,74%, EUR None).

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

6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

Details	Share %	31 December 2017	Share %	31 December 2016
Available for sale financial investments				
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	83.371	10,79	88.436
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.667	<1	1.375
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	61	<1	77
Turcas Petrolcülük A.Ş.	<1	12	<1	7
		85.111		89.895
Non-traded				
Toren Doğalgaz Depolama ve Madencilik A.Ş.	2,50	42.349	2,50	42.349
Gaz Depo ve Madencilik A.Ş.	2,50	41.501	2,50	41.501
Sınai ve Mali Yatırımlar Holding A.Ş.	<1	2.536	<1	2.536
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.(*)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	27,45	109	27,45	109
Tümteks Tekstil Sanayi ve Ticaret A.Ş.	7,45	6.147	7,45	6.147
Other		1.657		1.593
		95.638		95.574
Less: Allowance for impairment				
Sınai ve Mali Yatırımlar Holding A.Ş.		(2.536)		(2.536)
Tümteks Tekstil Sanayi ve Ticaret A.Ş.		(6.147)		(6.147)
Other		(1.415)		(1.351)
		(10.098)		(10.034)
Fair value through profit or loss financial investments		11.320		-
Long-term financial investments total		181.971		175.435

(*) As of 31 December 2017 and 2016, entities classified as financial investment are shown at cost due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.

Traded available for sale financial investments actively are carried at quoted market prices. The positive difference of 67.240 in the fair value of the available for sale financial investments traded in active markets is directly recognized in equity (31 December 2016: 71.775 positive difference). There is a negative difference amount of 10 in the fair value of the available for sale financial investments traded in active markets is directly recognized in the statement of profit or loss (31 December 2016: 3 positive difference).

85.540 of the above available for sale financial investments that do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed (31 December 2016: 85.540). For this reason they are stated at cost less provision for impairment in value, if any.

Explanations about the nature and level of risks related to financial investments are provided in Note 34.

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

7. SHORT AND LONG-TERM BORROWINGS

	31 December 2017	31 December 2016
Short-term bank loans	605.081	916.751
Short-term portion of long-term bank loans and interest payments	108.693	85.024
Short-term obligations under finance leases	-	3.890
Short-term portion of long-term obligations under finance leases	1.815	3.750
Total short-term borrowings	715.589	1.009.415
Long-term bank loans	463.894	249.660
Long-term obligations under finance leases	210	1.890
Total long-term borrowings	464.104	251.550
Total borrowings	1.179.693	1.260.965

The details of bank loans are as follows:

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

Original currency	Weighted average interest rate %		31 December 2016		
	Short-term	Long-term	Short-term	Long-term	Total
US Dollars	3,70	-	620.213	-	620.213
EUR	2,14	2,76	153.841	249.660	403.501
TRY	12,75	-	227.721	-	227.721
			1.001.775	249.660	1.251.435

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

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

Repayment schedule of bank loans is as follows:

	31 December 2017	31 December 2016
To be paid within 1 year	713.774	1.001.775
To be paid within 1-2 year	291.660	83.220
To be paid within 2-3 year	172.234	83.220
To be paid within 3-4 year	-	83.220
	1.177.668	1.251.435

Group's bank loans; as of 31 December 2017 in the amounts of 102.532 Thousand USD (386.740), 15.055 Thousand EUR (67.981) and 400.148 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2016: 176.237 Thousand USD (620.213), 18.556 Thousand EUR (68.841), 227.721). Other bank loans are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk.

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) and ECA (Hermes) bank loans from Unicredit Bank Austria AG in August 2013 and Deutsche Bank AG in January 2014 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criteris obliged due to the agreement as of 31 December 2017. Additional loan amounting 20.168 (4.466 Thousand EUR) borrowed from Deutsche Bank AG in 2017. As of 31 December 2017, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 150.677 (33.369 Thousand EUR) and 170.483 (37.755 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the year ended 31 December 2017 is 50.226 (11.123 Thousand EUR) and 53.947 (11.947 Thousand EUR) respectively.

Details of obligations under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Obligations under finance leases				
Within one year	1.970	7.895	1.815	7.640
Within 2-5 year	223	2.041	210	1.890
	2.193	9.936	2.025	9.530
Less: finance expenses related to following years	(168)	(406)	-	-
Present value of obligations finance leases	2.025	9.530	2.025	9.530
Less: Payments within 12 months (in short-term payables)			1.815	7.640
Due beyond 12 months			210	1.890

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term varies between 36 months and 48 months (2016: 12 – 48 months). For the year ended 31 December 2017 effective weighted average interest is 4,35% for USD and 5,65% for EUR (31 December 2016: 3,95% for USD, 4,23% for EUR). Financial lease obligations currency type distribution is disclosed in Note 34. The fair value of the Group's lease obligations approximates their carrying amount.

Explanations about the nature and level of risks related to financial debts are provided in Note 34.

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

8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

Short-term trade receivables	31 December 2017	31 December 2016
Receivables from Contracting group operations	1.402.427	842.204
Receivables from Agriculture group operations	190.873	92.569
Receivables from Real Estate group operations	15.770	36.933
Receivables from Other group operations	7.118	7.566
Provision for doubtful receivables	(32.998)	(30.850)
Retention receivables (Note: 11)	283.764	98.056
Due from related parties (Note: 32)	14.468	20.680
Other	8.592	8.164
	1.890.014	1.075.322

Long-term trade receivables		
Retention receivables (Note: 11)	64.374	143.163
Receivables from Real Estate group operations	12.211	9.379
	76.585	152.542

Postdated cheques amounting to 126.185 (31 December 2016: 59.339), notes receivables amounting to 23.459 (31 December 2016: 42.269), positive foreign currency differences amounting to 73 (31 December 2016: positive foreign currency differences amounting to 155) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2016: 110).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 135 days (31 December 2016: 123 days), for domestic projects is 39 days (31 December 2016: 47 days), for Agriculture group is 43 days (31 December 2016: 40 days), for Real Estate group for short-term trade receivables are 150 days, for long-term trade receivables is 770 days (31 December 2016: short-term trade receivables is 84 days, long-term trade receivables are 647 days) and for other segment is 27 days (31 December 2016: 30 days).

As of 31 December 2017, receivables amounting 935.627 was obtained from a non-related client which constitute 48% of the Group's receivables (31 December 2016: 316.228, 26%).

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered. As of 31 December 2017, trade receivables of 32.998 (31 December 2016: 30.850) is provided provision for in the amount of 32.998 (31 December 2016: 30.850).

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

	2017	2016
Provision as at 1 January	(30.850)	(26.068)
Charge for the year	(1.959)	(3.302)
Collected	808	165
Write off of bad debt	6	-
Currency translation effect	(1.003)	(1.645)
Provision as at 31 December	(32.998)	(30.850)

1.006 and 953 of doubtful receivable expense has been charged to cost of revenue and general administrative expenses respectively (2016: Doubtful receivable charge for the period has been charged to general administrative expenses).

Explanations about the nature and level of risks related to trade receivables are provided in Note 34.

