

**TEKFEN HOLDİNG ANONİM ŐİRKETİ  
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL  
STATEMENTS WITH THE  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR  
ENDED 31 DECEMBER 2015

(Translated into English from the report  
originally issued Turkish)



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**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ON CONSOLIDATED FINANCIAL STATEMENTS**

**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 (collectively referred to as "the Group") which comprise consolidated the balance sheet as at 31 December 2015, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Management's responsibility for the consolidated financial statements***

Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

***Independent auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. These standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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.

***Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Tekfen Holding Anonim Şirketi and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with the TAS.



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

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



*Reports on independent auditor's responsibilities arising from other regulatory requirements*

- 1) Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Company's Board of Directors on 3 March 2016.
- 2) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Istanbul,  
3 March 2016

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

  
Erdal Aslan, YMM  
Partner in charge

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

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

<b>ASSETS</b>	<b>Notes</b>	<b>Audited 31 December 2015</b>	<b>Audited 31 December 2014</b>
<b>Current Assets</b>		<b>3.713.282</b>	<b>3.255.170</b>
Cash and cash equivalents	5	1.032.202	1.047.449
Financial investments	6	-	41.411
Trade receivables	8	959.646	704.388
- <i>Related party receivables</i>		25.440	17.819
- <i>Trade receivables</i>		934.206	686.569
Other receivables	9	5.707	3.053
- <i>Related party receivables</i>		2.944	-
- <i>Other receivables</i>		2.763	3.053
Inventories	10	891.446	722.479
Receivables from ongoing construction contracts	11	451.340	409.086
Prepaid expenses	16	62.672	77.514
Assets related with current tax	30	43.658	52.872
Other current assets	21	242.760	177.433
		<u>3.689.431</u>	<u>3.235.685</u>
Assets classified as held for sale	29	23.851	19.485
<b>Non Current Assets</b>		<b>1.912.773</b>	<b>1.700.312</b>
Financial investments	6	70.770	68.745
Trade receivables	8	128.607	88.205
- <i>Trade receivables</i>		128.607	88.205
Other receivables	9	2.957	2.966
- <i>Other receivables</i>		2.957	2.966
Investments valued by equity method	12	147.848	149.307
Investment property	13	88.830	78.334
Property, plant and equipment	14	1.379.244	1.185.759
Intangible assets	15	14.604	4.714
Prepaid expenses	16	11.273	21.947
Deferred tax assets	30	41.814	47.076
Other non current assets	21	26.826	53.259
<b>TOTAL ASSETS</b>		<b><u>5.626.055</u></b>	<b><u>4.955.482</u></b>

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 BALANCE SHEET AS AT 31 DECEMBER 2015

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

LIABILITIES	Notes	Audited 31 December 2015	Audited 31 December 2014
<b>Current Liabilities</b>		<b>2.889.548</b>	<b>2.277.766</b>
Short term financial debts	7	615.133	676.552
Short term portion of long term financial debts	7	327.707	21.679
Trade payables	8	1.211.747	1.106.045
- Related party payables		490	519
- Trade payables		1.211.257	1.105.526
Employee benefit payables	20	36.496	34.126
Other payables	9	25.363	15.273
- Related party payables		-	21
- Other payables		25.363	15.252
Advances received	16	355.434	232.224
Deferred revenue	16	5.730	5.618
Current tax liability	30	48.486	45.733
Ongoing construction progress payments	11	162.300	55.003
Short term provisions		97.687	74.127
- Short term provisions attributable to employee benefits	20	32.411	46.665
- Other short term provisions	18	65.276	27.462
Other short term liabilities	21	3.465	11.386
<b>Non Current Liabilities</b>		<b>651.372</b>	<b>681.652</b>
Long term financial debts	7	272.070	389.702
Trade payables	8	2.269	79.190
Other payables	9	18.385	24.213
Advances received	16	247.921	87.128
Long term provisions		61.052	36.714
- Long term provisions attributable to employee benefits	20	60.977	36.649
- Other long term provisions	18	75	65
Deferred tax liabilities	30	48.582	63.938
Government incentives and grants	17	1.093	767
<b>SHAREHOLDERS' EQUITY</b>	22	<b>2.085.135</b>	<b>1.996.064</b>
<b>Equity Attributable To Owners Of The Parent</b>		<b>2.057.358</b>	<b>1.959.165</b>
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		(376)	(658)
- Gain/(loss) on revaluation and remeasurement		(376)	(658)
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		160.229	213.534
- Currency translation reserve		108.234	163.474
- Gain/(loss) on revaluation and reclassification		51.995	50.060
Restricted profit reserves		176.413	140.185
Retained earnings		861.167	875.736
Net profit / (loss) for the period		185.466	55.909
<b>Non-controlling Interests</b>		<b>27.777</b>	<b>36.899</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>5.626.055</b>	<b>4.955.482</b>

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 PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Audited 1 January- 31 December 2015	Audited 1 January- 31 December 2014
Revenue	23	3.888.172	4.474.755
Cost of revenue (-)	23	(3.479.298)	(4.022.331)
<b>GROSS PROFIT</b>		<b>408.874</b>	<b>452.424</b>
General administrative expenses (-)	24	(143.977)	(124.021)
Marketing expenses (-)	24	(123.072)	(131.825)
Other operating income	26	293.167	161.280
Other operating expenses (-)	26	(370.431)	(374.470)
Share on profit / loss of investments valued using equity method	12	51.962	41.127
<b>OPERATING PROFIT</b>		<b>116.523</b>	<b>24.515</b>
Investment income	27	18.761	12.149
Investment expense (-)	27	(2.168)	(260)
<b>PROFIT BEFORE FINANCIAL INCOME / (EXPENSE)</b>		<b>133.116</b>	<b>36.404</b>
Financial income	28	255.422	182.502
Financial expense (-)	28	(128.978)	(123.211)
<b>PROFIT BEFORE TAXATION</b>		<b>259.560</b>	<b>95.695</b>
<b>Tax expense</b>	30	<b>(66.524)</b>	<b>(37.838)</b>
Tax expense for the period		(80.971)	(48.157)
Deferred tax income		14.447	10.319
<b>PROFIT FOR THE PERIOD</b>		<b>193.036</b>	<b>57.857</b>
<b>Distribution of Profit For The Period</b>			
Non-controlling interests		7.570	1.948
Owners of the parent		185.466	55.909
<b>Earnings Per Share</b>	31	0,501	0,151

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

	<u>Notes</u>	<u>Audited 1 January- 31 December 2015</u>	<u>Audited 1 January- 31 December 2014</u>
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>193.036</b>	<b>57.857</b>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE):</b>			
<b><u>Items that will not be reclassified to profit or loss</u></b>		<b>282</b>	<b>(3.128)</b>
Gain on revaluation of defined retirement benefit plans	22	353	(3.910)
Taxes based on other comprehensive income that will not be reclassified to profit or loss		(71)	782
<i>Deferred tax income / (expense)</i>		<i>(71)</i>	<i>782</i>
<b><u>Items that will be reclassified to profit or loss</u></b>		<b>(69.997)</b>	<b>22.168</b>
Gain / (loss) on revaluation of available for sale financial investments	6	2.037	5.138
Currency translation reserve differences	22	(71.932)	17.287
Taxes based on other comprehensive income that will be reclassified to profit or loss		(102)	(257)
<i>Deferred tax income / (expense)</i>		<i>(102)</i>	<i>(257)</i>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>		<b>(69.715)</b>	<b>19.040</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>123.321</b>	<b>76.897</b>
<b>Distribution of Total Comprehensive Income / (Expense) For The Period</b>			
Non-controlling interests		(9.122)	4.856
Owners of the parent		132.443	72.041

