TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS WITH THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

(Translated into English from the report originally issued Turkish)

INDEPENDENT AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY 2012 – 31 DECEMBER 2012

To the Board of Directors of
Tekfen Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries (together "Group"), which comprise the consolidated balance sheet as of 31 December 2012, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards announced by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing standards announced by the Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for qualified opinion

Due to recent and unfavorable developments occurred in Libya in February 2011, Tekfen-TML Partnership, a joint venture of which 67% is owned by the Group, has to cease its operations and evacuate the sites in the country for an indefinite period of time.

The Company has total assets amounting to TRY 185.749 thousand (USD 104.201 thousand), liabilities amounting to TRY 42.777 thousand (USD 23.997 thousand) and net assets of TRY 142.972 thousand (USD 80.204 thousand) that has been included in the consolidated financial statements as disclosed in details in Note 33 as of 31 December 2012. In addition, the total amount of guarantee letters given to third parties related to Libya operations amounts to TRY 30.243 thousand (USD 16.966 thousand).

The management intends and anticipates to continue the operations of the Tekfen-TML JV in Libya depending on the conclusion of negotiations with the new government as well as the compensation of its losses. As of this report date, however, we were unable to perform any audit procedures on the financial position of Tekfen-TML JV as of 31 December 2012 as the Company management has to suspend its operations in Libya; therefore we are not able to express an audit opinion for the Tekfen-TML JV operations.

Qualified opinion

In our opinion, except for the effects of the matter explained in the paragraph above,the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards announced by the Capital Markets Board.

Without qualifying our opinion, we draw your attention to the following matters:

As explained in Note 17, the Group's legal claims and appeals against the administrative court's decision regarding the closure of Samsun Gübre facility of Toros Tarım Sanayi ve Ticaret A.Ş. ("Toros Tarım"), subsidiary of the Group, after the written petition of the Samsun Municipality is still in process with the suspension execution as of report date due to existence of the uncertainty about the legal outcome of the case.

Istanbul, 11 April 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Ömer Tanrıöver
Partner

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

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

ASSETS	Notes	Current Period 31 December 2012	Prior Period 31 December 2011
Current Assets		**2.977.883**	**2.538.876**
Cash and cash equivalents	5	1.084.315	786.323
Trade receivables	8	636.172	543.642
Other receivables	9	13.944	12.878
Inventories	10	433.467	496.871
Receivables from ongoing construction contracts	11	651.273	581.810
Other current assets	20	147.768	101.539
		2.966.939	2.523.063
Assets classified as held for sale	27	10.944	15.813
Non Current Assets		**1.155.329**	**1.208.854**
Trade receivables	8	120.182	103.815
Other receivables	9	6.819	4.264
Financial investments	6	94.213	70.376
Investments valued by equity method	12	14.587	209.527
Invesment property	13	92.825	95.068
Property, plant and equipment	14	765.309	689.962
Intangible assets	15	2.726	1.945
Deferred tax assets	28	19.280	20.832
Other non current assets	20	39.388	13.065
TOTAL ASSETS		**4.133.212**	**3.747.730**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCED SHEET AS AT 31 DECEMBER 2012

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

LIABILITIES	Notes	Current Period 31 December 2012	Prior Period 31 December 2011
Current Liabilities		**1.824.300**	**1.695.794**
Financial debts	7	320.824	325.048
Trade payables	8	915.742	806.757
Other payables	9	56.557	49.423
Current tax liability	28	17.093	16.912
Ongoing construction progress payments	11	191.856	196.957
Provisions	17	9.099	8.991
Employee benefits	19	45.446	41.849
Other short term liabilities	20	267.683	249.857
Non Current Liabilities		**197.647**	**164.330**
Financial debts	7	113.989	84.844
Trade payables	8	9.357	3.075
Other payables	9	1.001	1.062
Employee benefits	19	42.333	39.827
Deferred tax liabilities	28	30.967	35.522
SHAREHOLDERS' EQUITY	21	**2.111.265**	**1.887.606**
Equity Attributable To Owners Of The Parent		**2.081.480**	**1.856.920**
Paid in capital		373.475	373.475
Premiums in capital stock		300.984	300.984
Revaluation growth funds		74.273	51.560
Currency translation reserve		91.270	114.768
Restricted profit reserves		98.255	72.222
Retained earnings		843.918	701.471
Net profit for the period		299.305	242.440
Non-controlling Interests		**29.785**	**30.686**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4.133.212**	**3.747.730**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	Current Period 1 January- 31 December 2012	Prior Period 1 January- 31 December 2011
Revenue	22	4.075.911	3.211.241
Cost of revenue (-)	22	(3.664.514)	(2.709.782)
GROSS PROFIT		**411.397**	**501.459**
Marketing, selling and distribution expenses (-)	23	(111.493)	(102.632)
General administrative expenses (-)	23	(110.284)	(90.836)
Research and development expenses (-)	23	(127)	(258)
Other operating income	25	20.763	18.875
Other operating expenses (-)	25	(34.924)	(31.347)
OPERATING PROFIT		**175.332**	**295.261**
Share on profit / (loss) of investments valued using equity method	12	4.924	7.045
Gain on sale of associate	12	137.820	-
Financial income	26	197.035	222.569
Financial expense (-)	26	(147.999)	(213.379)
PROFIT BEFORE TAXATION		**367.112**	**311.496**
Tax expense	28	**(66.808)**	**(68.841)**
Tax expense for the period		(69.916)	(69.198)
Deferred tax income / (expense)		2.844	(1.072)
Currency translation reserve		264	1.429
NET PROFIT FOR THE PERIOD		**300.304**	**242.655**
Distribution of Profit For The Period			
Non-controlling interests		999	215
Owners of the parent		299.305	242.440
Earnings Per Share	29	0,809	0,655

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

TEKFEN HOLDING ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Current Period 1 January- 31 December 2012	Prior Period 1 January- 31 December 2011
NET PROFIT FOR THE PERIOD	**300.304**	**242.655**
Other comprehensive (expense) / income :		
Change in fair value reserve of financial assets	23.820	(57.516)
Change in currency translation reserve	(25.398)	75.322
Share on other comprehensive income/loss of investments valued using equity method	4.316	(1.802)
Tax (expense) / income based on other comprehensive income	(1.191)	2.876
The effect of sale of association	(3.145)	-
OTHER COMPREHENSIVE (EXPENSE)/INCOME AFTER TAX	**(1.598)**	**18.880**
TOTAL COMPREHENSIVE INCOME	**298.706**	**261.535**
Distribution of Total Comprehensive Income For The Period		
Non-controlling interests	(901)	2.330
Owners of the parent	299.607	259.205

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

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

				Other comprehensive income								
				Revaluation growth funds								
	Notes	Paid in capital	Premiums in capital stock	Property, plant and equipment revaluation fund	Fair value reserve of financial nvestments	Currency translation reserve	Restricted profit reserves	Retained earnings	Net profit for the period	Equity attributable to owners of the Parent	Non controlling interests	Total
Opening balance as of 1 January 2011		373.475	300.984	975	107.027	44.209	53.390	605.085	178.580	1.663.725	18.954	1.682.679
Other comprehensive income		-	-	*33*	*(56.475)*	*73.207*	-	-	-	*16.765*	*2.115*	*18.880*
Net profit for the period		-	-	-	-	-	-	-	*242.440*	*242.440*	*215*	*242.655*
Total comprehensive income		-	-	33	(56.475)	73.207	-	-	242.440	259.205	2.330	261.535
Change in non-controllling interests		-	-	-	-	(2.648)	-	(6.754)	-	(9.402)	9.402	-
Transfers to retained earnings	21	-	-	-	-	-	-	178.580	(178.580)	-	-	-
Transfers to reserves from retained earnings	21	-	-	-	-	-	18.832	(18.832)	-	-	-	-
Payment of dividends	21	-	-	-	-	-	-	(56.608)	-	(56.608)	-	(56.608)
Balance as of 31 December 2011		373.475	300.984	1.008	50.552	114.768	72.222	701.471	242.440	1.856.920	30.686	1.887.606
Other comprehensive income		-	-	*79*	*23.721*	*(23.498)*	-	-	-	*302*	*(1.900)*	*(1.598)*
Net profit for the period		-	-	-	*3.145*	-	-	-	*296.160*	*299.305*	*999*	*300.304*
Total comprehensive income		-	-	79	26.866	(23.498)	-	-	296.160	299.607	(901)	298.706
The effect of sale of association		-	-	(1.087)	(3.145)	-	-	1.087	3.145	-	-	-
Transfers to retained earnings	21	-	-	-	-	-	-	242.440	(242.440)	-	-	-
Transfers to reserves from retained earnings	21	-	-	-	-	-	26.033	(26.033)	-	-	-	-
Payment of dividends	21	-	-	-	-	-	-	(75.047)	-	(75.047)	-	(75.047)
Balance as of 31 December 2012		373.475	300.984	-	74.273	91.270	98.255	843.918	299.305	2.081.480	29.785	2.111.265

AUDITED CONSOLIDATED STATAMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	Current Period 1 January - 31 December 2012	Prior Period 1 January - 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		299.305	242.440
Adjustments to reconcile net profit for the period to cash provided by operating activities:			
Change in non-controlling interests		999	(6.539)
Depreciation and amortization	13, 14, 15	93.222	75.098
Impairment provision for tangible assets	14	732	-
(Gain) / loss on sale of tangible asset (net)	25	(999)	720
Provison for retirement pay provision and premiums	19	30.062	22.397
Provision for litigation	17	2.698	660
Allowances for doubtful receivables	8	7.151	1.101
Impairment provision for inventory	10	38	5
Other employee benefits	19	3.007	5.658
Reversal of unnecessary provisions	8, 17	(3.062)	(1.441)
Income accruals	9	(1.548)	114
Expense accruals	9	5.377	13.492
Group's share on net assets of investments in associates accounted by equity method	12	(4.924)	(7.045)
Gain on sale of assocaiton accounted by equity method	12	(137.820)	-
Changes in available for sale investments	6	(25)	11
Impairment provision for assets classified as held for sale	27	3.004	-
Interest income	26	(61.229)	(61.659)
Interest expense	26	25.395	20.754
Dividend income		(4.988)	(969)
Allowance for taxation	28	66.808	68.841
Cash generated by operating activities before movements in working capital		323.203	373.638
Movements in working capital			
Changes in trade and other receivables	8, 9	(133.833)	(213.793)
Changes in due from related parties	8, 30	4.630	(3.168)
Changes in inventories	10	65.442	(212.891)
Written off uncollectible receivables and obsolete construction inventory	25	12.072	20.705
Changes in receivables from ongoing construction contracts	11	(69.463)	(141.530)
Changes in other current / non-current assets	20	(72.552)	(23.118)
Changes in trade and other payables	8, 9	113.376	249.198
Changes in due to related parties	8, 9, 30	3.587	(2.149)
Changes in ongoing construction progress payments	11	(5.101)	159.690
Changes in provisions and other short / long term liabilities	17, 20	18.014	61.070
		(63.828)	(105.986)
Interest received		59.540	60.095
Interest paid		(22.906)	(21.057)
Tax paid	28	(69.735)	(69.979)
Penalty of litigation paid	17	(636)	(7.148)
Retirement pay provision and premiums paid	19	(25.871)	(20.640)
Cash generated by operating activities		**199.767**	**208.923**

AUDITED CONSOLIDATED STATAMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	Current Period 1 January - 31 December 2012	Prior Period 1 January - 31 December 2011
CASH FLOWS GENERATED BY / (USED IN) INVESTING ACTIVITIES			
Effect of investments in associates subsidiaries valued by equity method		(3.008)	(43.944)
Proceeds from sale of association accounted by equity method	12	343.529	-
Acquisition of tangible and intangible assets and investmet property	13, 14, 15	(107.016)	(69.375)
Proceeds from sale of property, plant and equipment, intangible assets and assets classified as held for sale	3, 14, 15, 25, 27	8.261	4.797
Dividend income		4.988	969
Cash generated by / (used in) investing activities		**246.754**	**(107.553)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		505.678	530.064
Repayments of borrowings		(506.330)	(638.174)
Finance lease paid		(38.048)	(14.610)
Dividend paid		(75.047)	(56.608)
Cash used in financing activities		**(113.747)**	**(179.328)**
Translation reserve (net)		(36.471)	104.163
CHANGE IN CASH AND CASH EQUIVALENTS		**296.303**	**26.205**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**786.323**	**758.554**
Interest accrual on cash and cash equivalents		1.689	1.564
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.084.315**	**786.323**

(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 consolidated financial statements.