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

8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

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

Short-term trade payables	31 December 2017	31 December 2016
Payables from Contracting group operations	1.063.448	718.254
Payables from Agriculture group operations	836.921	677.546
Payables from Real Estate group operations	5.105	27.315
Payables from Other group operations	12.707	14.300
Due to related parties (Note: 32)	6.128	10.919
Retention payables (Note: 11)	114.159	80.457
Other trade payables	161	32
	2.038.629	1.528.823

Long-term trade payables	31 December 2017	31 December 2016
Payables from Agriculture group operations	60.869	30.684
Retention payables (Note: 11)	55.674	12.979
Trade payables from Contracting group operations	799	370
	117.342	44.033

Foreign currency differences amounting to 218.219 (31 December 2016: 176.147) are included in short and long-term trade payables. There are not any notes payables and postdated cheques in the current year (31 December 2016: Notes payables 533, no postdated cheques)

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2016: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 172 days (31 December 2016: 219 days) whereas average payable period for domestic purchases is 30 days (31 December 2016: 30 days). For Contracting group, import purchases through letter of credit constitute 3% (31 December 2016: 7%) of trade payables as at balance sheet date. The average payable period for these import purchases is 87 days (31 December 2016: 88 days) whereas the average payable period for other purchases is 90 days (31 December 2016: 122 days). The average payable period for Real Estate group is 35 days (31 December 2016: 31 days). For the other operations of the Group, the average payable period is 61 days (31 December 2016: 59 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 34.

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

9. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

Other short-term receivables	31 December 2017	31 December 2016
Deposits and guarantees given	10.999	5.370
VAT receivables	9.865	-
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Related party receivables (Note: 32)	-	53.922
Other receivables	2.654	1.791
	23.518	61.083

Other long-term receivables		
Deposits and guarantees given	4.235	3.823
	4.235	3.823

b) Other Payables:

Other short-term payables	31 December 2017	31 December 2016
Taxes and funds payable	69.565	33.397
Deposits and guarantees received	6.341	7.510
Payables related to share acquisitions	-	29.679
Other payables	2.534	3.229
	78.440	73.815

Other long-term payables		
Fair value of reedemed shares	66.045	25.097
Deposits and guarantees received	4.101	3.420
	70.146	28.517

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 34.

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

10. INVENTORIES

	31 December 2017	31 December 2016
Raw materials	144.221	103.605
Work in progress	146.499	171.762
Finished goods	19.138	26.635
Trading goods	72.868	41.922
Goods in transit	30.800	35.846
Inventory from real estate projects	256.473	432.253
Inventory at construction sites	225.214	115.721
Other inventories	53.576	40.997
	948.789	968.741

During the year ended 31 December 2017, borrowing costs deducted from inventory amount to 4.886 (31 December 2016: Borrowing costs capitalized 15.901).

The Group does not have any inventories whose net realizable value is less than its current cost (31 December 2016: None). Accordingly, there is not any provision for allowance for impairment on inventory (31 December 2016: None).

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

11. CONSTRUCTION CONTRACTS

	31 December 2017	31 December 2016
Cost incurred on uncompleted contracts	16.125.698	13.884.066
Recognised gain less losses (net)	1.140.279	784.831
	17.265.977	14.668.897
Less: Billings to date (-)	(17.887.221)	(14.661.735)
	(621.244)	7.162

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

	31 December 2017	31 December 2016
From customers under construction contracts	171.361	391.944
To customers under construction contracts	(792.605)	(384.782)
	(621.244)	7.162

	31 December 2017	31 December 2016
Receivables from uncompleted contracts		
Contracts undersigned abroad	125.117	340.773
Contracts undersigned in Turkey	46.244	51.171
	171.361	391.944
Payables from uncompleted contracts		
Contracts undersigned abroad	(503.887)	(20.511)
Contracts undersigned in Turkey	(288.718)	(364.271)
	(792.605)	(384.782)
	(621.244)	7.162

The Group has 292.548 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2016: 48.437). Also, the Group has 1.559.333 of advances received for contracting projects classified in deferred revenue (31 December 2016: 302.765) (Note 16).

As of 31 December 2017, the Group has 169.833 of retention payables to subcontractors (31 December 2016: 93.436). Also, the amount of retention receivables is 348.138 (31 December 2016: 241.219) (Note 8).

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

12. INVESTMENTS VALUED BY EQUITY METHOD

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

		31 December 2017		31 December 2016			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50,00 %	11.543	50,00 %	10.039	50,00 %	Agriculture
Azfen	Azerbaijan	40,00 %	94.227	40,00 %	47.608	40,00 %	Construction
Black Sea	Turkey	30,00 %	1.092	30,00 %	1.034	30,00 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50,00 %	87.648	50,00 %	59.764	50,00 %	Real Estate
			194.510		118.445		

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

	2017	2016
Opening balance as at 1 January	118.445	147.848
Group's share on profit (loss)	211.000	57.238
Group's share on other comprehensive incom	(225)	-
Dividends	(172.024)	(90.588)
Capital increases	29.635	-
Currency translation effect	9.430	5.211
Profit eliminations	(1.751)	(1.264)
Closing balance as at 31 December	194.510	118.445

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

H-T Fidecilik	1.729	2.491
Azfen	209.213	54.522
Black Sea	58	228
Florya Gayrimenkul	-	(3)
Shares on profit (loss) of joint ventures consolidated by equity method	211.000	57.238

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

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

Information related to financial position:

31 December 2017	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	98	153.208	2.698	294	156.298
Other current assets	48.872	299.910	1.169	57.666	407.617
Other non-current assets	22.279	52.435	12	120.396	195.122
Total Assets	71.249	505.553	3.879	178.356	759.037
Short-term financial debts	26.937	-	-	-	26.937
Other short-term liabilities	18.253	260.971	223	596	280.043
Long-term financial debts	835	-	-	-	835
Other long-term liabilities	2.139	9.014	17	2.465	13.635
Total Liabilities	48.164	269.985	240	3.061	321.450
Net Assets	23.085	235.568	3.639	175.295	437.587
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	11.543	94.227	1.092	87.648	194.510

31 December 2016	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	58	103.072	8.000	83	111.213
Other current assets	41.183	732.506	663	57.652	832.004
Other non-current assets	18.326	123.338	31	114.585	256.280
Total Assets	59.567	958.916	8.694	172.320	1.199.497
Short-term financial debts	21.107	-	-	-	21.107
Other short-term liabilities	16.919	839.895	5.237	50.335	912.386
Long-term financial debts	244	-	-	-	244
Other long-term liabilities	1.220	-	10	2.458	3.688
Total Liabilities	39.490	839.895	5.247	52.793	937.425
Net Assets	20.077	119.021	3.447	119.527	262.072
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	10.039	47.608	1.034	59.764	118.445

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

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

Information related to statement of profit or loss :

31 December 2017	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	65.773	1.751.478	138.708	-	1.955.959
Depreciation and amortization expense	2.001	28.179	20	-	30.200
Operating profit (loss)	7.337	671.454	(986)	-	677.805
Financial income	8	970	5.924	7	6.909
Financial expense (-)	(3.269)	-	(4.746)	-	(8.015)
Tax (expense) income	(868)	(147.042)	1	(7)	(147.916)
Profit for the Period	3.458	523.033	193	-	526.684
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's Share on Profit for the Period	1.729	209.213	58	-	211.000

31 December 2016	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	49.968	1.785.108	229.943	-	2.065.019
Depreciation and amortization expense	1.719	24.920	126	-	26.765
Operating profit (loss)	8.257	174.214	(3.772)	-	178.699
Financial income	2	-	7.734	3	7.739
Financial expense (-)	(2.367)	-	(3.168)	(7)	(5.542)
Tax expense (-)	(855)	(37.789)	(36)	(1)	(38.681)
Profit (Loss) for the Period	4.982	136.305	759	(5)	142.041
Group's Ownership Rate	%50,00	%40,00	%30,00	%50,00	
Group's Share on Profit (Loss) for the Period	2.491	54.522	228	(3)	57.238

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

13. INVESTMENT PROPERTY

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

Cost	Land	Buildings	Total
Opening balance as at 1 January 2016	21.208	99.184	120.392
Currency translation effect	195	-	195
Additions	-	770	770
Transfers	-	(8.646)	(8.646)
Closing balance as at 31 December 2016	21.403	91.308	112.711
Accumulated Depreciation			
Opening balance as at 1 January 2016	-	(31.562)	(31.562)
Charge for the year	-	(2.875)	(2.875)
Transfers to property, plant and equipment	-	4.285	4.285
Closing balance as at 31 December 2016	-	(30.152)	(30.152)
Carrying value as at 31 December 2016	21.403	61.156	82.559

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

Depreciation expense has been charged to cost of revenue (2016: Cost of revenue 2.646, general administrative expenses 229)

For the year ended 31 December 2017 total rental income earned from investment properties is 34.072 (31 December 2016: 29.774). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 6.473 (31 December 2016: 7.099).