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Other comprehensive income											
	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain / (loss) on revaluation and remeasurement	Gain / (loss) on revaluation and reclassification	Currency translation reserve	Restricted profit reserves	Retained earnings	Net profit/ (loss) for the period	Equity attributable to owners of the parent	Non controlling interests	Total
<b>Opening balances as of 1 January 2014</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>2.470</b>	<b>45.179</b>	<b>149.095</b>	<b>120.830</b>	<b>962.382</b>	<b>(64.261)</b>	<b>1.890.154</b>	<b>32.043</b>	<b>1.922.197</b>
<i>Other comprehensive income</i>	-	-	-	(3.128)	4.881	14.379	-	-	-	16.132	2.908	19.040
<i>Net profit for the period</i>	-	-	-	-	-	-	-	-	55.909	55.909	1.948	57.857
Total comprehensive income	-	-	-	(3.128)	4.881	14.379	-	-	55.909	72.041	4.856	76.897
Other changes	-	-	-	-	-	-	-	(3.030)	-	(3.030)	-	(3.030)
Transfers to retained earnings	-	-	-	-	-	-	-	(64.261)	64.261	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	19.355	(19.355)	-	-	-	-
<b>Balance as of 31 December 2014</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(658)</b>	<b>50.060</b>	<b>163.474</b>	<b>140.185</b>	<b>875.736</b>	<b>55.909</b>	<b>1.959.165</b>	<b>36.899</b>	<b>1.996.064</b>
<b>Opening balances as of 1 January 2015</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(658)</b>	<b>50.060</b>	<b>163.474</b>	<b>140.185</b>	<b>875.736</b>	<b>55.909</b>	<b>1.959.165</b>	<b>36.899</b>	<b>1.996.064</b>
<i>Other comprehensive income</i>	-	-	-	282	1.935	(55.240)	-	-	-	(53.023)	(16.692)	(69.715)
<i>Net profit for the period</i>	-	-	-	-	-	-	-	-	185.466	185.466	7.570	193.036
Total comprehensive income	-	-	-	282	1.935	(55.240)	-	-	185.466	132.443	(9.122)	123.321
Other changes	-	-	-	-	-	-	-	6.799	-	6.799	-	6.799
Transfers to retained earnings	-	-	-	-	-	-	-	55.909	(55.909)	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	36.228	(36.228)	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	(41.049)	-	(41.049)	-	(41.049)
<b>Balance as of 31 December 2015</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(376)</b>	<b>51.995</b>	<b>108.234</b>	<b>176.413</b>	<b>861.167</b>	<b>185.466</b>	<b>2.057.358</b>	<b>27.777</b>	<b>2.085.135</b>

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 STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Audited 1 January- 31 December 2015	Audited 1 January- 31 December 2014
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the Period		193.036	57.857
Adjustments To Reconcile Net Profit / (Loss)		103.133	267.829
- Depreciation and Amortization	13,14,15	100.607	89.997
- Impairment / Reversed Provision	10,29	(100)	971
- Provision Adjustments	8,18,20	65.687	60.155
- Interest Expense and Income	28	(60.097)	(57.848)
- Group's Share on Net Assets of Investments in Associates Accounted by Equity Method	12	(51.962)	(41.127)
- Dividend Income	27	(7.921)	(6.664)
- Gain / Loss on Fair Valuation	6	15	(19)
- Allowance for Taxation	30	66.524	37.838
- Loss Arising from The Derecognition of Net Assets in Libya		-	189.740
- Gain / Loss on Sale of Fixed Assets	27	(9.620)	(5.214)
Movements in Working Capital		(22.141)	(133.799)
- Changes in Inventories	10	(154.984)	(191.238)
- Changes in Retention Receivables	8	(35.862)	67.478
- Changes in Trade Receivables	8	(241.635)	(32.078)
- Changes in Other Assets		(16.886)	(17.591)
- Changes in Receivables from Ongoing Construction Contracts	11	(42.254)	(29.933)
- Changes in Trade Payables	8	30.266	24.021
- Changes in Other Liabilities		290.506	118.737
- Changes in Receivables from Ongoing Construction Progress Payments	11	107.297	(80.903)
- Other Changes in Working Capital	6	41.411	7.708
Cash Generated by Operating Activities		274.028	191.887
Interest Paid		(38.956)	(33.513)
Interest Received		87.888	83.231
Tax Paid / Return	30	(69.004)	(59.966)
Provision paid related to employee benefits	20	(54.875)	(47.628)
Other Provision Paid	18	(4.360)	(518)

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(200.879)</b>	<b>(305.962)</b>
Effect of investments in associates valued by equity method	12	(900)	-
Proceeds from Sale of Tangible and Intangible Assets	14,15	16.736	18.154
Acquisition of Tangible and Intangible Assets	13,14,15	(239.577)	(400.028)
Advances and Debts Given	16	3.730	52.891
Dividend Received	27	19.132	23.021
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(120.409)</b>	<b>119.064</b>
Proceeds from Borrowings		1.084.389	1.147.558
Repayments of Borrowings		(1.137.508)	(970.552)
Payments of Financial Lease Obligations		(26.241)	(57.942)
Dividend Paid		(41.049)	-
<b>CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT</b>		<b>(126.567)</b>	<b>(53.405)</b>
<b>D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS</b>		111.320	45.701
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(15.247)</b>	<b>(7.704)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		1.047.449	1.055.153
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	5	<b>1.032.202</b>	<b>1.047.449</b>

The accompanying notes form an integral part of these consolidated financial statements.  
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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 2015, the Group has employees 13.234 (31 December 2014: 13.878) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

Company shares are publicly traded beginning 23 November 2007 on Borsa İstanbul.