As of 31 December 2012, the Group has 17.532 employees (31 December 2011: 15.509) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Aydınlık Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

Company shares are publicly traded beginning 23 November 2007 on Istanbul Stock Exchange.

As of 31 December 2012 the details of registered names of the subsidiaries, associates and branches, their nature of business, their countries of origin, their business segments and their direct /effective share participation rates are listed below:

Subsidiaries/Associates	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2012	2011	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 Services ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft, Halle "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 A.Ş. "Toros Terminal"	Service	Turkey	100	100	Agriculture
Türk Arap Gübre A.Ş. "Türk Arap Gübre"	Manufacturing	Turkey	80	80	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 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	-	Other
Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. "Belpa"	Trading	Turkey	95	95	Other

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

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

Subsidiaries/Associates	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2012	2011	Business Segment
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Other
Tekfen Kültür Sanat Ürünleri Yapım ve Yayın San. Tic. A.Ş. "Tekfen Kültür"	Cultural activities	Turkey	100	100	Other
TST Inv. Holding S.A. "TST Holding"(*)	Investment	Luxembourg	-	100	Other
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Other
Papfen Limited Liability Company "Papfen"	Textile	Uzbekistan	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
Petrofertil Shipping S.A. "Petrofertil Shipping"	Service	Panama	100	100	Agriculture/ Contracting/ Other
Blacksea Gübre Ticaret A.Ş. "Black Sea"	Fertilizer Trade	Turkey	30	-	Agriculture
Tekfen Oz Gayrimenkul Geliştirme A.Ş. "Tekfen Oz"	Real Estate	Turkey	16	16	Other
Eurobank Tekfen A.Ş. "Eurobank Tekfen"	Banking	Turkey	-	29	Other

(*) Merged under Tekfen International Finance and Investments S.A. as of 16 October 2012.

As of 31 December 2012, branches included in the Group's consolidation are as follows:

Branches	Nature of Business	Place of Operation and Country of Origin	Business Segment
Tekfen İnşaat – Bakü 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 – Muscat Branch	Construction	Oman	Contracting
Tekfen İnşaat – Abu Dhabi Branch	Construction	United Arab Emirates	Contracting
Tekfen İnşaat – Turkmenistan Branch	Construction	Turkmenistan	Contracting

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

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, Saudi Arabia, Azerbaijan, Kazakhstan, Morocco, Qatar, Oman, United Arab Emirates, Turkmenistan and Libya. Contracting group especially specializes on construction of petroleum and gas facilities. Land and sea terminals, offshore platforms, tank farms, pipe lines, petroleum refineries, pumping stations, generating stations, highway and metro projects, electricity and telecommunication systems, residential and trading centers, stadium and sport complexes are included in Contracting group's scope of activity.

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. Income provided from the consolidation of Black Sea, associate of Toros Tarım, by equity method is disclosed in this group.

Real Estate Group

Real Estate branch operates in designing, constructing, renting, and sale of real estate such as residents, offices, shopping centers and hotels.

Other Operations

Operations of "Other" segment comprise of light-pulp trading, cotton yarn production and trading, 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. Income provided from the consolidation of Eurobank Tekfen and Tekfen Oz, associates of the Company, by equity method is disclosed in this group. Eurobank Tekfen is disposed on 21 December 2012.

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 11 April 2013. 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 for Presentation

Bases 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 Capital Markets Board ("CMB") has established principles, procedures and basis on the preparation of financial reports by enterprises and the representation of the reports with Communiqué Series XI, No: 29 "Communiqué on Capital Market Financial Reporting Standards" ("Series XI, No: 29 Communiqué"). This Communiqué is applicable for the first interim financial statements to be prepared after 1 January 2008 and with this Communiqué, the Communiqué Series XI, No:25 "Communiqué on Capital Market Accounting Standards" has been repealed. In accordance with this Communiqué, the companies are supposed to prepare their financial statements in accordance with the International Financial Reporting Standards ("IAS/IFRS") accepted by the European Union. Nevertheless, until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the Turkish Accounting Standards Board ("TASB"), IAS/IFRS will be in use. Under these circumstances, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS"), which are the standards published by TASB, not contradicting with IAS/IFRS will be predicated on.

The accompanying consolidated financial statements and notes comply with CMB's decree announced on 17 April 2008 and 9 January 2009 regarding the format of the financial statements and notes and have been presented with the inclusion of compulsory information.

Based on the 660 numbered Decree published in Official Gazette on 2 November 2011; Additional 1. Clause of the Law 2499 has been dissolved and Public Supervision, Accounting and Audit Standards Institution ("Institution") has been founded. In accordance with this law's 1. Provisional Clause, former regulations will be valid in law until the Institution publishes its amended standards and regulations. Therefore, as of reporting date, this issue explained under this note will not cause any changes on "Bases of Preparation of Financial Statements".

Functional and Reporting Currency

The separate 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 Turkish Lira ("TRY"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

In accordance with IAS 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 of 31 December 2012 is; 1 USD= 1,7826 TRY, 1 EUR= 2,3517 TRY, 1 MAD= 0,21187 TRY, 1 SAR= 0,47536 TRY, 1 QAR= 0,48838 TRY (On 31 December 2011; 1 USD= 1,8889 TRY, 1 EUR= 2,4438 TRY, 1 MAD= 0,22088 TRY, 1 SAR= 0,50371 TRY, 1 QAR= 0,51751 TRY).

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, for companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards has been discontinued effective 1 January 2005. Pursuant effectuation, "Financial Reporting Standards in Hyperinflationary Economies" issued by the International Accounting Standards Board (IASB), ("IAS 29") was no longer applied henceforward.

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

2.1 The Basis for Presentation (cont'd)

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. In the current year, the Group had made a reclassification in prior year consolidated financial statements in order to provide conformity with the current year's presentation. The nature, reason and amount the reclassification is described below:

- Grants and contributions, which are not related to the core business of the Group, amounting to 1.048 presented under "General Administrative Expenses" in the consolidated financial statements is reclassified to "Other Operating Expenses". In the scope of IAS 33 Earnings per share, this reclassification has no effect on earnings per share calculation.

Consolidation Principles:

Consolidated financial statements are made of entities' financial statements that are either administered by the Company and its subsidiaries or of those that are managed jointly. Control is maintained through control power over the financial and operational policies of an entity for profit purposes. The results of the purchased or sold subsidiaries of the Group are shown in the consolidated comprehensive income statement that belongs to the dates after they purchased or the dates before they sold. Even if non-controlling interests result in deficit balance, the total comprehensive income is transferred to the equity attributable to owners of the parents and non-controlling interest. Where necessary, adjustments are made to the financial statements of subsidiaries to be in compliance with the accounting policies used by other members of the Group.

All transactions and balances between the Group and its consolidated subsidiaries have been eliminated during the consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

Investments in associates and Investments valued by equity method:

An associate is an entity that is neither a subsidiary nor an interest in a joint venture 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate 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 and any impairment. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 financial investment.

The entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount if there is an indication of impairment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. Where a group entity transacts with an associate of the Group, profits and losses and dividend income from that associate are eliminated to the extent of the Group's interest in the relevant associate.

(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 for Presentation (cont'd)

Shares in Joint Ventures:

Joint ventures are formed of economic operations requiring the Group's and other parties' conjunct decisions in terms of setting strategic financing and operations policies. The details of the joints ventures of the Group as of 31 December 2012 are as follows:

Joint Ventures:	Nature of Business	Country of Origin	Participation Rate % 2012	Participation Rate % 2011	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
Nurol-Tekfen-Yüksel J.V. "NTY J.V." (**)	Construction	Turkey	-	33	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Contracting
TGO İnş. Taahhüt Tic. San. Ltd. Şti. "TGO J.V." (*), (***)	Construction	Turkey	50	50	Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Contracting
Overseas Int. Constr. GmbH "OIC J.V."(*), (****)	Construction	Switzerland	-	50	Contracting
North Caspian Constructors B.V. "NCC J.V." (*)	Construction	Netherlands	50	50	Contracting
Azfen Birge Müessesesi "Azfen J.V." (*)	Construction	Azerbaijan	40	40	Contracting
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik" (*)	Agriculture	Turkey	50	50	Agriculture

(*) Companies are joint ventures in terms of their operations; however, they are established as equity companies in terms at their legal structure.
(**) As of reporting date, the joint venture is dissolved.
(***) As of reporting date, the joint venture is in liquidation process.
(****) As of reporting date, the joint venture is liquidated.

When one of the Group's enterprises carries out its activities under joint venture regulations, Group's proportion of the joint venture's assets and liabilities are included in the Group's enterprise's financial statements and classified based on its nature. Liabilities and expenses derived from jointly managed assets are accounted on accrual basis. In the accompanying consolidated financial statements Group's share in the income provided from the use or sale of joint ventures' assets are recognized when and if the related economic benefits are likely to favor the Group and that this is measurable in a reliable way.

Joint venture management regulations comprising the establishment of another firm are described as joint ventures. Group has accounted its shares in joint ventures using proportional consolidation method in the accompanying consolidated financial statements. Group's share in assets, liabilities, income and expenses that are from joint ventures are matched one to one basis with items in the consolidated financial statements.

Unrealized profit and losses derived from the transactions between the Group and its joint ventures are eliminated at the rate of Group's share in that joint venture.

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In current year, Group has not made any change affecting its accounting policies.

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 errors and changes in accounting estimates of the Group.

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

2.4 Adoption of New and Revised International Financial Reporting Standards

The new and revised Standards and Interpretations are as follows.

(a) New standards and revisions and interpretations to existing standards effective as of 1 January 2012

- IFRS 7 (amendments), "Disclosures: Transfers of Financial Assets", will be effective for annual periods beginning on or after 1 July 2011.
- IAS 12 (amendments), "Deferred Tax: Recovery of Underlying Assets", will be effective for annual periods beginning on or after 1 January 2012.

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

- IAS 1 (amendments), "Presentation of Items of Other Comprehensive Income", will be effective for annual periods beginning on or after 1 July 2012.
- IAS 1 (amendments), "Clarification of the Requirements for Comparative Information", will be effective for annual periods beginning on or after 1 January 2013.
- IAS 19 (amendments), "Employee Benefits", will be effective for annual periods beginning on or after 1 January 2013.
- IFRS 10, "Consolidated Financial Statements", will be effective for annual periods beginning on or after 1 January 2013.
- IFRS 11, "Joint Arrangements", will be effective for annual periods beginning on or after 1 January 2013.
- IFRS 12, "Disclosure of Interests in Other Entities", will be effective for annual periods beginning on or after 1 January 2013.
- IFRS 13, "Fair Value Measurement", will be effective for annual periods beginning on or after 1 January 2013.
- IFRS 7 (amendments), "Disclosures: Offsetting Financial Assets and Financial Liabilities", will be effective for annual periods beginning on or after 1 January 2013.
- IFRS 10, IFRS 11 and IFRS 12 (amendments), "Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide", will be effective for annual periods beginning on or after 1 January 2013.
- IAS 27 (revised), "Separate Financial Statements", will be effective for annual periods beginning on or after 1 January 2013.
- IAS 28 (revised), "Investments in Associates and Joint Ventures", will be effective for annual periods beginning on or after 1 January 2013.
- IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", will be effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRSs, "Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1, IAS 16 (amendments) Property, Plant and Equipment and IAS 32 (amendments) Financial Instruments: Presentation", will be effective for annual periods beginning on or after 1 January 2013.
- IAS 32 (amendments), "Offsetting Financial Assets and Financial Liabilities", will be effective for annual periods beginning on or after 1 January 2014.
- IFRS 9, "Financial Instruments", will be effective for annual periods beginning on or after 1 January 2015.
- IFRS 9 and IFRS 7 (amendments), "Mandatory Effective Date of IFRS 9 and Transition Disclosures", will be effective for annual periods beginning on or after 1 January 2015.