The fair value of the Group's investment property has been arrived based on a valuation carried out by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair market value of the investment properties as of 31 December 2017 is 490.251 (31 December 2016: 484.182) according to the valuation carried out by independent expert.

There are not any restrictions on the realizability of investment property or any remittances of income and proceeds of disposal and there are not any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2017	472.398	416.442	2.082.689	41.080	96.888	42.605	146.544	3.298.646
Currency translation effect	26.153	16.849	70.642	3.184	5.620	(132)	913	123.229
Additions	8.740	8.476	84.371	21.560	12.565	57.040	11.673	204.425
Disposals	(1.076)	-	(12.375)	(1.426)	(148)	-	(5.110)	(20.135)
Transfers	7.741	18.505	52.926	1.210	2.215	(85.407)	6.339	3.529
Closing balance as at 31 December 2017	513.956	460.272	2.278.253	65.608	117.140	14.106	160.359	3.609.694
Accumulated Depreciation								
Opening balance as at 1 January 2017	(179.301)	(187.644)	(1.237.063)	(37.743)	(77.076)	-	(92.146)	(1.810.973)
Currency translation effect	(11.975)	(11.269)	(57.818)	(2.400)	(4.812)	-	(407)	(88.681)
Charge for the year	(13.144)	(9.407)	(90.738)	(3.566)	(7.457)	-	(6.109)	(130.421)
Disposals	591	-	11.819	1.329	143	-	5.110	18.992
Transfers	-	(1.302)	-	-	-	-	-	(1.302)
Closing balance as at 31 December 2017	(203.829)	(209.622)	(1.373.800)	(42.380)	(89.202)	-	(93.552)	(2.012.385)
Carrying value as at 31 December 2017	310.127	250.650	904.453	23.228	27.938	14.106	66.807	1.597.309

Property, plant and equipment include fixed assets with carrying value of 8.540 purchased through financial lease. These property, plant and equipment purchased through financial lease consist of various prefabricated buildings, machinery, equipment and vehicles employed in construction sites. During the current period, there are no property, plant and equipment purchases through financial lease (31 December 2016: 690). For the year ended 31 December 2017, no additional capitalized borrowing costs are included in property, plant and equipment (31 December 2016: 12.522 additional capitalized borrowing costs, capitalization rate 18,75%). There are not any restrictions on the realizability of property, plant and equipment or any remittances of income and proceeds of disposal.

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

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

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2016	393.352	385.614	1.820.663	36.221	89.568	74.310	145.415	2.945.143
Currency translation effect	41.563	21.128	165.271	6.098	11.610	-	1.589	247.259
Additions	25.643	1.186	19.101	843	7.213	108.857	2.964	165.807
Disposals	(925)	(853)	(33.161)	(2.286)	(12.793)	-	(4.995)	(55.013)
Transfers	12.765	9.367	110.815	204	1.290	(140.562)	1.571	(4.550)
Closing balance as at 31 December 2016	472.398	416.442	2.082.689	41.080	96.888	42.605	146.544	3.298.646
Accumulated Depreciation								
Opening balance as at 1 January 2016	(143.559)	(174.893)	(1.048.696)	(33.418)	(73.939)	-	(91.394)	(1.565.899)
Currency translation effect	(24.313)	(10.416)	(136.179)	(5.630)	(10.203)	-	(1.243)	(187.984)
Charge for the year	(12.071)	(7.669)	(84.625)	(890)	(5.627)	-	(4.470)	(115.352)
Allowance for impairment	-	-	(2)	-	-	-	-	(2)
Disposals	642	307	32.439	2.195	12.693	-	4.961	53.237
Transfers	-	5.027	-	-	-	-	-	5.027
Closing balance as at 31 December 2016	(179.301)	(187.644)	(1.237.063)	(37.743)	(77.076)	-	(92.146)	(1.810.973)
Carrying value as at 31 December 2016	293.097	228.798	845.626	3.337	19.812	42.605	54.398	1.487.673

Property, plant and equipment include fixed assets with carrying value of 12.117 purchased through financial lease.

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

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

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

	Useful life
Land and land improvements	2-50 years
Buildings	4-50 years
Machinery and equipment	2-50 years
Vehicles	2-30 years
Furniture and fixtures	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 126.809 (2016: 105.699) has been charged to cost of revenue, 895 (2016: 1.303) to marketing expenses, 3.707 (2016: 2.418) to general administrative expenses, 11 (2016: None) to research and development expenses. Depreciation expense of 1.001 is deducted from the cost of inventory (2016: 5.932 added to the cost of inventory).

15. INTANGIBLE ASSETS

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

Cost value	Rights	Other	Total
Opening balance as at 1 January 2016	36.280	2.383	38.663
Currency translation effect	4.754	38	4.792
Additions	2.309	767	3.076
Transfers	389	-	389
Closing balance as at 31 December 2016	43.732	3.188	46.920
Accumulated amortization			
Opening balance as at 1 January 2016	(23.754)	(305)	(24.059)
Currency translation effect	(4.044)	(38)	(4.082)
Charge for the year	(2.101)	-	(2.101)
Closing balance as at 31 December 2016	(29.899)	(343)	(30.242)
Carrying value as at 31 December 2016	13.833	2.845	16.678

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

Amortization expense of 2.305 (2016: 1.806) has been charged to general administrative expenses, 473 (2016: 295) to cost of revenue.

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

16. PREPAID EXPENSES AND DEFERRED REVENUE

Short-term prepaid expenses	31 December 2017	31 December 2016
Advances paid for construction projects (Note: 11)	292.548	48.437
Prepaid expenses	37.555	26.109
Order advances given	5.036	15.892
Business advances given	615	775
	335.754	91.213
Long-term prepaid expenses		
Prepaid expenses	1.860	4.225
Advances given for fixed assets	610	2.123
	2.470	6.348
Short-term deferred revenue		
Advances received for Real Estate projects	9.437	330.599
Advances received for construction projects (Note: 11)	1.559.333	302.765
Other advances received	58.651	45.189
Income relating to future months	11.476	6.700
	1.638.897	685.253

17. GOVERNMENT GRANTS AND INCENTIVES

Toros Tarım benefits from the certified seed production support according to the support amounts determined in the Communiqué about "Supporting Domestic Certified Seed Production" published in the Official Gazette for its production of certified wheat and potato seeds.

Before the harvest period, the support amounts per kilogram are conveyed in the Official Gazette by Republic of Turkey Ministry of Food, Agriculture and Livestock annually. For the harvest period in 2017, unit price conveyed at 17.09.2017 for wheat is 0,10 TRY/kg and unit price conveyed at 04.08.2016 for potato is 0,10 TRY/kg. Additional supports have been obtained gradually in the unit prices for the elite and super elite types of wheat and potato seeds. As of 31 December 2017, income generated from wheat support is 868 whereas the income generated from potato support is 2.160 which make a total income of 3.028 (31 December 2016: wheat supporting 912, potato supporting 219, total 1.131) (Note 26). Support income generated from current year sales is recognized as income accrual every reporting period is collected in the following period. Support income from potato sales in 2017 was collected during the current year.