As of 31 December 2015 the details of registered names of the subsidiaries, joint ventures and branches, their nature of business, their countries of origin, their business segments and their direct / effective share participation rates are listed below:

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate %		Business Segment
			2015	2014	
Tekfen İnşaat ve Tesisat A.Ş. “Tekfen İnşaat”	Construction	Turkey	100	100	Contracting
Tekfen Mühendislik A.Ş. “Temaş”	Engineering	Turkey	100	100	Contracting
Tekfen İmalat ve Mühendislik A.Ş. “Timaş”	Manufacturing	Turkey	100	100	Contracting
Cenub Tikinti Servis ASC “Cenub Tikinti”	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft “HMB”	Trading	Germany	100	100	Contracting
Tekfen International Limited “Tekfen International Ltd”	Investment	United Kingdom	100	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. “Tekfen Construction”	Construction	Ireland	100	100	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. “Toros Tarım”	Agriculture-Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. “Tayseb”	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. “Toros Terminal”	Service	Turkey	100	100	Agriculture
Türk Arap Gübre A.Ş. “Türk Arap Gübre”	Manufacturing	Turkey	100	100	Agriculture
Toros Gemi Acenteliği ve Ticaret A.Ş. “Toros Gemi”	Shipping Agent	Turkey	100	100	Agriculture
Toros Tarımsal Ürünler Pazarlama Hizmet ve Ticaret A.Ş. “Toros Tarımsal”	Fertilizier 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	100	Other

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate %		Business Segment
			2015	2014	
Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. “Belpa”	Trading	Turkey	94	94	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. “Tekfen Sigorta”	Insurance Service	Turkey	100	100	Other
Tekfen Endüstri ve Ticaret A.Ş. ”Tekfen Endüstri”	Trading	Turkey	100	100	Other
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
<b>Joint Ventures</b>					
Blacksea Gübre Ticaret A.Ş. “Black Sea”	Fertilizer Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. “H-T Fidecilik”	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesesi “Azfen ”	Construction	Azerbaijan	40	40	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. “Florya Gayrimenkul”	Real Estate	Turkey	50	50	Real Estate

As of 31 December 2015, branches included in the Group’s consolidation are as follows:

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

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 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, 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. Tekfen İnşaat’s income provided from the consolidation of Azfen by equity method is disclosed in this group.

#### Agricultural Group

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

#### Real Estate Group

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

#### Other Operations

Operations of “Other” segment comprise of 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.

#### 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 3 March 2016. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

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

##### Functional and Reporting Currency

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

The exchange rates used in the consolidation process as of 31 December 2015 is; 1 USD= 2,9076 TRY, 1 EUR= 3,1776 TRY, 1 MAD= 0,29508 TRY, 1 SAR= 0,77536 TRY, 1 QAR= 0,7966 TRY (As of 31 December 2014; 1 USD= 2,3189 TRY, 1 EUR= 2,8207 TRY, 1 MAD= 0,25785 TRY, 1 SAR= 0,61837 TRY, 1 QAR= 0,63532 TRY)

##### Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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)

##### Consolidation Principles

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

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

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

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

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

##### Investments in associates and joint ventures

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

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

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

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



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joint operations of the Group as of 31 December 2015 are as follows:

Joint Operations:	Nature of Business	Country of Origin	Participation Rate %		Business Segment
			2015	2014	
Gate İnşaat Taahhüt San. ve Tic. A.Ş. “Gate J.V.” (*)	Construction	Turkey	50	50	Contracting
Tekfen-Tubin-Özdemir J.V. “TÖT J.V.”	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. “TTÖ J.V.”	Construction	Turkey	25	25	Contracting
Gama-Tekfen-Tokar J.V. “GTT J.V.”	Construction	Turkey	35	35	Contracting
Tekfen TML J.V. “Tekfen TML J.V.”	Construction	Libya	67	67	Contracting
Tekfen Impresit J.V. “Impresit”	Construction	Turkey	100	100	Contracting
North Caspian Constr. B.V. “NCC J.V.” (*)	Construction	Netherlands	50	50	Contracting
Tekfen Rönesans Adi Ortaklığı “Tekfen Rönesans”	Construction	Turkey	50	50	Real Estate

(\*) Companies are joint ventures in terms of their operations; however, they are established as equity companies in terms of their legal structure.

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

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

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

##### 2.2 Changes in Accounting Policies

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

##### 2.3 Changes in Accounting Estimates and Errors

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

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### 2.4 Adoption of New and Revised Turkey Accounting Standards

New and revised standards and interpretations are presented below:

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

None.

**(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2015, but not affecting the consolidated financial statements of the Group:**

- TAS 19 (amendments), “Employee Benefits”, will be effective for annual periods beginning after 30 June 2014.
- Annual Improvements to 2010-2012 Cycle (TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39), will be effective for annual periods beginning after 30 June 2014.
- Annual Improvements to 2011-2013 Cycle (TFRS 3, TFRS 13 and TAS 40), will be effective for annual periods beginning after 30 June 2014.

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

- TFRS 9, “Financial Instruments”, TFRS 9 and TFRS 7 (amendments), “Mandatory Effective Date of TFRS 9 and Transition Disclosures”, mandatory effective date of TFRS 9 has been postponed and it will not be earlier than 1 January 2018.
- TAS 16 and TAS 38 (amendments), “Clarification of Acceptable Methods of Depreciation and Amortization”, will be effective for annual periods beginning after 31 December 2015.
- TAS 16 and TAS 41 (amendments) and TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 (amendments), “Agriculture: Bearer Plants”, will be effective for annual periods beginning after 31 December 2015.
- TFRS 11 and TFRS 1 (amendments), “Accounting for Acquisition of Interests in Joint Operations”, will be effective for annual periods beginning after 31 December 2015.
- Annual Improvements to 2011-2013 Cycle (TFRS 1), will be effective for annual periods beginning after 1 January 2016.
- TAS 1 (amendments), “Disclosure Initiative”, will be effective for annual periods beginning after 1 January 2016.
- Annual Improvements to 2012-2014 Cycle (TFRS 5, TFRS 7, TAS 34, TAS 19), will be effective for annual periods beginning after 1 January 2016.
- TAS 27 (amendments), “Equity Method in Separate Financial Statements”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 10 and TAS 28 (amendments), “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 10, TFRS 12 and TAS 28 (amendments), “Investment Entities: Applying the Consolidation Exception”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 14, “Regulatory Deferral Accounts”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 15, “Revenue from Contracts with Customers” will be effective for annual periods beginning after 1 January 2018.

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

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.5 Summary of Significant Accounting Policies

##### Revenue

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

##### Sale of goods:

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

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

##### Rental income:

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

##### Construction Contracts:

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

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

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

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

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

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

##### Retention Receivables from Contractors

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 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. In case of the qualifying assets which necessarily take a substantial period of time to get ready for its intended use or sale, borrowing costs are capitalized. When the construction of these assets is completed and they are ready for use, they are transferred to the relevant property, plant and equipment class. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

###### Financial Leasing Operations

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

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 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. When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

###### **Financial Instruments**

###### Financial assets

Financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss”, “held-to-maturity financial assets”, “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. Financial assets that are bought and sold in the normal way transaction (the delivery date) on the date of is recorded. Financial assets are measured at initial recognition at fair value. Fair value of financial assets and financial liabilities that are not reflected in profit or loss at initial recognition, transaction costs that are directly attributable to the acquisition of a financial asset to fair value are added.

###### Financial assets at fair value through profit or loss

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

###### Held-to-maturity investments

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

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

###### 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.

###### Cash and cash equivalents

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

###### Financial liabilities

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

##### 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, are recognized in other comprehensive income 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.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 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.