The effect of IFRS 11 is disclosed in detail at Note 3 and other standards and interpretations are not thought to be prone to cause any changes on Group's 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 customer returns, rebates, and other similar allowances.

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 consent of the employer if the revenue is measured reliably.

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.

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 employee 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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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. 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 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. All other borrowing costs are recognized in the statement of income/ (loss) in the period in which they are incurred.

Financial Instruments

Financial assets

Financial investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "available-for-sale financial assets" 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.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

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.

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)

Available-for-sale financial assets

Quoted equity investments held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in 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 investments revaluation reserve 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 investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated to TRY at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

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 as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities

Financial liabilities issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for financial liabilities are set out below. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value subsequently stated at fair value and subsequently stated at the fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. The net gain or loss recognised in profit or loss compass the interest paid for financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net present value of the financial liability.

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 currencies other than TRY (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 at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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 recognised 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 Financials According to Segments

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

Government Grants and Incentives

Government grants are recorded at fair value once the sets and conditions of the Group on using these grants are met. They are recognized at their fair values.

Government grants related to cost are consistently accounted as revenue; where they are matched with the relevant costs during the period.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Government Grants and Incentives (cont'd)

Government incentives, taken in order to provide urgent financing support without any cost or to offset beforehand realized expenses or losses, should be accounted as profit or loss in the period when it becomes collectible.

Government grants provided for property, plant and equipment are classified under non-current debt as deferred government grants and depreciation expense is recognized in the statement of income as property, plant and equipment is amortized over their useful life using straight-line depreciation method.

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.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Employee Benefits

Termination and retirement benefits:

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

The retirement benefit liability recognized in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses through the consolidated statement of 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.

2.6 Critical Accounting Judgment and Key Sources of Estimation Uncertainty

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.

Net realizable value of inventories

Inventories are stated at the lower of cost and net realizable value. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS 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 has recognized 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.

Change in contract fee

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

(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 Judgment and Key Sources of Estimation Uncertainty (cont'd)

Percentage of completion

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

Construction costing estimates

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

Non-current retention receivables

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

3. JOINT VENTURES

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

Financial information related to these joint ventures is as follows:

	31 December 2012	31 December 2011
Current assets	273.744	304.119
Non current assets	57.312	68.323
Short term liabilities	319.987	334.801
Long term liabilities	8.041	19.354
Shareholders' equity	3.028	18.287

	1 January- 31 December 2012	1 January- 31 December 2011
Revenue	196.844	238.171
Cost of revenue	(180.235)	(209.774)
Net loss	(5.839)	(25.686)

In current year, joint ventures with completed projects have transferred their accumulated profit amount of 16 thousands of US Dollars (29) to Company's subsidiaries. (2011: 6.713 thousands of US Dollars (12.680)). Joint ventures distributed dividend amounting to 9.085 (2011: 3.115).

Some of the joint arrangements included in the consolidated financial statements using proportional consolidation method as of 31 December 2012, will be concluded to be assessed as Joint Venture for reporting periods beginning on or after 1 January 2013 based on the amendments of IFRS 11 "Joint Arrangements" and included in the consolidated financial statements using equity method. The consolidated financial statements include total assets of 78.230 (31 December 2011: 45.768), total debt of 50.278 (31 December 2011: 24.554), resulting a net asset of 27.952 (31 December 2011: 21.214) attributable to these Joint Ventures as of 31 December 2012.

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

4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2012					
	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
Revenue	2.508.292	1.438.215	61.049	68.355	-	4.075.911
Intra-segment sales	124.961	17.365	26	189	(142.541)	-
Inter-segment sales	191	1.381	418	6.668	(8.658)	-
TOTAL REVENUE	2.633.444	1.456.961	61.493	75.212	(151.199)	4.075.911
Cost of revenue (-)	(2.376.306)	(1.187.031)	(57.160)	(44.017)	-	(3.664.514)
GROSS PROFIT	**131.986**	**251.184**	**3.889**	**24.338**	**-**	**411.397**
Marketing, selling and distribution expenses (-)	(814)	(100.862)	(262)	(9.555)	-	(111.493)
General administrative expenses (-)	(56.368)	(25.989)	(4.252)	(23.675)	-	(110.284)
Research and development expenses (-)	-	(127)	-	-	-	(127)
Other operating income	6.720	10.660	2.963	420	-	20.763
Other operating expenses (-)	(23.768)	(10.402)	(271)	(483)	-	(34.924)
OPERATING PROFIT / (LOSS)	**57.756**	**124.464**	**2.067**	**(8.955)**	**-**	**175.332**
Share on profit / (loss) of investments valued using equity method	-	(384)	-	5.308	-	4.924
Gain on sale of associate	-	-	-	137.820	-	137.820
Financial income	58.151	72.266	1.257	65.361	-	197.035
Financial expenses (-)	(73.801)	(52.782)	(1.035)	(20.381)	-	(147.999)
PROFIT BEFORE TAXATION	**42.106**	**143.564**	**2.289**	**179.153**	**-**	**367.112**
Tax expense	(18.406)	(27.834)	(478)	(20.090)	-	(66.808)
NET PROFIT FOR THE PERIOD	**23.700**	**115.730**	**1.811**	**159.063**	**-**	**300.304**

The Group has 66.536 of revenue and 22.622 of operating income from terminal operations classified as agricultural operation in 2012.

(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 2011					
	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
Revenue	1.863.981	1.208.341	57.681	81.238	-	3.211.241
Intra-segment sales	167.792	16.038	9	158	(183.997)	-
Inter-segment sales	166	920	310	5.886	(7.282)	-
TOTAL REVENUE	2.031.939	1.225.299	58.000	87.282	(191.279)	3.211.241
Cost of revenue (-)	(1.677.953)	(920.937)	(53.059)	(57.833)	-	(2.709.782)
GROSS PROFIT	**186.028**	**287.404**	**4.622**	**23.405**	**-**	**501.459**
Marketing, selling and distribution expenses (-)	(480)	(93.060)	(361)	(8.731)	-	(102.632)
General administrative expenses (-)	(47.682)	(16.980)	(2.449)	(23.725)	-	(90.836)
Research and development expenses (-)	-	(258)	-	-	-	(258)
Other operating income	3.858	9.251	4.402	1.364	-	18.875
Other operating expenses (-)	(24.232)	(3.954)	(820)	(2.341)	-	(31.347)
OPERATING PROFIT / (LOSS)	**117.492**	**182.403**	**5.394**	**(10.028)**	**-**	**295.261**
Share on profit / (loss) of investments valued using equity method	-	-	-	7.045	-	7.045
Financial income	68.809	90.276	4.432	59.052	-	222.569
Financial expenses (-)	(92.305)	(103.857)	(1.048)	(16.169)	-	(213.379)
PROFIT BEFORE TAXATION	**93.996**	**168.822**	**8.778**	**39.900**	**-**	**311.496**
Tax expense	(22.489)	(32.214)	(1.748)	(12.390)	-	(68.841)
NET PROFIT FOR THE PERIOD	**71.507**	**136.608**	**7.030**	**27.510**	**-**	**242.655**

The Group has 56.184 of revenue and 20.536 of operating income from terminal operations classified as agricultural operation in 2011.

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

4. SEGMENTAL REPORTING (cont'd)

b) As of 31 December 2012 and 2011 segmental assets and liabilities are as follows:

	31 December 2012				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total Assets	2.026.119	974.061	25.723	1.107.309	4.133.212
Current and Non-current Liabilities	1.555.016	354.424	3.957	108.550	2.021.947
Equity Attributable To Owners Of The Parents	357.666	391.804	21.420	1.310.590	2.081.480
Non-controlling Interests	26.006	3.662	-	117	29.785

	31 December 2011				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total Assets	1.829.214	975.890	51.197	891.429	3.747.730
Current and Non-current Liabilities	1.374.181	359.808	31.112	95.023	1.860.124
Equity Attributable To Owners Of The Parents	372.830	283.324	19.833	1.180.933	1.856.920
Non-controlling Interests	26.975	3.631	-	80	30.686

c) Segmental information related to property, plant and equipment, intangible assets and investment property for the year ended 31 December 2012 and 2011 are follows:

	1 January - 31 December 2012				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	150.088	50.198	326	422	201.034
Depreciation and amortization expense for the period (**)	73.722	13.938	290	5.272	93.222

	1 January - 31 December 2011				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	78.454	11.366	256	6.441	96.517
Depreciation and amortization expense for the period (**)	55.837	13.975	261	5.025	75.098

(*) Fixed assets purchases through financial lease are also included (2012: 94.018, 2011: 27.142).

(**) Depreciation expense of 2.018 is added to the cost of inventory (2011: 1.593).

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

4. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information is as follows:

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2012)	2.587.875	865.059	324.576	429.998	19.602	(151.199)	4.075.911
Total assets (31 December 2012)	4.307.935	1.349.141	405.175	666.732	70.672	(2.666.443)	4.133.212
Capital expenditures (1 January - 31 December 2012)(*)	174.700	18.913	3.817	3.272	332	-	201.034

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2011)	1.748.339	499.215	197.286	900.166	57.514	(191.279)	3.211.241
Total assets (31 December 2011)	4.048.423	1.111.717	366.917	764.143	135.829	(2.679.299)	3.747.730
Capital expenditures (1 January - 31 December 2011)(*)	69.759	11.773	4.364	10.621	-	-	96.517

(*) Fixed assets purchases through financial lease are also included. (2012: 94.018, 2011: 27.142).

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

5. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash on hand	801	1.625
Cash at banks		
Demand deposits	88.318	112.416
Time deposits with maturity of three months or less	965.927	666.058
Overdue cheques	215	704
Other cash equivalents	29.054	5.520
	1.084.315	786.323

Risk characteristics and levels within cash and cash equivalents have been disclosed in Note 31.

6. FINANCIAL INVESTMENTS

	31 December 2012	31 December 2011
Available for sale financial investments	94.213	70.376

Details of available for sale financial assets are as follows:

Details	Share %	31 December 2012	Share %	31 December 2011
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	91.250	10,79	67.935
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.192	<1	687
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	58	<1	38
Turcas Petrolcülük A.Ş.	<1	13	<1	9
		92.513		68.669
Non traded				
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
Tümteks Tekstil Sanayi ve Ticaret A.Ş.	7,45	6.147	7,45	6.147
Other		1.717		1.751
		11.298		11.332
Less: Allowance for diminution in value of available for sale investment				
Sınai ve Mali Yatırımlar Holding A.Ş.		(2.536)		(2.536)
Tümteks Tekstil Sanayi ve Ticaret A.Ş.		(6.147)		(6.147)
Other		(915)		(942)
		(9.598)		(9.625)
		94.213		70.376

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

6. FINANCIAL INVESTMENTS (cont’d)

Traded available for sale financial assets actively are carried at quoted market prices. The positive difference of 74.273 (31 December 2011: 51.645) in the fair value of the available for sale financial assets traded in active markets is directly recognized in equity. There is a positive difference amount of 25 (31 December 2011: 11 negative) in the fair value of the available for sale financial assets traded in active markets is directly recognized in the consolidated statement of income.

1.700 (31 December 2011: 1.707) of the above available for sale financial assets 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. For this reason they are stated at cost less provision for impairment in value, if any.

Risk characteristics and levels within financial investments have been disclosed in Note 31.