Within the scope of Tübitak, The Scientific and Technological Research Council of Turkey Teydeb (The Scientific and Technological Research Council of Turkey Technology and Innovation Grant Programs Directorate), several programs are being conducted for private sector entities on a project basis in order to provide support for Research and Development activities. 1511 numbered Research Technology Development and Innovation Projects in Priority Areas Grant Program is one of those programs. Toros Tarım applied for support within the context of this program with "Wheat Breeding Project" and its project is approved. The purpose of the project is to breed high quality and efficient wheat types that are resistant to biotic and abiotic stress conditions for different ecological zones of Turkey. 36 month long support duration began on 1 September 2013 and ended on 31 August 2016. In parallel with the budget given to Tübitak; personnel expenses, fixed asset and material acquisitions, service and labor costs are taken in the scope of the support.

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

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

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

17. GOVERNMENT GRANTS AND INCENTIVES (cont'd)

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

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short-term other provisons	31 December 2017	31 December 2016
Provision for litigation	17.873	9.998
Other provisions	94.581	32
	112.454	10.030

Long-term other provisons	31 December 2017	31 December 2016
Other provisions	72	81
	72	81

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2017	9.998	113	10.111
Currency translation effect	198	3.105	3.303
Charge for the period	12.232	91.453	103.685
Provision paid	(789)	(18)	(807)
Provision released	(3.766)	-	(3.766)
Closing balance as at 31 December 2017	17.873	94.653	112.526
Opening balance as at 1 January 2016	64.904	447	65.351
Currency translation effect	2.833	19	2.852
Charge for the period	6.480	6	6.486
Provision paid	(63.693)	-	(63.693)
Provision released	(526)	(359)	(885)
Closing balance as at 31 December 2016	9.998	113	10.111

b) Contingent Assets and Liabilities

Contractual Obligations:

Defects Liabilities

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

Penalty of Default

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

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

b) Contingent Assets and Liabilities (cont'd)

Litigations:

As of 31 December 2017, except Libya counterclaim, lawsuit filed against the Group is totally 138.468 (31 December 2016: 106.822) and the management has decided to accrue 17.873 (31 December 2016: 9.998) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuits filed against the Group.

Libya Arbitration Claim

Tekfen-TML J.V., a joint operation of which 67% is owned by the Group, had to suspend its operations and evacuate its sites in Libya from 2011 February for an uncertain period of time due to the civil unrest in the country.

The Group resolved to proceed with an International Arbitration claim for recovery of project-related rights, receivables and assets in Libya. In line with this decision, on 16 June 2015, a plea of commercial arbitration was placed with the International Court of Arbitration of the International Chamber of Commerce (ICC) against the contracting management for the project, Libyan Man-Made River Authority (MMRA), and Libyan State via offering "Request for Arbitration".

Besides, an additional plea of commercial arbitration was placed with ICC against Libyan State in the context of Treaty on Bilateral Investment Protection signed between Libyan and Turkish States. MMRA initiated a counterclaim against Tekfen TML J.V. with ICC.

Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group. Letters of guarantees given related to Libya project to various institutions amount to 126.

Other

The financial, economic, and social policies of the foreign countries in which the Group has operations may affect the Group's profitability.

National and international commodity market price volatility may affect the Group operations and profitability.

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

19. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2017 and 2016 is as follows:

31 December 2017	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	10.299.998	1.856.593	35.538	3.136.644
-Guarantee	*10.295.498*	*1.856.593*	*35.538*	*3.132.144*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	113.681	-	-	113.681
-Guarantee	*113.681*	-	-	*113.681*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2017	10.413.679	1.856.593	35.538	3.250.324

31 December 2016	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	8.763.286	1.554.919	67.676	3.040.146
-Guarantee	*8.758.786*	*1.554.919*	*67.676*	*3.035.646*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	125.662	-	-	125.662
-Guarantee	*125.662*	-	-	*125.662*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2016	8.888.948	1.554.919	67.676	3.165.808

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

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

20. EMPLOYEE BENEFITS

Employee benefit payables

	31 December 2017	31 December 2016
Salary accruals	43.614	37.720
Social security witholding payables	28.718	32.729
	72.332	70.449

Short-term provisions attributable to employee benefits	31 December 2017	31 December 2016
Retirement pay provision	18.811	40.483
Unused vacation pay liability provision	25.268	18.453
Premium provision	21.534	13.969
	65.613	72.905
Long-term provisions attributable to employee benefits		
Retirement pay provision	57.924	40.054

	31 December 2017	31 December 2016
Short-term retirement pay provision	18.811	40.483
Long-term retirement pay provision	57.924	40.054
	76.735	80.537

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

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

Retirement pay provision for Turkish personnel employed in Turkey:

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

Group has calculated current year's amount by using the upper limit 5.001,76 TRY which is effective on or after 1 January 2018 (31 December 2016: 4.426,16 TRY). The amount payable to the employee is limited to employee's one month worth salary or to the upper limit of retirement pay provision for each period of service as of 31 December 2017.

There is no legal funding requirement for retirement pay liability.

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

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

20. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the consolidated financial statements as of 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of 31 December 2017, the provisions have been calculated by taking the real discount rate as approximately 4,11% (31 December 2016: 6,56%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of foreign employees located abroad:

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

Retirement pay provision for subcontractor employee:

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

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as at 1 January 2017	80.537	13.969	18.453	112.959
Currency translation effect	3.546	603	910	5.059
Charge for the period	43.890	26.323	25.010	95.223
Interest expense	2.062	-	-	2.062
Provision paid	(57.654)	(19.361)	(18.531)	(95.546)
Provision released	-	-	(574)	(574)
Actuarial loss	4.354	-	-	4.354
Closing balance as at 31 December 2017	76.735	21.534	25.268	123.537
Opening balance as at 1 January 2016	65.510	14.284	13.594	93.388
Currency translation effect	8.082	717	1.989	10.788
Charge for the period	34.585	12.314	10.982	57.881
Interest expense	1.523	-	-	1.523
Provision paid	(26.819)	(12.335)	(7.568)	(46.722)
Provision released	(187)	(1.011)	(544)	(1.742)
Actuarial gain	(2.157)	-	-	(2.157)
Closing balance as at 31 December 2016	80.537	13.969	18.453	112.959

41.218 (2016: 32.334) of current year charge and released provision for retirement pay has been included in cost of revenue, 3.301 (2016: 3.429) has been included in general administrative expenses, 912 (2016: None) has been included in research and development expenses and 521 (2016: 158) has been included in marketing expenses.

2.536 (2016: 3.074), 22.503 (2016: 7.480) and 1.284 (2016: 749) of current year charge and released provision for premiums have been included in cost of revenue, in general administrative expenses and in marketing expenses respectively.

22.485 (2016: 8.247) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 1.844 (2016: 2.113) has been included in general administrative expenses and 107 (2016: 78) has been included in marketing expenses.

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

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

Other current assets	31 December 2017	31 December 2016
VAT receivables	221.539	240.103
Witholding tax of ongoing construction contracts	2.938	37.047
Other current assets	3.593	2.028
	228.070	279.178

Other non-current assets	31 December 2017	31 December 2016
Witholding tax of ongoing construction contracts	94.472	40.526
	94.472	40.526

Other short-term liabilities	31 December 2017	31 December 2016
VAT calculated	8	3.761
Other	453	137
	461	3.898

22. SHAREHOLDERS' EQUITY

a) Share Capital

After the changes in the shareholders' structure during the period, the structure of the paid in capital as of 31 December 2017 and 2016 is as follows:

Shareholders	(%)	31 December 2017	(%)	31 December 2016
Berker family	22,28%	82.422	22,28%	82.422
Gökyiğit family	22,78%	84.272	22,78%	84.272
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,48%	5.480	4,61%	17.043
Publicly traded	46,81%	173.215	43,69%	161.652
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		373.475		373.475

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

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2016: 370.000.000). All these shares consist of bearer common shares.