###### **Events After the Reporting Period**

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

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

###### **Provisions, Contingent Assets and Liabilities**

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

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

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

###### **Onerous contracts**

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

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

###### **Warranties**

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

###### **Reporting of Financial Information According to Segments**

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

###### **Government Grants and Incentives**

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

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

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

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### 2.5 Summary of Significant Accounting Policies (cont’d)

##### Investment Property

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

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

##### Corporate Income Tax

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

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

##### Controlled foreign corporation income:

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

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

##### Current tax

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



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### 2.5 Summary of Significant Accounting Policies (cont’d)

###### Corporate Income Tax (cont’d)

###### Deferred tax

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

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

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

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

###### Current and deferred tax for the period

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

###### Assets Held For Sale

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

###### Employee Benefits

###### Termination and retirement benefits:

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

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

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### 2.5 Summary of Significant Accounting Policies (cont’d)

###### Redeemed Shares

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

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

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

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

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

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

###### Deferred taxes

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

###### Income tax

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

###### Change in contract fee

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

###### 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 OPERATIONS

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

Financial information related to these joint operations is as follows:

	31 December 2015	31 December 2014
Current assets	40.822	46.789
Non current assets	19.967	25.046
Current liabilities	270.943	186.860
Non current liabilities	8.470	7.332
Shareholders' equity	(218.624)	(122.357)
	1 January- 31 December 2015	1 January- 31 December 2014
Revenue	23.395	20.257
Cost of revenue (-)	(61.686)	(24.397)
Net loss	(61.386)	(89.383)

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD ENDED 31 DECEMBER 2015

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

### 4. SEGMENTAL REPORTING

#### a) Segmental results

	1 January - 31 December 2015				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.153.133	1.659.155	27.678	48.206	3.888.172
Cost of revenue (-)	(2.037.852)	(1.387.894)	(25.269)	(28.283)	(3.479.298)
<b>GROSS PROFIT</b>	<b>115.281</b>	<b>271.261</b>	<b>2.409</b>	<b>19.923</b>	<b>408.874</b>
General administrative expenses (-)	(75.098)	(33.994)	(4.342)	(30.543)	(143.977)
Marketing expenses (-)	(1.387)	(114.611)	(4.560)	(2.514)	(123.072)
Other operating income	197.582	91.542	1.302	2.741	293.167
Other operating expenses (-)	(185.103)	(180.619)	(207)	(4.502)	(370.431)
Share on profit / (loss) of investments valued using equity method	51.571	398	(7)	-	51.962
<b>OPERATING PROFIT / (LOSS)</b>	<b>102.846</b>	<b>33.977</b>	<b>(5.405)</b>	<b>(14.895)</b>	<b>116.523</b>
Investment income	5.295	5.646	58	7.762	18.761
Investment expense (-)	(2.124)	(15)	(19)	(10)	(2.168)
<b>PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)</b>	<b>106.017</b>	<b>39.608</b>	<b>(5.366)</b>	<b>(7.143)</b>	<b>133.116</b>
Financial income	15.827	60.772	3.272	175.551	255.422
Financial expenses (-)	(53.851)	(14.488)	(495)	(60.144)	(128.978)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	<b>67.993</b>	<b>85.892</b>	<b>(2.589)</b>	<b>108.264</b>	<b>259.560</b>
Tax expense	(25.588)	(10.786)	523	(30.673)	(66.524)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<b>42.405</b>	<b>75.106</b>	<b>(2.066)</b>	<b>77.591</b>	<b>193.036</b>

The Group has 123.101 of revenue and 67.994 of operating income from terminal operations classified as agricultural operation in 2015.

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.767.793	1.625.940	26.292	54.730	4.474.755
Cost of revenue (-)	(2.703.230)	(1.257.712)	(23.955)	(37.434)	(4.022.331)
<b>GROSS PROFIT</b>	<b>64.563</b>	<b>368.228</b>	<b>2.337</b>	<b>17.296</b>	<b>452.424</b>
General administrative expenses (-)	(66.904)	(25.366)	(3.909)	(27.842)	(124.021)
Marketing expenses (-)	(875)	(116.208)	(6.156)	(8.586)	(131.825)
Other operating income	60.676	97.301	1.771	1.532	161.280
Other operating expenses (-)	(262.130)	(110.969)	(235)	(1.136)	(374.470)
Share on profit / (loss) of investments valued using equity method	40.410	717	-	-	41.127
<b>OPERATING PROFIT / (LOSS)</b>	<b>(164.260)</b>	<b>213.703</b>	<b>(6.192)</b>	<b>(18.736)</b>	<b>24.515</b>
Investment income	3.797	1.847	461	6.044	12.149
Investment expense (-)	(241)	(19)	-	-	(260)
<b>PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)</b>	<b>(160.704)</b>	<b>215.531</b>	<b>(5.731)</b>	<b>(12.692)</b>	<b>36.404</b>
Financial income	9.133	54.368	448	118.553	182.502
Financial expenses (-)	(38.190)	(42.751)	(25)	(42.245)	(123.211)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	<b>(189.761)</b>	<b>227.148</b>	<b>(5.308)</b>	<b>63.616</b>	<b>95.695</b>
Tax expense	(7.339)	(8.679)	1.131	(22.951)	(37.838)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<b>(197.100)</b>	<b>218.469</b>	<b>(4.177)</b>	<b>40.665</b>	<b>57.857</b>

The Group has 84.479 of revenue and 39.514 of operating income from terminal operations classified as agricultural operation in 2014.

Translated into English from the report originally issued in Turkish.



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 2015)	2.306.027	980.005	(4.160)	720.516	4.899	(119.115)	3.888.172
Total assets (31 December 2015)	7.267.411	2.060.440	619.287	816.103	62.431	(5.199.617)	5.626.055
Capital expenditures (1 January - 31 December 2015)(*)	291.656	1.985	-	2.442	-	-	296.083
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2014)	2.398.512	1.470.032	82.885	661.081	4.117	(141.872)	4.474.755
Total assets (31 December 2014)	6.134.476	2.137.335	320.421	673.673	78.586	(4.389.009)	4.955.482
Capital expenditures (1 January - 31 December 2014)(*)	382.192	4.113	72	15.084	-	-	401.461

(\*) Fixed assets purchases through financial lease amounting to 6.916 (2014: 2.213) and additional capitalized borrowing costs amounting to 49.590 (2014: 780 reversal of capitalized borrowing costs) are also included.

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 5. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash on hand	1.160	1.301
Cash at banks		
Demand deposits	85.312	83.046
Time deposits with maturity of three months or less	928.939	909.702
Overdue cheques	-	105
Other cash equivalents	16.791	53.295
	<u>1.032.202</u>	<u>1.047.449</u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 33.

#### 6. FINANCIAL INVESTMENTS

	31 December 2015	31 December 2014
<u>Short term financial investments</u>		
Time deposits with maturity of longer than three months	-	41.411
<u>Long term financial investments</u>		
Available for sale financial investments	70.770	68.745

As of 31 December 2015, the Group does not have any short term investments. (31 December 2014: Time deposits amounting to 41.411 (17.858 thousand USD) with maturity of longer than three months with an annual interest rate of 3%).