7. FINANCIAL DEBTS

	31 December 2012	31 December 2011
Short-term bank loans	279.428	302.344
Short-term bank loans obtained from related parties	-	2
Short-term portion of long-term bank loans' and interest payments	663	994
Short term obligation under finance leases	40.733	21.708
Total short-term financial debts	320.824	325.048
Long-term bank loans	61.823	66.252
Long term obligation under finance leases	52.166	18.592
Total long-term financial debts	113.989	84.844
Total financial debts	434.813	409.892

The details of bank loans are as follows:

	Weighted average interest rate %		31 December 2012	
Original currency	Short term	Long term	Short term	Long term
US Dollars	4,89	3,30	240.743	60.623
EUR	4,62	-	28.071	-
TRY	9,46	10,26	11.277	1.200
			280.091	61.823

	Weighted average interest rate %		31 December 2011	
Original currency	Short term	Long term	Short term	Long term
US Dollars	3,20	6,34	300.856	64.270
EUR	3,50	3,50	172	43
TRY	11,38	10,23	2.312	1.939
			303.340	66.252

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

7. FINANCIAL DEBTS (cont'd)

Repayment schedule of bank loans is as follows:

	31 December 2012	31 December 2011
Within 1 year	280.091	303.340
Within 1-2 year	43.197	65.052
Within 2-3 year	18.226	400
Within 3-4 year	400	400
Within 5 or more years	-	400
	341.914	369.592

For its bank loans; as of 31 December 2012 Group has given 18 thousands EUR (42) worth of letters of guarantees and 1.500 worth of mortgage (31 December 2011: 40.020 thousand US Dollars (75.594) and 88 thousand EUR (215) worth of letters of guarantees and 750 worth of mortgage).

Group's bank loans; as of 31 December 2012 in the amounts of 169.060 thousands US Dollars (301.366), 11.936 thousands EUR (28.071) and 8.260 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2011: 193.326 thousands US Dollars (365.173), 88 thousands EUR (215), 3.465). Other bank loans are arranged at floating interest rates thus exposing the Group's cash flow interest rate risk.

Risk characteristics and levels within financial debts have been disclosed in Note 31.

<u>Details of obligation under finance leases are as follows:</u>

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Obligations under finance leases				
Within one year	45.398	23.506	40.733	21.708
Within 1-5 year	54.785	19.228	52.166	18.592
	100.183	42.734	92.899	40.300
Less: finance expenses related to following years	(7.284)	(2.434)	-	-
Present value of obligations finance leases:	92.899	40.300	92.899	40.300
Less: Payments within 12 months (in short term payables)			40.733	21.708
Due beyond 12 months			52.166	18.592

It is the Group policy to lease some of its furniture, fixtures and equipments under finance leases. Average lease term is 4 years (2011: 4 years). For the year ended 31 December 2012 effective weighted average interest is 5,85% for US Dollars and 5,40% for EUR (31 December 2011: 6,05% for US Dollars, 3,91% for EUR). Financial lease obligations currency type distribution is disclosed in Note 31. The fair value of the Group's lease obligations approximates their carrying amount.

(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 2012	31 December 2011
Contract receivables	429.655	404.275
Receivables from Agriculture group operations	134.589	77.574
Other trade receivables	28.990	27.001
Provision for doubtful receivables	(18.199)	(12.038)
Retention receivables (Note: 11)	47.730	32.706
Due from related parties (Note: 30)	9.274	13.904
Other	4.133	220
	636.172	543.642

Long term trade receivables		
Retention receivables (Note: 11)	120.182	101.066
Contract receivables	-	2.749
	120.182	103.815

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting segment, for projects in abroad is 66 days (31 December 2011: 75 days), for domestic projects is 36 days (31 December 2011: 41 days), for Agriculture segment is 34 days (31 December 2011: 31 days) and for other segments is 52 days (31 December 2011: 55 days).

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered. As of 31 December 2012, short term receivables of 18.199 (31 December 2011: 12.038) is provided provision for in the amount of 18.199 (31 December 2011: 12.038).

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

	2012	2011
Provision as at 1 January	(12.038)	(11.329)
Charge for the year	(7.151)	(1.101)
Collected	917	332
Write off of bad debt	9	42
Currency translation effect	64	18
Provision as at 31 December	(18.199)	(12.038)

96 of charge for the year (2011: None) has been charged to cost of revenue and 7.055 (2011: 608) to general administration expenses. Any doubtful receivable provision is not charged to other operating expenses in the current year (2011: 493).

Risk characteristics and levels within trade receivables have been disclosed in Note 31.

(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 2012	31 December 2011
Contract payables	610.380	439.608
Trade payables from Agriculture group operations	272.279	322.995
Due to related parties - trade (Note: 30)	829	1.517
Retention payables	19.692	19.196
Other trade payables	12.562	23.441
	915.742	806.757

Long term trade payables	31 December 2012	31 December 2011
Retention payables	9.267	2.960
Contract payables	90	115
	9.357	3.075

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2011: 94%) of trade payables as at balance sheet date and average payable period for these import purchases is 134 days (31 December 2011: 117 days) whereas average payable period for domestic purchases is 30 days (31 December 2011: 30 days).

For Contracting segment, import purchases through letter of credit constitute 23% (31 December 2011: 12%) of trade payables as at balance sheet date. The average payable period for these import purchases is 111 days (31 December 2011: 187 days) whereas the average payable period for other purchases is 98 days (31 December 2011: 82 days).

For the other operations of the Group, the average payable period is 36 days (31 December 2011: 32 days).

Risk characteristics and levels within trade payables have been disclosed in Note 31.

(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 2012	31 December 2011
Blocked deposits	6.061	-
Income accruals	2.599	1.051
Deposits and guarantees given	954	5.465
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Credit card receivables with maturity longer than three months	-	1.051
Other receivables	4.330	5.311
	13.944	12.878

Other long term receivables		
Deposits and guarantees given	6.819	4.264
Other doubtful receivables	857	909
Provision for other doubtful receivables	(857)	(909)
	6.819	4.264

b) Other Payables:

Other short term payables	31 December 2012	31 December 2011
Expense accruals	34.881	29.504
Taxes and funds payable	9.033	9.841
Social security witholding payables	6.102	6.983
Due from related parties - non- trade (Note: 30)	4.275	-
Deposits and guarantees received	1.541	2.345
Other payables	725	750
	56.557	49.423

Other long term payables		
Deposits and guarantees received	929	971
Other payables	72	91
	1.001	1.062

Risk characteristics and levels within other receivables and payables have been disclosed in Note 31.

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

10. INVENTORIES

	31 December 2012	31 December 2011
Raw materials	49.555	48.583
Work in progress	105.927	106.919
Finished goods	48.991	72.050
Trading goods	50.516	65.443
Goods in transit	52.308	58.895
Inventory from real estate projects	5.970	15.652
Inventory at construction sites	90.579	102.738
Other inventories (*)	30.635	27.625
Allowance for impairment on inventory (-)	(1.014)	(1.034)
	433.467	496.871

Movement of allowance for impairment on inventory	2012	2011
Provision as of 1 January	(1.034)	(845)
Charge for the period	(38)	(5)
Currency translation effect	58	(184)
Provision as of 31 December	(1.014)	(1.034)

(*) As of 31 December 2012, other inventories consist of operating supplies amounting to 16.066, spare parts amounting to 14.379 and other inventory amounting to 190 (31 December 2011: 13.516 operating supplies, 13.919 spare parts and 190 other).

Impairment on inventory is included in cost of revenue.

Group has identified some inventories whose net realizable value is less than its current cost. Accordingly, the amount of 1.014 (2011:1.034) has been determined as provision for allowance for impairment on inventory. As of 31 December 2012, total amount of the inventory shown at net realizable value is 3.311 (2011: 4.045).

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

11. CONSTRUCTION CONTRACTS

	31 December 2012	31 December 2011
Cost incurred on uncompleted contracts	6.137.254	4.791.915
Recognised gain less losses (net)	561.863	582.451
	6.699.117	5.374.366
Less: Billings to date (-)	(6.239.700)	(4.989.513)
	459.417	384.853

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

	31 December 2012	31 December 2011
From customers under construction contracts	651.273	581.810
To customers under construction contracts	(191.856)	(196.957)
	459.417	384.853

As of 31 December 2012, total retention receivables amount to 167.911 (31 December 2011: 133.772) (Note: 8).

	31 December 2012	31 December 2011
Receivables from uncompleted contracts		
Contracts undersigned abroad	615.671	570.189
Contracts undersigned in Turkey	35.602	11.621
	651.273	581.810
Payables from uncompleted contracts		
Contracts undersigned abroad	(81.721)	(58.578)
Contracts undersigned in Turkey	(110.135)	(138.379)
	(191.856)	(196.957)
	459.417	384.853

The Group has 36.136 of advances given for construction projects classified in other current assets (31 December 2011: 25.111). Also, the Group has 214.799 of advances received for contracting projects classified in other short term liabilities (31 December 2011: 213.738) (Note 20).

The Group has 28.959 of retention payables to subcontractors (31 December 2011: 22.156). Also, the amount of retention receivables is 167.912 (31 December 2011: 133.772) (Note 8).

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

12. INVESTMENTS VALUED BY EQUITY METHOD

Subsidiaries	Location of foundation and operation	Share in capital (%) 31 December 2012	31 December 2011	Power to appoint	Industry
Black Sea	İstanbul	30,0000 %	-	30,0000 %	Fertilizer Trade
Tekfen Oz	İstanbul	16,4000 %	16,4000 %	50,00 %(*)	Real Estate
Eurobank Tekfen (**)	İstanbul	-	29,2583 %	-	Banking

Details of Group's participations' financial positions are as follows:

	31 December 2012			
Financial Position	Black Sea Gübre	Tekfen Oz	Eurobank Tekfen (**)	Total
Total assets	3.850	88.953	-	92.803
Total liabilities	3.029	1.510	-	4.539
Net assets	821	87.443	-	88.264
Group's share in net assets of subsidaires	246	14.341	-	14.587

	31 December 2011			
Financial Position	Black Sea Gübre	Tekfen Oz	Eurobank Tekfen	Total
Total assets	-	128.380	5.136.035	5.264.415
Total liabilities	-	63.826	4.456.091	4.519.917
Net assets	-	64.554	679.944	744.498
Group's share in net assets of subsidaires	-	10.587	198.940	209.527

	1 January - 31 December 2012			
	Black Sea Gübre	Tekfen Oz	Eurobank Tekfen (**)	Total
Revenue	3.149	99.096	544.670	646.915
Profit for the year	(1.279)	(1.760)	19.126	16.087
Group's share on subsidiaries' profit/(loss) for the year	(384)	(288)	5.596	4.924

	1 January - 31 December 2011			
	Black Sea Gübre	Tekfen Oz	Eurobank Tekfen	Total
Revenue	-	3.382	518.861	522.243
Profit for the year	-	(2.376)	25.410	23.034
Group's share on subsidiaries' profit/(loss) for the year	-	(390)	7.435	7.045

(*) The Company, despite having 16,40% share in Tekfen Oz, mentioned establishment's Board of Directors is equally represented with the other partner and power to vote is 50,00%.

(**) Eurobank Tekfen is sold to Burgan Bank S.A.K. at a value of 343.532 on 21 December 2012. As of date of the sale, financial statements of Eurobank Tekfen include total assets of 4.573.755, total liabilities of 3.859.925 resulting a net asset of 713.830. Group's share in the net assets is 208.854. When the fair value reserve of financial investment; disclosed in shareholders' equity amounted to 3.145, and selling expenses; amounted to 3, are included in the statement of income, the gain on sale of associate is calculated as 137.820. The Group's share on Eurobank Tekfen's profit until the date of sale is 5.596.

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

13. INVESTMENT PROPERTY

Investment property as at 31 December 2012 and 2011 is as follows:

Cost	Land	Building	Total
Opening balance as at 1 January 2012	7.460	111.093	118.553
Currency translation effect	(202)	-	(202)
Transfers from assets classified as held for sale	940	-	940
Closing balance as at 31 December 2012	8.198	111.093	119.291
Accumulated Depreciation			
Opening balance as at 1 January 2012	-	(23.485)	(23.485)
Charge for the year	-	(2.981)	(2.981)
Closing balance as at 31 December 2012	-	(26.466)	(26.466)
Carrying value as at 31 December 2012	8.198	84.627	92.825

Cost	Land	Building	Total
Opening balance as at 1 January 2011	3.657	111.282	114.939
Currency translation effect	763	-	763
Additions	-	82	82
Disposals	-	(271)	(271)
Transfers from Property, Plant and Equipment	3.040	-	3.040
Closing balance as at 31 December 2011	7.460	111.093	118.553
Accumulated Depreciation			
Opening balance at 1 January 2011	-	(20.564)	(20.564)
Charge for the year	-	(2.991)	(2.991)
Accumulated Depreciation	-	70	70
Closing balance as at 31 December 2011	-	(23.485)	(23.485)
Carrying value as at 31 December 2011	7.460	87.608	95.068

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 of 2.458 (2011: 2.633) has been charged to cost of revenue, 523 (2011: 358) to general administrative expenses.