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

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

22. SHAREHOLDERS' EQUITY (cont'd)

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

	31 December 2017	31 December 2016
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Profit (loss) on revaluation of defined retirement benefit plans	(2.349)	1.369
	(2.349)	1.369
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	154.480	125.977
- Gain on revaluation and reclassification (Note: 6)	67.240	71.775
- Gains on hedging (Note: 33)	(2.408)	1.621
	219.312	199.373

Gain (loss) on revaluation and remeasurement:

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

Currency Translation Reserve:

Group's consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group's consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 154.480 (31 December 2016: 125.977).

Gain / (loss) on revaluation and reclassification:

Gain / (loss) on revaluation and reclassification consists of changes in fair value of financial assets available for sale. In the event of the disposition of a revalued financial asset at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss. In case of a revalued at fair value financial assets impairment, amount impaired is accounted in profit or loss.

Gains (loss) on hedging:

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

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

22. SHAREHOLDERS’ EQUITY (cont’d)

c) Restricted Profit Reserves

	31 December 2017	31 December 2016
Restricted profit reserves	197.180	194.145

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

Profit Distribution:

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

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

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

As of 22 February 2018, Board of Directors offered to pay shareholders 0,63 TRY (2016: 0,31 TRY) gross dividends per share. That dividend payment is subject to approval of the shareholders in General Shareholders’ Meeting and so that the amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount to be paid to shareholders and the holders of the redeemed shares is 232.530 (2016: 113.546) and 16.163 (2016: 6.746), respectively.

Resources That Can Be Subject To Profit Distribution:

Total amount of other resources that may be subject to profit distribution in the statutory records of Tekfen Holding A.Ş. is 1.583.938 (31 December 2016: 1.577.393). 1.240.699 portion of this amount belongs to shares issued and 343.239 portion of this amount belongs to bonus shares issued (31 December 2016: shares issued 1.102.516, bonus shares issued 474.877).

d) Premiums in Capital Stock

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

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

23. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2017	1 January - 31 December 2016
Contract revenue	4.861.540	2.823.581
- Contract revenue – abroad	*2.765.067*	*1.880.888*
- Contract revenue – domestic	*1.927.434*	*923.614*
- Joint operations – abroad	*78.433*	*12.388*
- Joint operations – domestic	*90.606*	*6.691*
Good and merchandise sales	2.240.199	1.851.634
- Domestic goods and merchandise sales	*2.040.296*	*1.797.815*
- Export goods and merchandise sales	*208.317*	*55.957*
- Sales returns and discounts from goods and merchandise sales (-)	*(8.414)*	*(2.138)*
Other sales	385.394	62.182
- Real estate development revenues	*324.428*	*5.027*
- Other revenues	*62.891*	*57.155*
- Other sales returns and discounts (-)	*(1.925)*	*-*
	7.487.133	4.737.397

Cost of revenue (-)	1 January - 31 December 2017	1 January - 31 December 2016
Cost of raw materials used	(2.183.633)	(1.680.713)
Subcontractor expenses	(2.064.602)	(928.427)
Personnel expenses	(887.329)	(691.829)
Construction site expenses	(282.416)	(197.010)
Machinery, vehicle and other rent expenses	(257.388)	(133.632)
Depreciation expenses (Note: 13, 14, 15)	(130.077)	(108.640)
Consultancy expenses	(110.141)	(24.425)
Engineering expenses	(78.791)	(2.727)
Energy and fuel expenses	(73.882)	(79.611)
Project loss provisions	(63.854)	(31.606)
Maintenance expenses	(47.083)	(35.329)
Transportation expenses	(36.735)	(36.310)
Outsourcing expenses	(35.798)	(35.819)
Insurance expenses	(34.459)	(20.579)
Custom expenses	(15.678)	(10.927)
Cost of merchandises sold	(2.387)	(4.901)
Consumable and other material expenses	(1.907)	(1.759)
Provision for doubtful receivables (Note: 8)	(1.006)	-
Other	(151.532)	(59.608)
	(6.458.698)	(4.083.852)

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

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

	1 January - 31 December 2017	1 January - 31 December 2016
General administrative expenses (-)	(214.665)	(171.635)
Marketing expenses (-)	(155.290)	(123.712)
Research and development expenses (-)	(1.930)	(1.256)
	(371.885)	(296.603)

Details of general administrative expenses	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	(138.447)	(102.312)
Consultancy expenses	(16.051)	(14.080)
Office and administration expenses	(17.960)	(13.065)
Depreciation and amortization expenses (Note: 13, 14, 15)	(6.012)	(4.453)
Rent expenses	(4.485)	(3.140)
Communication expenses	(4.093)	(2.203)
Traveling expenses	(2.587)	(1.521)
Duties, charges and other tax expenses	(2.435)	(2.962)
Bank and notary expenses	(1.459)	(1.663)
Maintenance expenses	(1.337)	(1.159)
Hospitality expenses	(1.301)	(568)
Provision for doubtful receivables (Note: 8)	(953)	(3.302)
Energy and fuel expenses	(692)	(525)
Tender preparation expenses	(653)	(4.293)
Reversal of doubtful receivable provision (Note: 8)	808	102
Other expenses	(17.008)	(16.491)
	(214.665)	(171.635)

Details of marketing expenses		
Transportation expenses	(121.005)	(93.832)
Personnel expenses	(12.021)	(9.843)
Advertisement expenses	(7.080)	(6.547)
Duties, charges and other tax expenses	(1.148)	(713)
Rent expenses	(1.033)	(925)
Energy and fuel expenses	(996)	(860)
Traveling expenses	(903)	(600)
Depreciation and amortization expenses (Note: 14)	(895)	(1.303)
Maintenance expenses	(605)	(419)
Consultancy expenses	(462)	(393)
Hospitality expenses	(468)	(388)
Office and administration expenses	(414)	(317)
Communication expenses	(302)	(256)
Other expenses	(7.958)	(7.316)
	(155.290)	(123.712)

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

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

Details of research and development expenses	1 January - 31 December 2017	1 January - 31 December 2016
Payroll expenses and fringe benefits	(1.849)	-
Depreciation and amortization expenses (Note: 14)	(11)	-
Consultancy expenses	-	(729)
Rent expenses	-	(47)
Traveling expenses	-	(10)
Other expenses	(70)	(470)
	(1.930)	(1.256)

25. QUALITATIVE EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	(152.317)	(112.155)
Transportation expenses	(121.005)	(93.832)
Office and administration expenses	(18.374)	(13.382)
Consultancy expenses	(16.513)	(15.202)
Advertisement expenses	(7.080)	(6.547)
Depreciation and amortization expenses (Note: 13, 14, 15)	(6.918)	(5.756)
Rent expenses	(5.518)	(4.112)
Communication expenses	(4.395)	(2.459)
Duties, charges and other tax expenses	(3.583)	(3.675)
Traveling expenses	(3.490)	(2.131)
Maintenance expenses	(1.942)	(1.578)
Hospitality expenses	(1.769)	(956)
Energy and fuel expenses	(1.688)	(1.385)
Bank and notary expenses	(1.459)	(1.663)
Provision for doubtful receivables (Note: 8)	(953)	(3.302)
Tender preparation expenses	(653)	(4.293)
Reversal of doubtful receivable provision (Note: 8)	808	102
Other expenses	(25.036)	(24.277)
	(371.885)	(296.603)