Details of available for sale financial assets are as follows:

Details	Share %	31 December 2015	Share %	31 December 2014
<u>Traded</u>				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	67.734	10,79	65.523
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.256	<1	1.429
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	74	<1	87
Turcas Petrolcülük A.Ş.	<1	7	<1	10
		<u>69.071</u>		<u>67.049</u>
<u>Non traded</u>				
Sınai ve Mali Yatırımlar Holding A.Ş.	<1	2.536	<1	2.536
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. (*)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	27,45	109	27,45	109
Tümteks Tekstil Sanayi ve Ticaret A.Ş.	7,45	6.147	7,45	6.147
Other		1.449		1.298
		<u>11.580</u>		<u>11.429</u>
Less: Allowance for impairment <u>of available for sale investment</u>				
Sınai ve Mali Yatırımlar Holding A.Ş.		(2.536)		(2.536)
Tümteks Tekstil Sanayi ve Ticaret A.Ş.		(6.147)		(6.147)
Other		(1.198)		(1.050)
		<u>(9.881)</u>		<u>(9.733)</u>
		<u>70.770</u>		<u>68.745</u>

(\*) As of 31 December 2015 and 2014, entities classified as financial investment are shown at cost due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.



# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 51.995 (31 December 2014: 50.060) in the fair value of the available for sale financial assets traded in active markets is directly recognized in equity. There is a negative difference amount of 15 (31 December 2014: 19 positive) in the fair value of the available for sale financial assets traded in active markets is directly recognized in the statement of profit or loss.

1.699 (31 December 2014: 1.696) 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.

Explanations about the nature and level of risks related to financial investments are provided in Note 33.

### 7. SHORT AND LONG TERM FINANCIAL DEBTS

	31 December 2015	31 December 2014
Short-term bank loans	615.133	676.552
Short-term portion of long-term bank loans and interest payments	320.716	1.154
Short term portion of long term obligation under finance leases	6.991	20.525
<b>Total short-term financial debts</b>	<b>942.840</b>	<b>698.231</b>
Long-term bank loans	268.170	383.851
Long term obligation under finance leases	3.900	5.851
<b>Total long-term financial debts</b>	<b>272.070</b>	<b>389.702</b>
<b>Total financial debts</b>	<b>1.214.910</b>	<b>1.087.933</b>

The details of bank loans are as follows:

Original currency	Weighted average interest rate %		31 December 2015		
	Short term	Long term	Short term	Long term	Total
US Dollars	2,87	-	726.480	-	726.480
EUR	2,44	2,90	104.418	268.170	372.588
TRY	10,38	-	104.951	-	104.951
			<b>935.849</b>	<b>268.170</b>	<b>1.204.019</b>

Original currency	Weighted average interest rate %		31 December 2014		
	Short term	Long term	Short term	Long term	Total
US Dollars	3,17	3,88	505.936	124.766	630.702
EUR	2,04	3,23	52.479	259.085	311.564
TRY	12,04	-	101.760	-	101.760
TRY	-	-	17.531	-	17.531
			<b>677.706</b>	<b>383.851</b>	<b>1.061.557</b>

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 7. SHORT AND LONG TERM FINANCIAL DEBTS (cont'd)

Repayment schedule of bank loans is as follows:

	31 December 2015	31 December 2014
Within 1 year	935.849	677.706
Within 1-2 year	67.044	176.583
Within 2-3 year	67.042	51.817
Within 3-4 year	67.042	51.817
Within 4-5 year	67.042	51.817
Within 5 or more years	-	51.817
	<u>1.204.019</u>	<u>1.061.557</u>

Group's bank loans; as of 31 December 2015 in the amounts of 247.000 thousand USD (718.177), 11.200 thousand EUR (35.589) and 100.086 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2014: 267.778 thousand USD (620.950), 18.100 thousand EUR (51.055), 115.531). Other bank loans are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk.

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) bank loan from Unicredit Bank Austria AG in August, 2013 for sulfuric acid facility in Samsun factory. The duration of repayments will last 7 years, including no principal payment within the first two years and ten equal payments in five years. The loan amount used until 31 December 2015 is 176.722 (EUR 55.615 thousand). The interest rate for 6 months is 2% plus Euribor. Toros Tarım fulfilled the financial performance criteria obliged due to the agreement as of 31 December 2015. The Deutsche Bank loan amount used for investments until 31 December 2015 is 158.492 (EUR 49.878 thousand). The duration of repayments will last 6,5 years with ten equal payments, including no principal payment within first 1,5 years. The interest rate for 6 months is 0,9% plus Euribor.

Details of obligation under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Obligations under finance leases				
Within one year	7.374	21.447	6.991	20.525
Within 2-5 year	4.109	5.998	3.900	5.851
	<u>11.483</u>	<u>27.445</u>	<u>10.891</u>	<u>26.376</u>
Less: finance expenses related to following years	(592)	(1.069)	-	-
Present value of obligations finance leases	<u>10.891</u>	<u>26.376</u>	<u>10.891</u>	<u>26.376</u>
Less: Payments within 12 months (in short term payables)			<u>6.991</u>	<u>20.525</u>
Due beyond 12 months			<u>3.900</u>	<u>5.851</u>

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term varies between 24 months and 48 months (2014: 36 – 48 months). For the year ended 31 December 2015 effective weighted average interest is 4,59% for USD and 5,47% for EUR (31 December 2014: 5,34% for USD, 5,36% for EUR). Financial lease obligations currency type distribution is disclosed in Note 33. The fair value of the Group's lease obligations approximates their carrying amount.

Explanations about the nature and level of risks related to financial debts are provided in Note 33.

Translated into English from the report originally issued in Turkish.

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### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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:

	31 December 2015	31 December 2014
<b>Short term trade receivables</b>		
Receivables from Contracting group operations	769.005	480.159
Receivables from Agriculture group operations	75.369	157.502
Receivables from Real Estate group operations	31.767	16.729
Receivables from Other group operations	5.383	11.655
Provision for doubtful receivables	(26.068)	(56.292)
Retention receivables (Note: 11)	66.403	65.355
Due from related parties (Note: 32)	25.440	17.819
Other	12.347	11.461
	<u>959.646</u>	<u>704.388</u>
<b>Long term trade receivables</b>		
Retention receivables (Note: 11)	105.715	70.901
Receivables from Real Estate group operations	22.892	17.304
	<u>128.607</u>	<u>88.205</u>

Postdated cheques amounting to 47.695 (31 December 2014: 126.374), notes receivables amounting to 52.995 (31 December 2014: 32.469), positive foreign currency differences amounting to 385 (31 December 2014: negative foreign currency differences amounting to 12), and due date differences amounting to 1 (31 December 2014: 8) are included in short and long term trade receivables.

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 116 days (31 December 2014: 66 days), for domestic projects is 39 days (31 December 2014: 35 days), for Agriculture group is 40 days (31 December 2014: 40 days), for Real Estate group for short term trade receivables are 166 days, for long term trade receivables is 447 days (31 December 2014: short term trade receivables is 115 days, long term trade receivables are 625 days) and for other segment is 39 days (31 December 2014: 93 days).

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered. As of 31 December 2015, trade receivables of 26.068 (31 December 2014: 67.787) is provided provision for in the amount of 26.068 (31 December 2014: 56.292).

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

	2015	2014
Provision as at 1 January	(56.292)	(32.675)
Charge for the year	(1.436)	(21.628)
Collected	36	362
Provision released	9.117	-
Write off of bad debt	29.368	-
Currency translation effect	(6.861)	(2.351)
Provision as at 31 December	<u>(26.068)</u>	<u>(56.292)</u>

Doubtful receivable charge for the period has been charged to general administrative expenses (2014: 19.938 has been charged to cost of revenue and 1.690 to general administrative expenses). In the current period, doubtful receivable income has been realized due to the receivables written off in the previous periods becoming collectable. Doubtful receivable income has been charged to cost of revenue as income (Note 23).