For the year ended 31 December 2012 total rental income earned from investment properties is 16.654 (31 December 2011: 13.548). Direct operating expenses arising on the investment properties in the year amounted to 4.604 (31 December 2011: 4.723).

The fair value of the Group's investment property at 31 December 2012 has been arrived based on a valuation carried out at that date by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair market value of the investment properties as of 31 December 2012 is 400.467 (31 December 2011: 376.221) according to the valuation carried out by independent expert.

There are not any restrictions on the realisability 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 2012	300.101	329.713	1.079.269	36.917	72.148	19.471	123.958	1.961.577
Currency translation effect	(9.619)	(5.822)	(32.954)	(2.066)	(3.316)	(567)	(198)	(54.542)
Additions	2.782	1.619	117.745	8.567	8.950	58.958	795	199.416
Disposals	(1.164)	(3.854)	(40.123)	(1.033)	(6.013)	-	(236)	(52.423)
Transfers	6.615	6.806	(527)	975	961	(25.484)	10.654	-
Closing balance as at 31 December 2012	298.715	328.462	1.123.410	43.360	72.730	52.378	134.973	2.054.028
Accumulated Depreciation								
Opening balance as at 1 January 2012	(77.844)	(186.340)	(863.119)	(26.953)	(49.331)	-	(68.028)	(1.271.615)
Currency translation effect	3.189	3.622	20.010	920	1.852	-	83	29.676
Charge for the year	(9.104)	(6.869)	(60.890)	(4.483)	(6.743)	-	(3.362)	(91.451)
Allowance for impairment	-	(732)	-	-	-	-	-	(732)
Disposals	413	3.130	35.183	1.028	5.417	-	232	45.403
Transfers	1.376	958	3.811	(459)	71	-	(5.757)	-
Closing balance as at 31 December 2012	(81.970)	(186.231)	(865.005)	(29.947)	(48.734)	-	(76.832)	(1.288.719)
Carrying value as at 31 December 2012	216.745	142.231	258.405	13.413	23.996	52.378	58.141	765.309

Property, plant and equipment include fixed assets with carrying value of 145.343 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, property, plant and equipment purchases through financial lease amount to 94.018 (31 December 2011: 27.142).

The amount of mortgage on tangible assets is 1.500.

(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 2011	258.811	304.331	963.695	27.719	49.178	6.075	121.204	1.731.013
Currency translation effect	31.700	20.429	96.497	4.794	11.534	1.224	476	166.654
Additions	12.592	6.609	43.616	4.178	12.088	14.103	2.261	95.447
Disposals	(648)	(4.575)	(16.197)	(3.306)	(3.768)	(3)	-	(28.497)
Transfers(*)	(2.354)	2.919	(8.342)	3.532	3.116	(1.928)	17	(3.040)
Closing balance as at 31 December 2011	300.101	329.713	1.079.269	36.917	72.148	19.471	123.958	1.961.577
Accumulated Depreciation								
Opening balance as at 1 January 2011	(61.510)	(173.094)	(772.972)	(19.666)	(37.159)	-	(64.553)	(1.128.954)
Currency translation effect	(9.255)	(10.916)	(61.434)	(3.412)	(8.847)	-	(234)	(94.098)
Charge for the year	(8.131)	(6.186)	(46.358)	(3.617)	(4.223)	-	(3.229)	(71.744)
Allowance for impairment	-	-	-	-	-	-	-	-
Disposals	526	3.459	13.015	3.047	3.134	-	-	23.181
Transfers(*)	526	397	4.630	(3.305)	(2.236)	-	(12)	-
Closing balance as at 31 December 2011	(77.844)	(186.340)	(863.119)	(26.953)	(49.331)	-	(68.028)	(1.271.615)
Carrying value as at 31 December 2011	222.257	143.373	216.150	9.964	22.817	19.471	55.930	689.962

(*) Land with net book value of 3.040 in "Property, Plant and Equipment" is transferred to "Investment Properties".

Property, plant and equipment include fixed assets with carrying value of 93.794 purchased through financial lease.

The amount of mortgage on tangible assets is 750.

(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	2-40 years
Vehicles	2-15 years
Furniture and fixtures	1-50 years
Leasehold improvements	2-50 years

Depreciation expense of 85.003 (2011: 66.458) has been charged to cost of revenue, 114 (2011: 145) to research and development expenses, 1.411 (2011: 1.138) to marketing, selling and distribution expenses, 2.914 (2011: 2.416) to general administrative expenses and 2.009 (2011: 1.587) to inventory.

15. INTANGIBLE ASSETS

Cost value	Rights	Other	Total
Opening balance as at 1 January 2012	14.809	992	15.801
Currency translation effect	(576)	9	(567)
Additions	1.122	496	1.618
Disposals	(23)	-	(23)
Closing balance as at 31 December 2012	15.332	1.497	16.829
Accumulated amortization			
Opening balance as at 1 January 2012	(13.568)	(288)	(13.856)
Currency translation effect	531	7	538
Charge for the year	(793)	(15)	(808)
Disposals	23	-	23
Closing balance as at 31 December 2012	(13.807)	(296)	(14.103)
Carrying value as at 31 December 2012	1.525	1.201	2.726

Cost value	Rights	Other	Total
Opening balance as at 1 January 2011	12.493	611	13.104
Currency translation effect	1.787	30	1.817
Additions	621	367	988
Disposals	(92)	(16)	(108)
Closing balance as at 31 December 2011	14.809	992	15.801
Accumulated amortization			
Opening balance as at 1 January 2011	(10.091)	(278)	(10.369)
Currency translation effect	(1.615)	(24)	(1.639)
Charge for the year	(1.954)	(2)	(1.956)
Disposals	92	16	108
Closing balance as at 31 December 2011	(13.568)	(288)	(13.856)
Carrying value as at 31 December 2011	1.241	704	1.945

Intangible assets are amortized over useful lives of rights through 2 to 15 years and useful lives of other intangibles through 3 to 5 years.

Amortization expense of 668 (2011: 1.899) has been charged to general administrative expenses, 116 (2011: 39) to cost of revenue, 15 (2011: 12) to marketing, selling and distribution expenses and 9 (2011: 6) to cost of inventory.

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

16. 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 period harvest, 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 2012, unit prices conveyed in 2011 for wheat is 0,10 TRY/kg and for potato is 0,08 TRY/kg. As of 31 December 2012, income generated from wheat support is 830, whereas the income generated from potato support is 147 which make a total income of 977 (31 December 2011: wheat supporting 654, potato supporting 98, total 752).

Support income generated from current year sales is recognized as income accrual every reporting period is collected in the following period.

T.C. Ziraat Bankası A.Ş. (Ziraat Bank) provides loans to agricultural enterprises. As a seedling producer, H-T Fidecilik obtained agricultural enterprise loan amounting to 1.250 with one year maturity an d zero interest rate from Ziraat Bank as of 31 December 2012. 620 of the total loan is obtained in return for mortgage and 630 is obtained in return for cheque.

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Provisions	31 December 2012	31 December 2011
Provision for litigation	8.265	8.345
Other provisions	834	646
	9.099	8.991

Movement of provision for litigation is as follows:

	2012	2011
Provision as of 1 January	8.345	15.875
Provision paid (-)	(636)	(7.148)
Charge for the period	2.698	660
Provision released	(2.136)	(1.067)
Currency translation effect	(6)	25
Provision as of 31 December	8.265	8.345

b) Contingent Assets and Liabilities

Contractual Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group's associate 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 stated on the agreements. In case the customer determines any defects subsequent to the provisional acceptance of the contract, Tekfen İnşaat is 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 shall pay penalty amount for such defaults to its customers.

Tax Inspections

During the period, developments have been occured in the process of the lawsuit attributable to tax inspection of Saudi Arabistan Branch explained in the notes of the audited consolidated financial statements as of 31 December 2011. The Department of Zakat and Income Tax of Saudi Arabia ("DZIT") has issued its final tax assessment and based on this assessment, Tekfen İnşaat Saudi Arabia Branch has an additional tax liability amounting to 9.491 (5.324 thousand US Dollars). According to the partial result of the objection on this assessment with the Appeal Committee, tax payment amounting to 5.152 (2.890 thousand US Dollars) has been made during the period and the part of the tax liability amounting to 4.339 (2.434 thousand US Dollars), which has not been resulted yet, is concluded not to be paid.

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

b) Contingent Assets and Liabilities (cont'd)

Litigations:

As of 31 December 2012, lawsuit filed against the Group is totally 62.236 (31 December 2011: 38.025) and the management has decided to accrue 8.265 (31 December 2011: 8.345) 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, the Group foresees no significant risks regarding of lawsuit filed against the Group. A lawsuit filed against the Group in the year of 2012 amounting 21.040, has been resulted without any outflow from the Group as of the report date.

Toros Tarım Samsun Fertilizer Facility

Toros Tarım has acquired all of the public shares of Samsun Gübre Sanayii A.Ş. from the Privatization Administration. Following the issuance of the Article 2 (b) of the Forest Law in April 2012, restraints on some parcels transferred from Samsun Gübre Sanayi A.Ş. have become futile. Accordingly the Entity has prepared revised construction plans with different scales. Upon the rejection of appeal for each construction plans, Toros Tarım has filed an annulment action against Municipality. Since the alterations applied to the constructions plans are considered to break the integrity of the facility; Toros Tarım has not been granted the operating license and Samsun Municipality has announced enforcement on 5 February 2013 regarding the shutdown of the facility. Aforementioned transaction was not exercised upon Interim suspension of the execution by the court. The court will reconsider the act of suspension of execution after the response of the Municipality.

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.)

18. COMMITMENTS AND OBLIGATIONS

Guarantee, pledge and mortgage position of the Group as of 31 December 2012 and 2011 are as follows:

31 December 2012	Equivalant of TRY	*Thousands US Dollars*	*Thousands of EUR*	*Other (Equivalant 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	1.797.512	625.629	93.796	461.686
-Guarantee	*1.796.012*	*625.629*	*93.796*	*460.186*
-Pledge	-	-	-	-
-Mortgage	*1.500*	-	-	*1.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	1.277	-	-	1.277
-Guarantee	*1.277*	-	-	1.277
-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 2012	1.798.789	625.629	93.796	462.963

31 December 2011	Equivalant of TRY	*Thousands US Dollars*	*Thousands of EUR*	*Other (Equivalant of Thousands TRY)*
A. GPM given on behalf of its own legal entity	56.414	-	-	56.414
-Guarantee	-	-	-	-
-Pledge	*56.414*	-	-	*56.414*
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	1.620.864	598.126	92.090	266.014
-Guarantee	*1.620.114*	*598.126*	*92.090*	*265.264*
-Pledge	-	-	-	-
-Mortgage	*750*	-	-	*750*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	4.132	-	-	4.132
-Guarantee	*4.132*	-	-	4.132
-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 2011	1.681.410	598.126	92.090	326.560

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.)

19. EMPLOYEE BENEFITS

Short term employee benefits:	31 December 2012	31 December 2011
Retirement pay provision	412	255
Unused vacation pay liability provision	13.308	9.131
Premium provision	11.855	11.422
Wages and other employee benefits	19.871	21.041
	45.446	41.849
Long term employee benefits:		
Retirement pay provision	42.333	39.827

	31 December 2012	31 December 2011
Short term retirement pay provision	412	255
Long term retirement pay provision	42.333	39.827
	42.745	40.082

Retirement pay provision:

Retirement pay provision for Turkish personnel employed in Turkey;

Under Turkish Labor Law, it is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

Retirement pay provision upper limit is revised on every six months and Group has calculated current year's amount by using the upper limit 3.129,24 TRY which is effective on or after 1 January 2013 (31 December 2011: 2.805,04 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 2012.

The liability is not funded, as there is no funding requirement.

Retirement pay provision regarding Turkish employees located abroad;

The Group is 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 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). IAS 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 were used in the calculation of the total liability.