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

26. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	266.379	219.354
Due date difference income	30.501	23.486
Indemnity income	17.853	5.244
Rent income	4.306	4.116
Reversal of litigation provision (Note: 18)	3.766	526
Government grants and incentives income (Note: 17)	3.028	1.131
Refundment income of social benefit	2.699	1.920
Discount income	1.636	3.195
Hedging income (Note: 33)	1.519	87
Scrap sale income	1.262	1.442
Reversal of other unnecessary provisions (Note: 18)	-	359
Project management income	-	314
Other income	6.762	8.499
	339.711	269.673

Other operating expenses (-)		
Foreign exchange losses	(329.587)	(332.854)
Hedging expenses (Note: 33)	(23.311)	-
Discount expenses	(15.033)	(2.332)
Due date difference expenses	(14.714)	(10.146)
Litigation provision (Note: 18)	(12.232)	(3.516)
Grants and contributions	(3.792)	(7.344)
Other provision expenses	(524)	(6)
Penalty and damages expenses	(351)	(373)
Rent expenses	(290)	(262)
Damages subject to litigation	(97)	-
Additional tax expenses	(69)	(2.157)
Other expenses	(29.064)	(11.570)
	(429.064)	(370.560)

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

27. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2017	1 January - 31 December 2016
Gain on sale of fixed asset	8.778	3.038
Dividend income	8.612	8.972
Gain on sale of assets classified as held for sale	-	1.355
Other	6	10
	17.396	13.375

Investment expense (-)	1 January - 31 December 2017	1 January - 31 December 2016
Loss on sale of fixed assets	(5)	(132)
Impairment of fixed assets (Note: 14)	-	(2)
Other	(16)	(6)
	(21)	(140)

28. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	462.702	235.504
Interest income	110.156	69.835
Currency translation reserve gains	3.244	2.362
	576.102	307.701

Financial expenses (-)	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange losses	(404.134)	(156.061)
Interest expenses	(61.691)	(47.722)
Other finance expenses	(21.532)	(8.030)
Currency translation reserve losses	(2.651)	(11.901)
Less: Financial expenses included in costs of property, plant and equipment and inventories	20.588	28.423
	(469.420)	(195.291)

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

29. ASSETS CLASSIFIED AS HELD FOR SALE

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

	31 December 2017	31 December 2016
Assets classified as held for sale	28.397	24.181
	28.397	24.181

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

	2017	2016
Net book value as at 1 January	24.181	23.851
Currency translation effect	4.216	3.816
Disposals	-	(2.360)
Impairment of subsidiary	-	(1.126)
Net book value as at 31 December	28.397	24.181

All shares of Papfen, a subsidiary of the Group, whose net assets had been classified to the account of "Assets classified as held for sale" in the consolidated financial statements as of 31 December 2015 were transferred on 23 May 2016.

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

Assets related to current tax	31 December 2017	31 December 2016
Prepaid corporate tax	65.598	48.324
	65.598	48.324

Current tax liability	31 December 2017	31 December 2016
Corporate tax provision	62.100	57.062
Less: Prepaid taxes and funds	(65.598)	(48.324)
	(3.498)	8.738

Tax expense in the statement of profit or loss:

Tax expense comprises as follows:	1 January - 31 December 2017	1 January - 31 December 2016
Current tax provision	125.009	144.562
Deferred tax income	6.517	(35.947)
	131.526	108.615

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

Tax legislation in Turkey:

Corporate Tax:

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

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

The effective rate of tax in 2017 is 20% (2016: 20%). In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2017 is 20% (2016: 20%). But, with the Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which was published on the Official Gazette dated 5 December 2017 and numbered 30261, the 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018. Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its losses carried forward occurred in 2017 until 2022.

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

As of 31 December 2017, 75% of sale proceeds from subsidiary and fixed asset acquisitions are exempt from corporate tax with the condition that these assets are held more than two years and the proceeds are included in equity for five years. There are not any restrictions for these proceeds to be added to capital. But, with the Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which was published on the Official Gazette dated December 5, 2017 and numbered 30261, article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law, in accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. The rate will be applied in the first temporary tax period in 2018.

Income Withholding Tax:

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

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

Taxation of Foreign Subsidiaries and Operations:

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

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

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

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

Exemption of Foreign Branch Earnings:

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

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

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

Investment Incentive Tax Exemption:

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

Concerning the sulfuric acid, phosphoric acid and NPK investments undertaken relating to Samsun Facility, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from the Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio. Additionally, Toros Tarım has obtained 5th Region Investment Incentive Certificate (investments priority subject) for electricity investment as of 7 July 2014 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio.

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

Toros Tarım has obtained 3rd Area Investment Incentive Certificate as of 24 December 2015 from Ministry of Economy for its prilling tower chimney gas washing investment. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio.

In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 50.029 on the basis of two years over Toros Tarım's profit projections. (2016: 34.148).

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

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

Deferred Tax:

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

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2016: 20%).

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

Components of deferred tax (assets) liabilities bases:	31 December 2017	31 December 2016
Restatement and depreciation / amortization differences of tangible and intangible assets	154.085	122.208
Provision for retirement benefits and vacation liability	(62.045)	(40.647)
Investment incentive undertaken	(250.147)	(170.739)
Contract costs and progress billings (net)	255.068	82.651
Undistributed profits of joint operations	(62.235)	(2.463)
Provision for doubtful receivables	(10.140)	(11.279)
Effect of income accruals	877	1.046
Tax losses carried forward	(37.876)	(25.813)
Provision for litigation	(13.197)	(8.939)
Available for sale investments	70.706	75.490
Provision for premium payments	(21.437)	(12.769)
Derivative instruments	(3.087)	-
Other	(34.098)	(52.383)
Deferred tax liabilities / (assets)	(13.526)	(43.637)

Components of deferred tax (assets) liabilities:	31 December 2017	31 December 2016
Restatement and depreciation / amortization differences of tangible and intangible assets	26.795	18.584
Provision for retirement benefits and vacation liability	(13.153)	(8.130)
Investment incentive undertaken	(50.029)	(34.148)
Contract costs and progress billings (net)	55.540	16.546
Undistributed profits of joint operations	(13.042)	(492)
Provision for doubtful receivables	(2.228)	(3.279)
Effect of income accruals	193	209
Tax losses carried forward	(8.330)	(5.196)
Provision for litigation	(2.904)	(1.786)
Available for sale investments	3.535	3.775
Provision for premium payments	(4.716)	(2.565)
Derivative instruments	(679)	-
Other	(7.109)	(7.157)
Deferred tax liabilities / (assets)	(16.127)	(23.639)

Deferred tax assets	(77.176)	(50.999)
Deferred tax liabilities	61.049	27.360
	(16.127)	(23.639)

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

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

Deferred Tax (cont'd):

Movement of deferred tax assets and liabilities for the year ended 31 December 2017 is as follows:

Movement of deferred tax liabilities (assets)	2017	2016
Opening balance as at 1 January	(23.639)	6.768
Deferred tax (income) / expense	7.059	(35.947)
Effect of available for sale investments in comprehensive income	(240)	1.041
Effect of actuarial gain / (loss) in comprehensive income	(870)	424
Hedge effect	(1.085)	405
Effect of tax rate change	(542)	-
Currency translation effect	3.190	3.670
Closing balance as at 31 December	(16.127)	(23.639)

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

Reconciliation of taxation:	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	902.254	438.938
Expected taxation (*)	193.691	162.164
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	4.771	372
- Dividend and other non-taxable income	(40.698)	(27.937)
- Carryforward tax losses deducted in current year	(17.631)	(11.015)
- Effects of unrealizable tax (losses) / income (net)	51.315	30.314
- Investment incentive undertaken	(42.085)	(9.750)
- Effects of joint ventures	(12.097)	(8.206)
- Effect of change in tax rates and consolidation adjustments	(6.925)	(11.019)
- Other	1.185	(16.308)
Income tax expense recognized in statement of profit or loss	131.526	108.615

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

31. EARNINGS PER SHARE

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

As of 31 December 2017 and 2016, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to 1 TRY) set out here are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the Parent (Thousands TRY)	771.299	324.411
Earnings per share from operations (TRY)	2,085	0,877

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

32. RELATED PARTY TRANSACTIONS

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

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

Transactions with related parties are distinct and measurable.