Explanations about the nature and level of risks related to trade receivables are provided in Note 33.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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:

	31 December 2015	31 December 2014
<b>Short term trade payables</b>		
Payables from Contracting group operations	612.964	615.611
Payables from Agriculture group operations	473.736	464.602
Payables from Real Estate group operations	6.879	5.190
Payables from Other group operations	11.192	7.512
Due to related parties (Note: 32)	490	519
Retention payables (Note: 11)	106.423	12.430
Other trade payables	63	181
	<u>1.211.747</u>	<u>1.106.045</u>
<b>Long term trade payables</b>		
Retention payables (Note: 11)	1.830	79.117
Trade payables from Contracting group operations	439	73
	<u>2.269</u>	<u>79.190</u>

Notes payables amounting to 5.960 (31 December 2014: 141), and foreign currency differences amounting to 76.825 (31 December 2014: 61.337) are included in short and long term trade payables), there are not any postdated cheques in the current year (31 December 2014: None ).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 92% (31 December 2014: 93%) of trade payables as at balance sheet date and average payable period for these import purchases is 179 days (31 December 2014: 164 days) whereas average payable period for domestic purchases is 30 days (31 December 2014: 30 days).

For Contracting group, import purchases through letter of credit constitute 5% (31 December 2014: 3%) of trade payables as at balance sheet date. The average payable period for these import purchases is 91 days (31 December 2014: 90 days) whereas the average payable period for other purchases is 158 days (31 December 2014: 104 days).

The average payable period for Real Estate group is 33 days (31 December 2014: 30 days).

For the other operations of the Group, the average payable period is 46 days (31 December 2014: 54 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 33.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 9. OTHER RECEIVABLES AND PAYABLES

##### a) Other Receivables:

	31 December 2015	31 December 2014
<u>Other short term receivables</u>		
Related party receivables (Note: 32)	2.944	-
Deposits and guarantees given	1.609	1.305
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	1.154	1.748
	<u>5.707</u>	<u>3.053</u>
<u>Other long term receivables</u>		
Deposits and guarantees given	2.957	2.836
Other doubtful receivables	-	1.113
Provision for other doubtful receivables	-	(1.113)
Other receivables	-	130
	<u>2.957</u>	<u>2.966</u>

##### b) Other Payables:

	31 December 2015	31 December 2014
<u>Other short term payables</u>		
Taxes and funds payable	19.644	12.338
Deposits and guarantees received	3.409	1.751
Related party payables - non trade (Note: 32)	-	21
Other payables	2.310	1.163
	<u>25.363</u>	<u>15.273</u>
<u>Other long term payables</u>		
Fair value of redeemed shares	15.695	22.494
Deposits and guarantees received	2.690	1.719
	<u>18.385</u>	<u>24.213</u>

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 33.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 10. INVENTORIES

	31 December 2015	31 December 2014
Raw materials	116.391	62.378
Work in progress	177.366	87.154
Finished goods	83.766	55.911
Trading goods	62.246	122.974
Goods in transit	82.028	72.799
Inventory from real estate projects	214.030	145.479
Inventory at construction sites	120.434	147.749
Other inventories	35.185	29.074
Allowance for impairment on inventory (-)	-	(1.039)
	<u>891.446</u>	<u>722.479</u>

During the year ended 31 December 2015, borrowing costs capitalized in inventory amount to 8.343 (31 December 2014: 14.832).

Movement of allowance for impairment on inventory	2015	2014
Provision as of 1 January	(1.039)	(67)
Charge for the period	-	(1.039)
Currency translation effect	-	(1)
Provision released	1.039	68
Provision as of 31 December	<u>-</u>	<u>(1.039)</u>

The Group does not have any inventories whose net realizable value is less than its current cost. Accordingly, there is not any provision for allowance for impairment on inventory (31 December 2014 inventories whose net realizable value is less than its current cost: 7.280).

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 11. CONSTRUCTION CONTRACTS

	31 December 2015	31 December 2014
Cost incurred on uncompleted contracts	11.281.208	8.648.378
Recognised gain less losses (net)	290.938	187.789
	<u>11.572.146</u>	<u>8.836.167</u>
Less: Billings to date (-)	(11.283.106)	(8.482.084)
	<u>289.040</u>	<u>354.083</u>

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

	31 December 2015	31 December 2014
From customers under construction contracts	451.340	409.086
To customers under construction contracts	(162.300)	(55.003)
	<u>289.040</u>	<u>354.083</u>

	31 December 2015	31 December 2014
<u>Receivables from uncompleted contracts</u>		
Contracts undersigned abroad	435.212	386.047
Contracts undersigned in Turkey	16.128	23.039
	<u>451.340</u>	<u>409.086</u>
<u>Payables from uncompleted contracts</u>		
Contracts undersigned abroad	(57.493)	(54.020)
Contracts undersigned in Turkey	(104.807)	(983)
	<u>(162.300)</u>	<u>(55.003)</u>
	<u>289.040</u>	<u>354.083</u>

The Group has 35.497 of advances given to subcontractors and other suppliers for construction projects classified in short term prepaid expenses (31 December 2014: 58.087). Also, the Group has 347.417 of advances received for contracting projects classified in advances received (31 December 2014: 183.203) (Note 16).

As of 31 December 2015, the Group has 108.253 of retention payables to subcontractors (31 December 2014: 91.547). Also, the amount of retention receivables is 172.118 (31 December 2014: 136.256) (Note 8).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 12. INVESTMENTS VALUED BY EQUITY METHOD

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

Joint Ventures	Location of foundation and operation	31 December 2015		31 December 2014		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
H-T Fidecilik	Turkey	50,00 %	7.548	50,00 %	6.060	50,00 %	Agriculture
Azfen	Azerbaijan	40,00 %	78.465	40,00 %	81.002	40,00 %	Construction
Black Sea	Turkey	30,00 %	807	30,00 %	997	30,00 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50,00 %	61.028	50,00 %	61.248	50,00 %	Real Estate
			<u>147.848</u>		<u>149.307</u>		

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

	2015	2014
Opening balance as at 1 January	149.307	120.547
Group's share on profit/(loss)	51.962	41.127
Dividends	(11.211)	(16.357)
Capital increases	900	-
Currency translation effect	(42.896)	4.110
Profit eliminations	(214)	(120)
Closing balance as at 31 December	<u>147.848</u>	<u>149.307</u>

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

H-T Fidecilik	588	448
Azfen	51.571	40.410
Black Sea	(190)	269
Florya Gayrimenkul	(7)	-
Shares on profit/ loss of joint ventures consolidated by equity method	<u>51.962</u>	<u>41.127</u>