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

19. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

Retirement pay provision regarding Turkish employees located abroad (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 accompanying consolidated financial statements as of 31 December 2012, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated by taking the real discount rate as approximately 1,96% (31 December 2011: 3,93%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of 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 employee at the construction project. 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
Opening balance as of 1 January 2012	40.082	11.422
Currency translation effect	(1.066)	(29)
Service expense	14.107	11.969
Interest expense	1.016	-
Provision paid (-)	(14.364)	(11.507)
Actuarial loss	2.970	-
Closing balance as of 31 December 2012	42.745	11.855
Opening balance as of 1 January 2011	36.011	9.294
Currency translation effect	3.558	884
Service expense	9.394	10.770
Interest expense	1.285	-
Provision paid (-)	(11.114)	(9.526)
Actuarial loss	948	-
Closing balance as of 31 December 2011	40.082	11.422

14.999 of current year retirement pay provision (2011: 9.193) has been included in cost of revenue, 2.457 has been included in general administrative expenses (2011: 2.011) and 637 has been included in marketing, selling and distribution expenses (2011: 423).

2.698 (2011: 2.414), 8.853 (2011: 7.895) and 418 (2011:454) of current year premium provision have been included in cost of revenue, in general administrative expenses and in marketing, selling and distribution expenses respectively. Any provision for premium is not charged to research and development expenses (2011: 7).

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

20. OTHER CURRENT/NON CURRENT ASSETS AND OTHER SHORT/LONG TERM LIABILITIES

Other Current Assets	31 December 2012	31 December 2011
VAT receivables	82.611	48.353
Advances paid for construction projects	36.146	25.111
Prepaid taxes and funds	8.148	11.781
Order advances given	5.336	6.877
Prepaid expenses	8.613	5.689
Business advances given	6.391	2.685
Other current assets	523	1.043
	147.768	101.539

Other Non Current Assets	31 December 2012	31 December 2011
Witholding tax of ongoing construcion contracts	22.125	10.681
VAT receivables	1.784	1.778
Prepaid expenses	165	473
Advances given for fixed assets	15.314	133
	39.388	13.065

Other Short Term Liabilities	31 December 2012	31 December 2011
Advances received for construction projects (Note: 11)	214.799	213.738
Order advances received	43.477	28.661
Income relating to future months	6.396	5.354
VAT Calculated	2.863	1.878
Other	148	226
	267.683	249.857

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

21. SHAREHOLDERS' EQUITY

a) Share Capital / Interrelated Subsidiary Capital Adjustments

The structure of the paid in capital as of 31 December 2012 and 2011 is as follows:

Shareholders	(%)	31 December 2012	(%)	31 December 2011
Akçağlılar family	19,30%	71.426	19,30%	71.426
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Other (*)	4,23%	15.593	4,23%	15.593
Publicly traded	37,87%	140.129	37,87%	140.129
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 2011: 370.000.000). All these shares consist of bearer common shares.

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. From the remaining statutory profit, 30% of the paid capital is distributed as first dividend to the holders on the condition that rates and amounts are not less then rates and amounts applied by CMB. Also at most 3% of remaining profit is distributed to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which has redeemed share.

b) Revaluation Growth Funds

	31 December 2012	31 December 2011
Property, plant and equipment revaluation fund	-	1.008
Fair value reserve of financial investments (Note: 6)	74.273	50.552
	74.273	51.560

Property, Plant and Equipment Revaluation Fund:

Property, plant and equipment revaluation funds are derived from the revaluation of land and buildings. In the event of the disposition of a revalued land or a building, revalued portion and the sale proceed difference is directly transferred to retained earnings.

Revaluation fund comprise revaluation of property, plant and equipment funds of Eurobank Tekfen.

Fair Value Reserve of Financial Investments:

Fair value reserve of financial investments consists of changes in fair value of securities held 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 period profit or loss.

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

21. SHAREHOLDERS' EQUITY (cont'd)

c) Currency Translation Reserve

Group's consolidated reporting currency is TRY. In accordance with IAS 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 91.270 (31 December 2011: 114.768).

d) Restricted Profit Reserves

	31 December 2012	31 December 2011
Legal reserves	98.255	72.222

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.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital", "Issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

However, in accordance with the Communiqué Series: XI, No: 29 issued on 1 January 2008 and other related CMB's announcements, "Paid-in capital", "Restricted profit reserves" and "Premium in capital stock" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Communiqué should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in capital" and not added to capital;

- "Retained earnings/ accumulated loss", if such differences are arising from "Restricted profit reserves" and "Premium in capital stock" and has not been subjected to profit distribution or capital increase.

Other equity items are carried at the amounts that are valued based on the CMB's Financial Reporting Standards.

Capital restatement differences can only be included in capital.

21. SHAREHOLDERS' EQUITY (cont'd)

d) Restricted Profit Reserves (cont'd)

Profit Distribution:

In accordance with the Capital Markets Board's (the "Board") Decree issued as of 27 January 2011, in relation to the profit distribution of earnings derived from the operations in 2010, minimum profit distribution is not required for listed companies , and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Series IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Series XI, No: 29.

Board of Directors offered to pay shareholders 0,36 TRY (2011: 0,19) gross dividends per share on 11 April 2013. That dividend payment is subject to approval of the shareholders in General Shareholders' Meeting and therefore amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount is 132.220 (2011: 70.167), on the other side cash dividend amount will be paid to usufructuary is 6.055 (2011: 4.880).

Resources That Can Be Subject To Profit Distribution:

Within the frame of Communiqué Series: XI, No: 29, amount disclosed in notes to financial statements based on the Board decision dated 9 January 2009; following the deduction of companies' retained earnings, total of remaining profit for the period and other resources that may apply to profit distribution is 1.060.769 (31 December 2011: 829.051) for Tekfen Holding A.Ş.. 587.680 portion of this amount belongs to shares issued and 473.089 portion of this amount belongs to bonus shares issued (31 December 2011: shares issued 474.142, bonus shares issued 354.909).

e) 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 380.618 is accounted as premium in capital stock in shareholder's equity after 12.859 expense directly related to the public offering deducted.

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

22. REVENUE AND COST OF REVENUE

a) Revenue

	1 January- 31 December 2012	1 January 31 December 2011
Domestic goods and merchandise sales	1.467.203	1.244.523
Export goods and merchandise sales	24.895	18.187
Contract revenue – domestic	880.169	304.611
Contract revenue – abroad	1.445.431	1.332.504
Joint ventures – domestic	20.495	29.541
Joint ventures – abroad	162.197	197.325
Textile products revenue	15.490	21.252
Other	80.624	73.057
Sales returns (-)	(9.857)	(2.169)
Sales discounts (-)	(10.618)	(7.487)
Other sales discounts (-)	(118)	(103)
	4.075.911	3.211.241

b) Cost of Revenue

	1 January- 31 December 2012	1 January- 31 December 2011
Cost of raw materials used	(1.820.670)	(1.443.952)
Subcontractor expenses	(547.717)	(305.783)
Employee benefits expenses	(444.117)	(342.820)
Machinery, vehicle and other rent expenses	(179.109)	(111.826)
Construction site expenses	(145.485)	(87.514)
Depreciation expenses (Note: 13, 14, 15)	(87.577)	(69.130)
Transportation expenses	(58.139)	(30.307)
Energy and fuel expenses	(55.485)	(38.904)
Consultancy expense	(39.755)	(31.974)
Maintenance expenses	(33.533)	(37.592)
External services received	(25.174)	(23.962)
Cost of merchandises sold	(25.034)	(35.371)
Consumable and other material expenses	(20.216)	(10.949)
Engineering expenses	(16.150)	(42.303)
Custom expenses	(14.388)	(7.276)
Insurance expenses	(9.853)	(9.974)
Provision for doubtful receivables (Note: 8)	(96)	-
Allowance for impairment on inventory (Note: 10)	(38)	(5)
Other	(141.978)	(80.140)
	(3.664.514)	(2.709.782)

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

23. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 December 2012	1 January- 31 December 2011
Research and development expenses (-)	(127)	(258)
Marketing, selling and distribution expenses (-)	(111.493)	(102.632)
General administrative expenses (-)	(110.284)	(90.836)
	(221.904)	(193.726)

a) Detail of Research and Development Expenses	1 January- 31 December 2012	1 January- 31 December 2011
Depreciation and amortization expenses (Note: 14)	(114)	(145)
Payroll expenses and fringe benefits	(12)	(92)
Maintenance expenses	-	(3)
Energy and fuel expenses	-	(2)
Other expenses	(1)	(16)
	(127)	(258)

b) Detail of Marketing, Selling and Distribution Expenses		
Transportation expenses	(83.829)	(77.366)
Payroll expenses and fringe benefits	(10.404)	(9.030)
Depreciation and amortization expenses (Note: 14, 15)	(1.426)	(1.150)
Rent expenses	(1.390)	(1.185)
Energy and fuel expenses	(1.081)	(954)
Duties, charges and other tax expenses	(882)	(1.026)
Maintenance expenses	(844)	(1.312)
Traveling expenses	(710)	(563)
Office and administration expenses	(624)	(676)
Other expenses	(10.303)	(9.370)
	(111.493)	(102.632)

c) Detail of General Administrative Expenses		
Payroll expenses and fringe benefits	(68.838)	(60.352)
Office and administration expenses	(8.489)	(6.937)
Provision for doubtful receivables (Note: 8)	(7.055)	(608)
Consultancy expenses	(6.971)	(5.620)
Depreciation and amortization expenses (Note: 13, 14, 15)	(4.105)	(4.673)
Duties, charges and other tax expenses	(1.504)	(1.652)
Bank and notary expenses	(1.439)	(1.247)
Traveling expenses	(958)	(702)
Rent expenses	(819)	(650)
Maintenance expenses	(727)	(1.820)
Energy and fuel expenses	(603)	(291)
Reversal of doubtful receivable provision (Note: 8)	424	304
Other expenses	(9.200)	(6.588)
	(110.284)	(90.836)

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

24. QUALITATIVE EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
Transportation expenses	(83.829)	(77.366)
Payroll expenses and fringe benefits	(79.254)	(69.474)
Office and administration expenses	(9.113)	(7.613)
Provision for doubtful receivables (Note: 8)	(7.055)	(608)
Consulting expenses	(6.971)	(5.620)
Depreciation and amortization expenses (Note: 13, 14, 15)	(5.645)	(5.968)
Duties, charges and other tax expenses	(2.386)	(2.678)
Rent expenses	(2.209)	(1.835)
Energy and fuel expenses	(1.684)	(1.247)
Traveling expenses	(1.668)	(1.265)
Maintenance expenses	(1.571)	(3.135)
Bank and notary expenses	(1.439)	(1.247)
Reversal of doubtful receivable provision (Note: 8)	424	304
Other expenses	(19.504)	(15.974)
	(221.904)	(193.726)

25. OTHER OPERATING INCOME AND EXPENSE

Other Operating Income	1 January - 31 December 2012	1 January - 31 December 2011
Project management income	2.370	4.262
Gain on sale of fixed asset	2.288	440
Reversal of litigation provision (Note: 17)	2.136	1.067
Rent income	1.960	1.083
Reversal of other unnecessary provisions	1.713	2.347
Scrap sale income	1.389	412
Refundment income of social benefit	1.384	1.125
Government grants and incentives income	977	752
Indemnity income	922	461
Reversal of doubtful receivable provision(Note: 8)	493	28
Other income	5.131	6.898
	20.763	18.875

Other Operating Expenses		
Written off uncollectible receivables and obsolete construction inventory	(12.072)	(20.705)
Grants and contributions	(3.829)	(1.048)
Loss of fixed asset impairment (Note: 14, 27)	(3.736)	-
Litigation provision (Note: 17)	(2.698)	(660)
Loss on sale of fixed assets	(1.289)	(1.160)
Penalty and damages expenses	(1.144)	(1.073)
Rent expense	(1.081)	(1.201)
Additional tax expense	(948)	(233)
Damages subject to litigation	(15)	(66)
Other expenses	(8.112)	(5.201)
	(34.924)	(31.347)

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

26. FINANCIAL INCOME AND FINANCIAL EXPENSE

Financial Income:

	1 January - 31 December 2012	1 January - 31 December 2011
Foreign exchange gains	116.522	149.665
Interest income	61.229	61.659
Due date difference income	9.704	7.645
Dividend income	6.653	2.051
Discount income	2.919	1.513
Other	8	36
	197.035	222.569

Financial Expense:

	1 January - 31 December 2012	1 January - 31 December 2011
Foreign exchange losses	(109.717)	(177.831)
Interest expense	(25.395)	(20.754)
Due date difference expense	(5.246)	(5.161)
Discount expense	(1.678)	(3.691)
Other finance expense	(5.963)	(5.942)
	(147.999)	(213.379)

27. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale consist of Group's buildings and land. These assets classified as held for sale are presented in the Contracting group and are being actively marketed at a price that is reasonable.