	31 December 2017		31 December 2016	
	Due from	Due to	Due from	Due to
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Azfen	5.819	-	35.720	-
Florya Gayrimenkul	71	-	25.132	1.032
Agromak	71	3	8.836	6
H-T Fidecilik	65	4	96	4
Tekzen	950	552	56	2.845
Black Sea	-	-	-	22
Turquiose Construction	-	4.241	-	3.913
Pelit Yapı Çelik	-	966	545	-
Other	109	163	180	122
Shareholders and key management	162	61	268	114
Joint operations	7.221	138	3.769	2.861
	14.468	6.128	74.602	10.919

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

32. RELATED PARTY TRANSACTIONS (cont'd)

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

	1 January - 31 December 2016							
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	42.100	1	-	-	-	-	242	1.255
Azfen	-	3.492	-	90.588	7.550	-	-	-
Agromak	-	345	1.164	-	-	-	-	-
H-T Fidecilik	-	17	-	-	-	-	38	4
Florya Gayrimenkul	-	5.452	680	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	-	-	-	-	-
Tekzen	3.539	847	-	-	94	-	4	-
Üçgen Bakım	62	144	-	120	-	-	-	341
Akmerkez Gayrimenkul	-	22	-	8.281	-	844	-	-
Tekfen Vakfı	-	5	-	-	2	-	-	-
Turquiose Construction	15.761	-	-	-	-	-	-	-
Other	107	110	-	571	32	-	-	-
Shareholders and key management	-	312	-	-	2	-	-	-
Joint operations	-	11	3.151	-	-	-	48	-
	61.569	10.758	4.995	99.560	7.680	844	332	1.600

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

32. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

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

	31 December 2017	31 December 2016
Salaries and other short-term benefits	14.479	10.774
	14.479	10.774

33. DERIVATIVE INSTRUMENTS

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	6.460	9.547	2.245	131
Current	6.460	9.547	2.245	131
Non-current	-	-	-	-
	6.460	9.547	2.245	131

Currency derivatives:

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

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

	31 December 2017	31 December 2016
Forward foreign exchange contracts	399.347	51.082
	399.347	51.082

As of 31 December 2017, the fair value of the Toros Tarım's currency derivatives is estimated to be 6.460 assets and 9.547 liabilities which is negative 3.087 (31 December 2016: assets 2.245, liabilities 131, positive 2.114). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classificaion of derivative instruments is Level 2 (31 December 2016: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to negative 2.408 has been deferred in equity (31 December 2016: positive 1.621). Expenses amounting to 87 of ineffective part have been recognized in profit or loss (31 December 2016: Ineffective 87 gain). Gains amounting to 1.519 and expenses amounting to 23.224 concerning matured derivative contracts during the period have been recognized in profit or loss (31 December 2016: No matured derivative contracts).

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital Risk Management

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

The capital structure of the Group consists of financial debts as explained in Note 7 and equity items comprising paid in capital, premiums in capital stock, restricted profit reserves and retained earnings**.**

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

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

Net cash position as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Total Financial Debts	(1.179.693)	(1.260.965)
Less: Cash and cash equivalents	2.985.833	1.483.429
Less: Time deposits with maturity of longer than three months	330.126	108.121
Net Cash Position	2.136.266	330.585

b) Financial Risk Factors

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

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

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

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

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

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2017	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	14.468	1.952.131	-	27.753	3.239.212
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	75.885	-	-	-
A. Net book value of not due or not impaired financial assets	9.119	1.386.776	-	27.753	3.239.212
B. Net book value of assets that are due but not impaired	5.349	565.355	-	-	-
- Secured portion via guarantee or etc.	-	57	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	32.958	-	571	-
- Impairment (-)	-	(32.958)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	40	-	-	-
- Impairment (-)	-	(40)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2016					
Minimum credit risk exposure at balance sheet date (*)	20.680	1.207.184	53.922	10.984	1.548.454
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	41.962	-	-	-
A. Net book value of not due or not impaired financial assets	6.203	872.493	53.922	10.984	1.548.454
B. Net book value of assets that are due but not impaired	14.477	334.691	-	-	-
- Secured portion via guarantee or etc.	-	109	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	30.711	-	571	-
- Impairment (-)	-	(30.711)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	139	-	-	-
- Impairment (-)	-	(139)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-

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

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

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

b) Financial Risk Factors (cont'd)

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

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

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

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

31 December 2016	Trade Receivables	Other Receivables	Total
Not due receivables	878.835	64.906	943.741
Overdue by 1-30 days	4.052	-	4.052
Overdue by 1-3 months	2.891	-	2.891
Overdue by 3-12 months	332.375	-	332.375
Overdue 1-5 years	30.078	-	30.078
Overdue by more than 5 years	10.483	571	11.054
Total receivables	1.258.714	65.477	1.324.191
Total overdue receivables	379.879	571	380.450
Secured portion via guarantee or etc.	109	-	109
Total provision provided for overdue receivables	(30.711)	(571)	(31.282)
Total provision provided for undue receivables	(139)	-	(139)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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

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

b) Financial Risk Factors (cont'd)

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

As at balance sheet date, collaterals held for the past due trade receivables which are not impaired is amounting 57 (2016: 109). There are no collaterals held for the past due trade receivables which are impaired (2016: None).

b.2) Liquidity risk management

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

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

Liquidity risk table:

31 December 2017

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

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	(3.087)	382.452	164.105	218.347	-	-
Cash outflows	-	399.347	176.133	223.214	-	-

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

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

b) Financial Risk Factors (cont'd)

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

31 December 2016

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.251.435	1.292.698	407.620	629.501	255.577	-
Finance lease obligations	9.530	9.936	4.001	3.894	2.041	-
Trade payables (due to related parties included)	1.572.856	1.579.343	954.820	580.490	43.801	232
Employee benefit payables	70.449	70.449	70.449	-	-	-
Other payables (due to related parties included)	102.332	102.332	36.625	37.190	28.260	257
Total liabilities	3.006.602	3.054.758	1.473.515	1.251.075	329.679	489

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	2.114	50.194	-	50.194	-	-
Cash outflows	-	51.082	-	51.082	-	-

b.3) Market risk management

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

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

b.3.1) Foreign currency risk management

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

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

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

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

b) Financial Risk Factors (cont'd)

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

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

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

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

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

b) Financial Risk Factors (cont'd)

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

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

31 December 2016	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	114.991	17.771	3.785	-	38.409
2. Monetary Financial Assets	1.151.256	295.031	24.330	10	22.678
3. Other	14.265	224	862	564	7.853
4. CURRENT ASSETS	1.280.512	313.026	28.977	574	68.940
5. Trade Receivables	25	-	-	-	25
6. Monetary Financial Assets	538	-	-	-	538
7. Other	9.588	10	2.575	-	-
8. NON-CURRENT ASSETS	10.151	10	2.575	-	563
9. TOTAL ASSETS	1.290.663	313.036	31.552	574	69.503
10. Trade Payables	1.081.847	196.647	16.528	152	327.836
11. Financial Liabilities	90.161	1.056	23.301	-	-
12. Monetary Other Liabilities	107.273	127	8.613	-	74.873
12b. Non-Monetary Other Liabilities	414	107	10	-	-
13. CURRENT LIABILITIES	1.279.695	197.937	48.452	152	402.709
14. Trade Payables	313	-	-	-	313
15. Financial Liabilities	250.003	98	67.295	-	-
16. Monetary Other Liabilities	21.161	885	4	-	18.032
17. NON-CURRENT LIABILITIES	271.477	983	67.299	-	18.345
18. TOTAL LIABILITIES	1.551.172	198.920	115.751	152	421.054
19. Off-balance sheet derivative instruments net position (19a-19b)	50.194	14.263	-	-	-
19a. Derivative assets	50.194	14.263	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	(210.315)	128.379	(84.199)	422	(351.551)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(283.948)	113.989	(87.626)	(142)	(359.404)
22. Fair value of derivative instruments held for hedging	2.114	601	-	-	-