**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)**Information related to financial position:

<u>31 December 2015</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Cash and cash equivalents	21	53.183	2.257	125	55.586
Other current assets	30.959	436.949	450	70.841	539.199
Other non current assets	17.292	81.875	196	59.834	159.197
<b>Total Assets</b>	<b>48.272</b>	<b>572.007</b>	<b>2.903</b>	<b>130.800</b>	<b>753.982</b>
Short term financial debts	20.958	-	-	-	20.958
Other short term liabilities	11.297	375.846	201	6.286	393.630
Long term financial debts	3	-	-	-	3
Other long term liabilities	919	-	13	2.458	3.390
<b>Total Liabilities</b>	<b>33.177</b>	<b>375.846</b>	<b>214</b>	<b>8.744</b>	<b>417.981</b>
Net Assets	15.095	196.161	2.689	122.056	336.001
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
<b>Group's share on Net Assets</b>	<b>7.548</b>	<b>78.465</b>	<b>807</b>	<b>61.028</b>	<b>147.848</b>

**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**12. INVESTMENTS VALUED BY EQUITY METHOD (cont’d)**

Information related to financial position (cont’d):

<u>31 December 2014</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Cash and cash equivalents	16	87.517	2.508	153	90.194
Other current assets	24.838	323.656	11.311	60.653	420.458
Other non current assets	16.652	69.248	473	65.327	151.700
<b>Total Assets</b>	<b>41.506</b>	<b>480.421</b>	<b>14.292</b>	<b>126.133</b>	<b>662.352</b>
Short term financial debts	16.154	-	-	-	16.154
Other short term liabilities	11.735	276.051	10.844	1.192	299.822
Long term financial debts	1.073	-	-	-	1.073
Other long term liabilities	424	1.865	124	2.445	4.858
<b>Total Liabilities</b>	<b>29.386</b>	<b>277.916</b>	<b>10.968</b>	<b>3.637</b>	<b>321.907</b>
Net Assets	12.120	202.505	3.324	122.496	340.445
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
<b>Group's share on Net Assets</b>	<b>6.060</b>	<b>81.002</b>	<b>997</b>	<b>61.248</b>	<b>149.307</b>

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 12. INVESTMENTS VALUED BY EQUITY METHOD (cont’d)

Information related to profit or loss statement (cont’d):

31 December 2015	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	41.864	1.496.368	98.168	-	1.636.400
Depreciation and amortization expense	1.547	24.758	125	-	26.430
Operating profit / (loss)	3.067	124.673	(6.050)	-	121.690
Financial income	6	43.796	9.673	-	53.475
Financial expense (-)	(1.727)	-	(4.230)	(1)	(5.958)
Tax income / (expense)	(169)	(39.542)	(27)	(13)	(39.751)
Profit / (Loss) for the year	1.177	128.927	(634)	(14)	129.456
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Profit / (Loss) for the year	588	51.571	(190)	(7)	51.962
31 December 2014	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	29.656	752.826	151.255	-	933.737
Depreciation and amortization expense	1.059	14.997	116	-	16.172
Operating profit / (loss)	1.972	125.846	(1.423)	1	126.396
Financial income	5	1.335	2.323	9	3.672
Financial expense (-)	(916)	-	(2)	-	(918)
Tax income / (expense)	(164)	(26.158)	-	(9)	(26.331)
Profit / (Loss) for the year	896	101.024	898	-	102.818
Group's Ownership Rate	%50,00	%40,00	%30,00	%50,00	
Group's share on Profit / (Loss) for the year	448	40.410	269	-	41.127

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 13. INVESTMENT PROPERTY

Investment property as at 31 December 2015 and 2014 is as follows:

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Opening balance as at 1 January 2015	7.916	99.663	107.579
Currency translation effect	(1.749)	-	(1.749)
Additions	-	1.737	1.737
Transfers	15.041	(2.216)	12.825
Closing balance as at 31 December 2015	<u>21.208</u>	<u>99.184</u>	<u>120.392</u>
<u>Accumulated Depreciation</u>			
Opening balance as at 1 January 2015	-	(29.245)	(29.245)
Charge for the year	-	(2.840)	(2.840)
Transfers to Property, Plant and Equipment	-	523	523
Closing balance as at 31 December 2015	<u>-</u>	<u>(31.562)</u>	<u>(31.562)</u>
Carrying value as at 31 December 2015	<u>21.208</u>	<u>67.622</u>	<u>88.830</u>
<u>Cost</u>			
Opening balance as at 1 January 2014	5.878	99.371	105.249
Currency translation effect	378	-	378
Additions	-	292	292
Disposals	1.660	-	1.660
Closing balance as at 31 December 2014	<u>7.916</u>	<u>99.663</u>	<u>107.579</u>
<u>Accumulated Depreciation</u>			
Opening balance at 1 January 2014	-	(26.474)	(26.474)
Charge for the year	-	(2.771)	(2.771)
Closing balance as at 31 December 2014	<u>-</u>	<u>(29.245)</u>	<u>(29.245)</u>
Carrying value as at 31 December 2014	<u>7.916</u>	<u>70.418</u>	<u>78.334</u>

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 2.317 (2014: 2.248) has been charged to cost of revenue, 523 (2014: 523) to general administrative expenses.

For the year ended 31 December 2015 total rental income earned from investment properties is 28.763 (31 December 2014: 25.827). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 6.092 (31 December 2014: 7.103).

The fair value of the Group’s investment property has been arrived based on a valuation carried out by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair market value of the investment properties as of 31 December 2015 is 518.845 (31 December 2014: 416.291) according to the valuation carried out by independent expert.

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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
<b>Cost Value</b>								
Opening balance as at 1 January 2015	356.224	334.224	1.190.773	33.776	78.480	498.063	136.957	2.628.497
Currency translation effect	(690)	20.421	162.423	6.322	9.710	(30)	1.258	199.414
Additions	36.247	707	13.021	201	5.124	236.259	106	291.665
Disposals	(1.760)	(6.485)	(99.960)	(4.078)	(5.276)	(1.227)	(158)	(118.944)
Transfers	3.331	36.747	554.406	-	1.530	(658.755)	7.252	(55.489)
Closing balance as at 31 December 2015	393.352	385.614	1.820.663	36.221	89.568	74.310	145.415	2.945.143
<b>Accumulated Depreciation</b>								
Opening balance as at 1 January 2015	(117.044)	(190.440)	(959.426)	(28.716)	(61.932)	-	(85.180)	(1.442.738)
Currency translation effect	(13.325)	(9.693)	(125.288)	(5.471)	(8.259)	-	(995)	(163.031)
Charge for the year	(14.162)	(6.417)	(61.678)	(3.506)	(8.706)	-	(5.234)	(99.703)
Disposals	971	4.054	97.625	4.231	4.815	-	132	111.828
Transfers	1	27.603	71	44	143	-	(117)	27.745
Closing balance as at 31 December 2015	(143.559)	(174.893)	(1.048.696)	(33.418)	(73.939)	-	(91.394)	(1.565.899)
Carrying value as at 31 December 2015	249.793	210.721	771.967	2.803	15.629	74.310	54.021	1.379.244

Property, plant and equipment include fixed assets with carrying value of 46.301 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 6.916 (31 December 2014: 2.213). For the year ended as of 31 December 2015, additional capitalized borrowing costs amounting to 49.590 (31 December 2014: 780 reversal of capitalized borrowing costs) are included in property, plant and equipment. The rate used to determine the amount of borrowing costs eligible for capitalization is 18,64% (2014:18,39%).