	31 December 2012	31 December 2011
Assets classified as held for sale	10.944	15.813
	10.944	15.813

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

	1 January - 31 December 2012	1 January - 31 December 2011
Net book value as at 1 January	15.813	13.284
Currency translation effect	(683)	2.529
Allowance for impairment	(3.004)	-
Disposals	(242)	-
Transfers to investment property	(940)	-
Net book value as at 31 December	10.944	15.813

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

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

Current tax liability:	31 December 2012	31 December 2011
Corporate tax provision	65.618	68.720
Less: Prepaid taxes and funds	(48.525)	(51.808)
	17.093	16.912

Tax expense comprises as follows:	1 January - 31 December 2012	1 January - 31 December 2011
Current tax provision	69.916	69.198
Deferred tax (income) / expense	(2.844)	1.072
Currency translation effect	(264)	(1.429)
	66.808	68.841

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 2012 is 20% (2011: 20%).

In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2012 is 20% (2011: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

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.

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.

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.

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

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

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:

Countries	Corporate Tax Rate %	Witholding Tax Rate %
Azerbaijan	%20	%10 - %14
Kazakhstan	%20	%15 - %20
Uzbekistan	%8	%10 - %20
Germany	%15 - %33	%0 - %25
Saudi Arabia	%20	%5 - %15
Luxembourg	%29	%0 - %15
Ireland	%12,5 - %25	%20
United Kingdom	%26,5	%20
Morocco	%30	%10
Libya	%0 - %20	%0 - %20
Oman	%12	%0 - %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.

There is a corporate tax exemption for the construction of Kufra-Tazerbo water channel project whose contract is signed on 6 June 2006 by Tekfen TML J.V. and which has to be suspended in the year 2011 due to the unfavorable developments in Libya.

COP Petroleum Platform project in Azerbaijan, whose contract is undersigned by Tekfen İnşaat on 15 January 2010, benefits from tax incentive.

The Undersecretaries of Treasury and Foreign Trade of Turkey has given tax, duties and charge incentive for the contracts undertaken by Tekfen İnşaat and its joint ventures. These contracts are as follows:

- Ankara - Pozantı Highway (Çiftehan - Pozantı Section) Project - extended till 31 December 2013.
- Gaziantep – Birecik Highway Project – extended until 30 June 2013.
- In the construction project Tekfen İnşaat is conducting in Turkmenistan, the agreement between Turkey and Turkmenistan provides tax exemption from Corporate Income Tax in Turkmenistan.

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

28. 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 IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS 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.

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 2012	31 December 2011
Restatement and depreciation / amortization differences of tangible and intangible assets	47.287	64.321
Provision for retirement benefits and vacation liability	(27.767)	(21.407)
Impairment provision for inventory	(32)	(8)
Contract costs and progress billings (net)	29.247	39.917
Undistributed profits of joint ventures	29.453	29.939
Provision for doubtful receivables	(13.767)	(4.303)
Effect of income accruals	14.438	(3.588)
Provision for litigation	(7.503)	(7.403)
Available for sale investments	78.182	54.263
Provision for premium payments	(4.694)	(3.730)
Other	(2.116)	(592)
Deferred tax liabilities / (assets)	142.728	147.409

Components of deferred tax (assets)/liabilities:	31 December 2012	31 December 2011
Restatement and depreciation / amortization differences of tangible and intangible assets	4.046	7.488
Provision for retirement benefits and vacation liability	(5.552)	(4.623)
Impairment provision for inventory	(7)	(2)
Contract costs and progress billings (net)	5.850	7.983
Undistributed profits of joint ventures	5.891	5.987
Provision for doubtful receivables	(2.753)	(1.698)
Effect of income accruals	2.887	(717)
Provision for litigation	(1.501)	(1.479)
Available for sale investments	3.909	2.713
Provision for premium payments	(938)	(746)
Other	(145)	(216)
Deferred tax liabilities / (assets)	11.687	14.690
Deferred tax assets	(19.280)	(20.832)
Deferred tax liabilities	30.967	35.522
	11.687	14.690

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

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

Movement of deferred tax assets and liabilities for the year ended 31 December 2012 is as follows:

Movement of deferred tax liabilities / (assets)	2012	2011
Opening balance as at 1 January	14.690	11.761
Deferred tax (income)/expense	(2.844)	1.072
Effect of available for sale investments in comprehensive income	1.191	(2.875)
Currency translation effect	(1.350)	4.732
Closing balance as at 31 December	11.687	14.690

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

Reconciliation of taxation:	1 January- 31 December 2012	1 January- 31 December 2011
Profit before tax	367.112	311.496
Expected taxation (*)	107.787	83.937
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	3.699	11.796
- Dividend and other non taxable income	(50.168)	(39.388)
- Effects of unrealizable tax (losses) / income (net)	10.815	7.350
- Effects of joint ventures	(6.800)	5.702
- Tax commitments fall out as a result the sale	2.267	-
- Effect of change in tax rates and consolidation adjustments	(937)	2.548
- Other	145	(3.104)
Income tax expense recognized in statement of income	66.808	68.841

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

29. EARNINGS PER SHARE

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

As of 31 December 2012 and 2011, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to TRY 1) set out here are as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
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)	299.305	242.440
Earnings per share from operations (TRY)	0,809	0,655

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

30. 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.

As of 31 December 2012, the Group has 452.752 bank deposits, that is represented in cash and cash equivalent, within its related party Eurobank Tekfen. Interest income, amounting to 24.513, has been obtained from time deposit with average interest rates 9,70% for TRY and 4,27% for US Dollar. Group disposed its shares of Eurobank Tekfen on 21 December 2012, therefore Eurobank Tekfen is not classified as related party in consolidated financial statements as of 31 December 2012.

	31 December 2012		31 December 2011	
	Due from	Due to	Due from	Due to
Balances with related parties	Short term	Short term	Short term	Short term
Tekzen	2.059	156	1.497	190
Tekfen Oz	24	4.642	7.307	10
Black Sea	3	-	-	-
Eurobank Tekfen	-	-	1.674	445
Diğer	215	79	258	89
Shareholders and upper management	20	32	95	29
Joint ventures	6.953	195	3.073	754
	9.274	5.104	13.904	1.517

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

30. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2012							
Transactions with related parties	Purchases	Sales	Interest income	Interest expense	Dividend income	Rent income	Other income	Other costs and expenses
Tekfen Oz	-	4.008	-	148	1.665	-	2.370	-
Eurobank Tekfen	-	-	-	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	-	465	-	-	-
Tekzen	-	3.191	-	-	-	-	-	233
Üçgen Bakım	-	95	-	-	108	-	-	43
Akmerkez Gayrimenkul	-	-	-	-	3.899	-	-	289
Tekfen Vakfı	-	23	-	-	-	1	-	-
Black Sea	-	-	39	-	-	-	-	-
Other	-	51	-	-	516	-	-	1
Shareholders and upper management	-	1.824	-	-	-	-	-	-
Joint ventures	86	5.833	3.061	2	-	31	9	-
	86	15.025	3.100	150	6.653	32	2.379	566

	1 January - 31 December 2011							
Transactions with related parties	Purchases	Sales	Interest income	Interest expense	Dividend income	Rent income	Other income	Other costs and expenses
Tekfen Oz	-	44.572	-	-	1.082	60	4.658	-
Eurobank Tekfen	-	2.326	24.513	1	-	-	3.792	832
Akmerkez Lokantacılık	-	-	-	-	602	-	-	-
Tekzen	-	3.175	-	-	-	-	-	244
Üçgen Bakım	-	76	-	-	122	-	-	71
Akmerkez Gayrimenkul	-	-	-	-	-	-	-	236
Tekfen Vakfı	-	13	-	-	-	1	8	-
Other	-	121	-	-	245	-	-	-
Shareholders and upper management	-	260	-	-	-	-	-	-
Joint ventures	198	19.208	4.265	4	-	24	-	-
	198	69.751	28.778	5	2.051	85	8.458	1.383

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

30. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

The remuneration of directors and other members of key management during the year is as follows:

	31 December 2012	31 December 2011
Salaries and other short term benefits	8.917	8.645
	8.917	8.645

31. 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 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Total Financial Debts	(434.813)	(409.892)
Less: Cash and cash equivalents	1.084.315	786.323
Net Cash Position	649.502	376.431

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.)

31. 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 2012	Related Party	Third Party	Third Party	Bank Deposit
Minimum credit risk exposure at balance sheet date (*)	9.274	747.080	20.763	1.054.245
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	87.944	-	-
A. Net book value of not due or not impaired financial assets	9.021	694.236	20.298	1.054.245
B. Net book value of assets that are due but not impaired	253	52.844	465	-
- Secured portion via guarantee or etc.	-	-	-	-
C. Net book value of impaired assets	-	-	-	-
- Over due (gross book value)	-	12.971	1.428	-
- Impairment (-)	-	(12.971)	(1.428)	-
- Secured net value via guarantee or etc.	-	-	-	-
- Not due (gross book value)	-	5.228	-	-
- Impairment (-)	-	(5.228)	-	-
- Secured net value via guarantee or etc.	-	-	-	-
31 December 2011				
Minimum credit risk exposure at balance sheet date (*)	13.904	633.553	17.142	778.474
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	43.435	-	-
A. Net book value of not due or not impaired financial assets	13.685	623.322	16.611	778.474
B. Net book value of assets that are due but not impaired	219	10.231	531	-
- Secured portion via guarantee or etc.	-	7	-	-
C. Net book value of impaired assets	-	-	-	-
- Over due (gross book value)	-	11.742	1.480	-
- Impairment (-)	-	(11.742)	(1.480)	-
- Secured net value via guarantee or etc.	-	-	-	-
- Not due (gross book value)	-	296	-	-
- Impairment (-)	-	(296)	-	-
- 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.

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

31. 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 2012	Trade Receivables	Other Receivables	Total
Not due receivables	664.605	20.298	684.903
Overdue by 1-30 days	4.505	-	4.505
Overdue by 1-3 months	3.065	-	3.065
Overdue by 3-12 months	46.748	-	46.748
Overdue 1-5 years	6.823	453	7.276
Overdue by more than 5 years	4.927	1.440	6.367
Total receivables	730.673	22.191	752.864
Total overdue receivables	66.068	1.893	67.961
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(12.971)	(1.428)	(14.399)
Total provision provided for overdue receivables	(5.228)	-	(5.228)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2011	Trade Receivables	Other Receivables	Total
Not due receivables	637.303	16.611	653.914
Overdue by 1-30 days	3.783	-	3.783
Overdue by 1-3 months	1.080	21	1.101
Overdue by 3-12 months	2.813	6	2.819
Overdue 1-5 years	14.516	490	15.006
Overdue by more than 5 years	-	1.494	1.494
Total receivables	659.495	18.622	678.117
Total overdue receivables	22.192	2.011	24.203
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(12.038)	(1.480)	(13.518)
Total provision provided for overdue receivables	-	-	-
Secured portion of all impaired receivables via guarantee or etc.	7	-	7

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

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

b) Financial Risk Factors (cont'd)

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

Collaterals held for the trade receivables that are past due as at the balance sheet date but not impaired are as follows:

	31 December 2012	31 December 2011
Guarantees received	-	7
	-	7

As at the balance sheet date, there are no collaterals held for the trade receivables that are past due and are impaired.

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 table details the Group's remaining maturity for its non-derivative financial liabilities. The table has 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.