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

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

b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity

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

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

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

	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	22.590	(22.590)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.618)	15.618
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(17.488)	17.488
TOTAL	(10.516)	10.516

Forward foreign exchange contracts

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

Foreign currency contracts

Outstanding contracts	**Average rate**		**Foreign currency**		**Contract value**		**Fair value**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Buy USD (Thousand USD / Thousand TRY)								
Less than 3 months	4,05	-	43.507	-	176.133	-	(9.084)	-
3 to 12 months	3,86	3,58	57.888	14.263	223.214	51.082	5.997	2.114
							(3.087)	2.114

As of 31 December 2017, 2.408 of unrealized loss arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2016: Unrealized gains 1.621).

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

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

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

Interest rate sensitivity

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

	31 December 2017	31 December 2016
Financial liabilities - Fixed Interest Rate Instruments	856.894	926.305
Financial liabilities - Floating Interest Rate Instruments	322.799	334.660

At 31 December 2017 if the interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax and non-controlling interest would decrease/increase by 1.614 (31 December 2016: 1.673).

b.3.3)Other price risks

Equity pricing sensitivity

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

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

- As at 31 December 2017, unless available for sale financial investments are disposed of and if are not subject to any impairment, they will have no effect over net profit/loss.
- There will be an increase/decrease of 8.079 (31 December 2016: 8.532 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of available for sale financial investments.

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

35. FINANCIAL INSTRUMENTS

31 December 2017	Loans and receivables (including cash and cash equivalents)	Available for sale financial investments	Financial liabilities at amortized cost	Fair Value	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	2.985.833	-	-	-	2.985.833	5
Trade receivables (due from related parties included)	1.966.599	-	-	-	1.966.599	8, 34
Financial investments	330.126	170.651	-	11.320	512.097	6
Other current and non-current assets (due from related parties included)	27.753	-	-	-	27.753	9, 34
Derivative instruments	-	-	-	6.460	6.460	33, 34
Financial liabilities						
Financial debts	-	-	1.179.693	-	1.179.693	7, 34
Trade payables (due to related parties included)	-	-	2.155.971	-	2.155.971	8, 34
Employee benefit payables	-	-	72.332	-	72.332	20, 34
Other short and long-term liabilities	-	-	148.586	-	148.586	9, 34
Derivative instruments	-	-	-	9.547	9.547	33, 34
31 December 2016						
Financial assets						
Cash and cash equivalents	1.483.429	-	-	-	1.483.429	5
Trade receivables (due from related parties included)	1.227.864	-	-	-	1.227.864	8, 34
Financial investments	108.121	175.435	-	-	283.556	6
Other current and non-current assets (due from related parties included)	64.906	-	-	-	64.906	9, 34
Derivative instruments	-	-	-	2.245	2.245	33, 34
Financial liabilities						
Financial debts	-	-	1.260.965	-	1.260.965	7, 34
Trade payables (due to related parties included)	-	-	1.572.856	-	1.572.856	8, 34
Employee benefit payables	-	-	70.449	-	70.449	20, 34
Other short and long-term liabilities	-	-	102.332	-	102.332	9, 34
Derivative instruments	-	-	-	131	131	33, 34

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

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

35. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

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

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

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

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

The fair values of financial assets are as follows:

		Fair value level as of reporting date		
Financial instruments	31 December 2017	Level 1	Level 2	Level 3
Available for sale financial investments	85.111	85.111	-	-
Fair value through profit or loss financial investments	11.320	-	11.320	-
Derivative instruments	(3.087)	-	(3.087)	-
Total	93.344	85.111	8.233	-

		Fair value level as of reporting date		
Financial instruments	31 December 2016	Level 1	Level 2	Level 3
Available for sale financial investments	89.895	89.895	-	-
Derivative instruments	2.114	-	2.114	-
Total	92.009	89.895	2.114	-

36. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

Tekfen İnşaat and BP Iraq N.V. have signed a unit-price based contract to provide man power and machinery for installation of Rumalia Oil Field Water Separation & Salt Separation Units. Duration of the project is 3 years. It is expected that the total amount of the works to be done according to the contract will reach approximately 373.418 (99 Million USD) by the end of the project period. The Company has given a letter of guarantee to the employer on behalf of Tekfen İnşaat in the amount of the contract price.

Tekfen-Al Jaber Engineering Joint Arrangement, which Tekfen İnşaat holds 50% partnership, has made an agreement with Qatar Supreme Committee for Delivery and Legacy to sign the contract worth 1.291.746 (1.250.000.000 Qatari Riyal) concerning turnkey engineering and construction work for the "Main Works for the Fifth Precinct Stadium" project which is one of the stadium complexes in Qatar where 2022 World Cup Finals will take place. The Company has given a letter of guarantee to the employer in the amount of the contract price.

Tekfen İnşaat secured approximately 753.967 (729.600.000 Qatari Riyal) deal from The Public Works Authority of the State of Qatar (Ashghal') for construction job of East Industrial Road. The duration of the project is 27 months.

The Group received cash advances from Al Khor Expressway project that was signed with Ministry of Municipality and Environment of the State of Qatar on 13 October 2016. Balance of the advances is amounting to 1.196.275 (1.157.614.000 Qatari Riyal) and is recognized under deferred revenue account as of 31 December 2017 (31 December 2016: None).

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

Tekfen İnşaat and Petrofac Turkey, a branch of Petrofac International UAE LLC and the main project contractor of TurkStream project, has signed a unit price contract within the framework of the TurkStream Gas Pipeline Project construction works of the gas receiving terminal to be built near Kıyıköy, Turkey. The value of the 24-month contract is 442.519 (98.000.000 Euro).

On 24 November 2017, Gate J.V., a joint operation of Tekfen İnşaat with 50% share participation rate, and Tengizchevroil have signed a contract worth 1.652.092 (438.000.000 USD) within the framework of "Future Growth Project – Wellhead Pressure Management Project, Civil, Mechanical, Electrical and Instrument Installation" works. The duration of the project is 55 months.

Tekfen Emlak recognized the advances taken as cash and notes receivable from the pre-sales of Esenyurt Project amounting to 9.437 under deferred revenue account (31 December 2016: 330.599).

Construction process concerning HEP İstanbul housing project of Real Estate group has been completed. Deliveries of the project started on 23 January 2017 and as of 31 December 2017, sales of 1.004 independent sections has been completed. These sales have been recognized in the consolidated statement of profit and loss for the period ended 31 December 2017.

37. SUBSEQUENT EVENTS

Upon the resolution of the Board of Directors dated 3 November 2017, a share acquisition agreement was signed on 5 January 2018 concerning acquisition of 90% of the paid-in capitals of Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Ticaret A.Ş. and Alara Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş. by Tekfen Tarımsal. The transaction was approved by the Competition Authority on 8 February 2018 and following the ratification of the Competition Authority, the closing was held on 14 February 2018.

Tekfen Ventures L.P. ,a subsidiary of the Group, made two financial investments worth 15.088 (4.000.000 USD) in total after the balance sheet date.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.