Liquidity risk table:

31 December 2012

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Financial liabilities					
Bank loans	341.914	346.673	100.256	182.811	63.606
Finance lease obligations	92.899	100.183	9.719	35.679	54.785
Trade payables (due to related parties included)	925.099	927.477	651.342	266.668	9.467
Other payables (due to related parties included)	57.559	57.558	39.544	16.940	1.074
Total liabilities	1.417.471	1.431.891	800.861	502.098	128.932

31 December 2011

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Financial liabilities					
Bank loans	369.592	379.097	51.435	257.397	70.265
Finance lease obligations	40.300	42.734	2.705	20.801	19.228
Trade payables (due to related parties included)	809.832	811.949	479.992	328.704	3.253
Other payables	50.485	50.746	30.567	19.070	1.109
Total liabilities	1.270.209	1.284.526	564.699	625.972	93.855

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

b) Financial Risk Factors (cont'd)

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.)

31. 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 2012	Equivalant of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalant of Thousands of TRY)
1. Trade Receivables	304.154	30.242	75.515	1	72.653
2. Monetary Financial Assets	225.675	105.769	6.890	16	20.882
3. Other	73.196	30.877	2.196	47	12.855
4. CURRENT ASSETS	603.025	166.888	84.601	64	106.390
5. Trade Receivables	24.694	-	8.089	-	5.671
6. Monetary Financial Assets	4.875	-	17	-	4.835
7. Other	15.247	61	6.437	-	-
8. NON CURRENT ASSETS	44.816	61	14.543	-	10.506
9. TOTAL ASSETS	647.841	166.949	99.144	64	116.896
10. Trade Payables	655.827	153.655	62.377	348	234.231
11. Financial Liabilities	70.338	25.336	9.458	-	2.932
12. Monetary Other Liabilities	111.426	91	16.742	-	71.892
12b. Non Monetary Other Liabilities	21.667	12.143	9	-	-
13. CURRENT LIABILITIES	859.258	191.225	88.586	348	309.055
14. Trade Payables	2.985	-	12	-	2.957
15. Financial Liabilities	21.860	1.262	7.984	-	834
16. Monetary Other Liabilities	11.353	479	-	-	10.499
17. NON CURRENT LIABILITIES	36.198	1.741	7.996	-	14.290
18. TOTAL LIABILITIES	895.456	192.966	96.582	348	323.345
19. Net foreign currency assets/(liabilities) position	(247.615)	(26.017)	2.562	(284)	(206.449)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(314.391)	(44.812)	(6.062)	(331)	(219.304)
21. Export	139.302	66.778	8.114	-	-
22. Import	1.126.000	532.495	67.427	2.298	44

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

31. 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 2011	Equivalant of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalant of Thousands of TRY)
1. Trade Receivables	234.315	45.756	36.160	5	59.504
2. Monetary Financial Assets	137.904	43.343	1.983	196	50.616
3. Other	72.348	31.122	1.688	53	9.282
4. CURRENT ASSETS	444.567	120.221	39.831	254	119.402
5. Trade Receivables	9.241	-	2.674	-	2.706
6. Monetary Financial Assets	5.906	-	17	-	5.864
7. Other	1.949	103	718	-	-
8. NON CURRENT ASSETS	17.096	103	3.409	-	8.570
9. TOTAL ASSETS	461.663	120.324	43.240	254	127.972
10. Trade Payables	533.673	167.714	40.311	1.195	114.880
11. Financial Liabilities	75.218	37.024	1.935	-	555
12. Monetary Other Liabilities	151.904	11.784	22.723	-	74.115
12b. Non Monetary Other Liabilities	229	121	-	-	-
13. CURRENT LIABILITIES	761.024	216.643	64.969	1.195	189.550
14. Trade Payables	652	-	20	-	603
15. Financial Liabilities	10.944	867	3.376	-	1.056
16. Monetary Other Liabilities	6.960	461	-	-	6.089
17. NON CURRENT LIABILITIES	18.556	1.328	3.396	-	7.748
18. TOTAL LIABILITIES	779.580	217.971	68.365	1.195	197.298
19. Net foreign currency assets/(liabilities) position	(317.917)	(97.647)	(25.125)	(941)	(69.326)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(391.985)	(128.751)	(27.531)	(994)	(78.608)
21. Export	77.757	40.509	5.881	-	-
22. Import	1.031.025	553.280	31.889	1.580	27.561

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

31. 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 2012	
	Profit / Loss	
	Appreciaition of foreign currencies	Depreciaition of foreign currencies
	If US Dollars	5% changed vs TRY
US Dollars net assets / liabilities	(2.319)	2.319
	If Euro	5% changed vs TRY
Euro net assets / liabilities	301	(301)
	If Other foreign currencies	5% changed vs TRY
Other foreign currency net assets / liabilities	(10.363)	10.363
TOTAL	(12.381)	12.381

	31 December 2011	
	Profit / Loss	
	Appreciaition of foreign currencies	Depreciaition of foreign currencies
	If US Dollars	5% changed vs TRY
US Dollars net assets / liabilities	(9.222)	9.222
	If Euro	5% changed vs TRY
Euro net assets / liabilities	(3.070)	3.070
	If Other foreign currencies	5% changed vs TRY
Other foreign currency net assets / liabilities	(3.604)	3.604
TOTAL	(15.896)	15.896

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

31. 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:

Interest Position Table

	31 December 2012	31 December 2011
Financial liabilities - Fixed Interest Rate Instruments	430.596	409.153
Financial liabilities - Floating Interest Rate Instruments	4.217	739

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The Group management does not expect any significant changes in interest rates.

At 31 December 2012 if the TRY denominated interest rate had been 50 basis points higher/lower and all other variables held constant, profit before tax and non-controlling interest would decrease/increase by 21 (31 December 2011: 4).

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 2012, 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 8.782 (31 December 2011: 6.519 increase/decrease) in other equity funds. This is mainly caused as a result of changes in fair values of stocks classified as available for sale.

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

32. FINANCIAL INSTRUMENTS

31 December 2012	Loans and receivables (including cash and cash equivalents)	Available for sale investments	Financial liabilities at amortized cost	Carrying value(*)	Note
Financial assets					
Cash and cash equivalents	1.084.315	-	-	1.084.315	5
Trade receivables (due from related parties included)	756.354	-	-	756.354	8, 31
Financial investments	-	94.213	-	94.213	6
Other current and non current assets	20.763	-	-	20.763	9, 31
Financial liabilities					
Financial debts	-	-	434.813	434.813	7, 31
Trade payables (due to related parties included)	-	-	925.099	925.099	8, 31
Other short and long term liabilities (due to related parties included)	-	-	57.558	57.558	9, 31
31 December 2011					
Financial assets					
Cash and cash equivalents	786.323	-	-	786.323	5
Trade receivables (due from related parties included)	647.457	-	-	647.457	8, 31
Financial investments	-	70.376	-	70.376	6
Other current and non current assets	17.142	-	-	17.142	9, 31
Financial liabilities					
Financial debts	-	-	409.892	409.892	7, 31
Trade payables (due to related parties included)	-	-	809.832	809.832	8, 31
Other short and long term liabilities	-	-	50.485	50.485	9, 31

(*) 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.)

32. 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 and financial liabilities are as follows:

		Fair value level as of reporting date		
Financial investments	31 December 2012	Level 1	Level 2	Level 3
Asset held for sale financial investments	92.513	92.513	-	-
Total	92.513	92.513	-	-

		Fair value level as of reporting date		
Financial investments	31 December 2011	Level 1	Level 2	Level 3
Asset held for sale financial investments	68.669	68.669	-	-
Total	68.669	68.669	-	-

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

33. EVENTS AND TRANSACTIONS POSSIBLY AFFECTING FINANCIAL STATEMENTS BY LEVEL OF SIGNIFICANCE

a) Developments in Libya

Tekfen-TML Partnership, a joint venture of which 67% is owned by the Group, had to suspend its operations and evacuate its sites in Libya for an uncertain period of time due to the civil unrest in the country. As of 31 December 2012, the negotiations are continuing to be held about the outlook of the operations and the accompanying consolidated financial statements include total assets of 185.749 (USD 104.201 thousand), total debt of 42.777 (USD 23.997 thousand), resulting a net asset of 142.972 (USD 80.204 thousand). The net asset is as follows:

ASSETS	31 December 2012	31 December 2011
Current Assets	**149.490**	**160.010**
Cash and cash equivalents	1.096	844
Trade receivables	16.744	13.313
Due from related parties	1.765	4.048
Receivables from ongoing construction contracts	129.677	140.158
Other receivables	62	66
Other current assets	146	1.581
Non Current Assets	**36.259**	**44.587**
Trade receivables	3.022	2.748
Property, plant and equipment	33.237	41.667
Other non current assets	-	172
TOTAL ASSETS	**185.749**	**204.597**

LIABILITIES	31 December 2012	31 December 2011
Current Liabilities	**42.777**	**46.678**
Trade payables	6.993	7.803
Other payables	1.471	1.621
Employee benefits	-	128
Other current liabilities	34.313	37.126
Non Current Liabilities	**-**	**848**
Employee benefits	-	848
TOTAL LIABILITIES	**42.777**	**47.526**
NET ASSETS	**142.972**	**157.071**

Letters of guarantees given related to such projects to various institutions amount to 30.243 (16.966 thousand US Dollars). In accordance with the Council of Ministers' decree no: 2011/2001 issued on 21 June 2011 and until a new resolution replaces resolutions no: 1970 and 1973 of the United Nations Security Council and their requirements, resolution no:1973 requires disregarding compensation claims of guarantees given to the contractor, hence the expired letter of guarantees do not bear any risk exposure for the Group.

b) Toros Tarım Capital Expenditure

With Torom Tarım's Board of Directors' resolution dated 20 June 2012, it is decided that an investment amounting to 413.563 (232 million US Dollars) will be made and 40% of this amount will be met by shareholders' equity. With Torom Tarım's Board of Directors' resolution dated 7 January 2013, the amount of the investment is increased by 121.217 (68 million US Dollars) and the total amount of the investment is 534.780 (300 million US Dollars).

34. SUBSEQUENT EVENTS

Tekfen İnşaat, the subsidiary of the Company, has signed an agreement with State Oil Company of Azerbaijan (SOCAR) for construction works of Baku Olympic Stadium with a capacity of 68 thousand. The project size is approximately 1.140.864 (640 million US Dollars) and be completed in March 2015.

Based on the 2013/14 numbered decree published in Official Gazette on 29 January 2013, shares of Sümer Holding A.Ş. representing %20 of Türk Arap Gübre's capital and amounting to 44, are acquired by Toros Tarım with a consideration of 2.300 thousand US Dollars. The amount is paid on 12 February 2013.

Tekfen Gayrimenkul, a subsidiary of the Company, makes capital contribution to Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. ("Florya Gayrimenkul") with tangible assets in return for acquiring 50% equity interest by the way of partial split in the year, 2013. In accordance with the shareholding agreement signed on 27 March 2012 between the Group and Rönenans Gayrimenkul Yatırım A.Ş., a partnership, in which Group has 50% share, is established between the Group's subsidiary Tekfen Emlak and Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş, to undertake the real estate projects developed by Florya Gayrimenkul on 25 January 2013.

With the Tekfen Holding's Board of Directors resolution dated 13 March 2013, it is decided that some of the key management personnel undertaking the positions of President and Vice President of Group Companies will devolve their tasks to the other management personnel from Group and remain as advisors to Group after the Ordinary General Assembly dated 7 May 2013.

Group has sold all its shares in Tekfen Oz, the subsidiary of Group valued by equity method to Omurga Yapı Yatırımları A.Ş. on 29 March 2013. As of date of the sale, financial statements of Tekfen Oz include total assets of 61.111, total liabilities of 23.502 resulting a net asset of 37.609. Group's share in the net assets is 6.168.The gain on sale of associate is calculated as 55. The Group's share on Tekfen Oz's profit until the date of sale is 27.

As of 11 April 2012, there is a negative change of 15.275 in the fair value of Akmerkez Gayrimenkul Yatırım Ortaklığı, whose shares are publicly traded.

Concerning the investment undertaken, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from Republic of Turkey Ministry of Economy. The elements of this incentive are employer's share of social security premium support, tax deduction, VAT exemption, and customs duty exemption.