Translated into English from the report originally issued in Turkish.

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### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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
<b>Cost Value</b>								
Opening balance as at 1 January 2014	339.855	347.984	1.273.685	40.293	77.602	154.592	136.079	2.370.090
Currency translation effect	16.897	2.104	55.045	1.835	4.614	135	390	81.020
Additions	5.205	155	24.386	530	4.305	364.454	351	399.386
Disposals	(7.018)	(1.356)	(24.347)	(2.155)	(5.722)	-	-	(40.598)
Transfers	2.098	11.275	5.729	-	479	(21.118)	137	(1.400)
Disposals due to the grant of subsidiary	-	-	-	-	(250)	-	-	(250)
Transfer of the subsidiary to assets classified as held for sale	-	(25.938)	(39.510)	(431)	(326)	-	-	(66.205)
Derecognition of property, plant and equipment in Libya	(813)	-	(104.215)	(6.296)	(2.222)	-	-	(113.546)
Closing balance as at 31 December 2014	356.224	334.224	1.190.773	33.776	78.480	498.063	136.957	2.628.497
<b>Accumulated Depreciation</b>								
Opening balance as at 1 January 2014	(103.241)	(210.609)	(980.052)	(33.116)	(57.173)	-	(81.187)	(1.465.378)
Currency translation effect	(7.207)	940	(40.088)	(1.855)	(3.782)	-	(267)	(52.259)
Charge for the year	(12.310)	(6.046)	(54.702)	(2.436)	(6.849)	-	(4.017)	(86.360)
Disposals	4.901	902	16.772	1.993	3.090	-	-	27.658
Transfers	-	-	-	-	-	-	291	291
Disposals due to the grant of subsidiary	-	-	-	-	250	-	-	250
Transfer of the subsidiary to assets classified as held for sale	-	24.373	37.936	402	310	-	-	63.021
Derecognition of property, plant and equipment in Libya	813	-	60.708	6.296	2.222	-	-	70.039
Closing balance as at 31 December 2014	(117.044)	(190.440)	(959.426)	(28.716)	(61.932)	-	(85.180)	(1.442.738)
Carrying value as at 31 December 2014	239.180	143.784	231.347	5.060	16.548	498.063	51.777	1.185.759

Property, plant and equipment include fixed assets with carrying value of 117.673 purchased through financial lease.

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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:

	<u>Useful life</u>
Land and land improvements	2-50 years
Buildings	5-50 years
Machinery and equipment	2-40 years
Vehicles	2-12 years
Furniture and fixtures	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 91.971 (2014: 80.239) has been charged to cost of revenue, 1.039 (2014: 1.357) to marketing expenses, 2.870 (2014: 4.369) to general administrative expenses and 3.823 (2014: 395) to inventory.

#### 15. INTANGIBLE ASSETS

<u>Cost value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as at 1 January 2015	22.055	1.347	23.402
Currency translation effect	4.145	26	4.171
Additions	1.671	1.010	2.681
Disposals	(1)	-	(1)
Transfers	8.410	-	8.410
Closing balance as at 31 December 2015	<u>36.280</u>	<u>2.383</u>	<u>38.663</u>
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2015	(18.387)	(301)	(18.688)
Currency translation effect	(3.558)	(26)	(3.584)
Charge for the year	(1.887)	-	(1.887)
Disposals	1	-	1
Transfers	77	22	99
Closing balance as at 31 December 2015	<u>(23.754)</u>	<u>(305)</u>	<u>(24.059)</u>
Carrying value as at 31 December 2015	<u>12.526</u>	<u>2.078</u>	<u>14.604</u>
<u>Cost value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as at 1 January 2014	19.131	449	19.580
Currency translation effect	1.268	(8)	1.260
Additions	877	906	1.783
Disposals due to the grant of subsidiary	(202)	-	(202)
Transfers	981	-	981
Closing balance as at 31 December 2014	<u>22.055</u>	<u>1.347</u>	<u>23.402</u>
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2014	(15.966)	(303)	(16.269)
Currency translation effect	(1.061)	8	(1.053)
Charge for the year	(1.255)	(6)	(1.261)
Disposals due to the grant of subsidiary	186	-	186
Transfers	(291)	-	(291)
Closing balance as at 31 December 2014	<u>(18.387)</u>	<u>(301)</u>	<u>(18.688)</u>
Carrying value as at 31 December 2014	<u>3.668</u>	<u>1.046</u>	<u>4.714</u>

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

Amortization expense of 1.866 (2014: 969) has been charged to general administrative expenses, 21 (2014: 292) to cost of revenue.

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#### 16. PREPAID EXPENSES, ADVANCES RECEIVED AND DEFERRED REVENUE

	31 December 2015	31 December 2014
<u>Short term prepaid expenses</u>		
Advances paid for construction projects (Note: 11)	35.497	58.087
Prepaid expenses	17.329	9.958
Business advances given	434	534
Order advances given	9.412	8.935
	<u>62.672</u>	<u>77.514</u>
<u>Long term prepaid expenses</u>		
Advances given for fixed assets	4.734	8.464
Prepaid expenses	6.539	13.483
	<u>11.273</u>	<u>21.947</u>
<u>Advances received</u>		
Advances received for construction projects (Note: 11)	347.417	183.203
Other advances received	8.017	49.021
	<u>355.434</u>	<u>232.224</u>
<u>Short term deferred revenue</u>		
Income relating to future months	5.730	5.618
	<u>5.730</u>	<u>5.618</u>
<u>Long term advances received</u>		
Advances received for Real Estate projects	247.921	87.128
	<u>247.921</u>	<u>87.128</u>

#### 17. GOVERNMENT GRANTS AND INCENTIVES

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

Before the harvest period, the support amounts per kilogram are conveyed in the Official Gazette by Republic of Turkey Ministry of Food, Agriculture and Livestock annually. For the harvest period in 2015, unit prices conveyed in 2014 for wheat is 0,10 TRY/kg and for potato is 0,08 TRY/kg. As of 31 December 2015, income generated from wheat support is 1.295 whereas the income generated from potato support is 144 which make a total income of 1.439 (31 December 2014: wheat supporting 899, potato supporting 180, total 1.079) (Note 26). Support income generated from current year sales is recognized as income accrual every reporting period is collected in the following period.

Within the scope of Tübitak, The Scientific and Technological Research Council of Turkey Teydeb (The Scientific and Technological Research Council of Turkey Technology and Innovation Grant Programs Directorate), several programs are being conducted for private sector entities on a project basis in order to provide support for Research and Development activities. 1511 numbered Research Technology Development and Innovation Projects in Priority Areas Grant Program is one of those programs. Toros Tarım applied for support within the context of this program with “Wheat Breeding Project” and its project is approved. The purpose of the project is to breed high quality and efficient wheat types that are resistant to biotic and abiotic stress conditions for different ecological zones of our country. 36 month long support duration has begun on 1 September 2013 and will continue until 31 August 2016. In parallel with the budget given to Tübitak; personnel expenses, fixed asset and material acquisitions, service and labor costs are also in the scope of the support. Support fees will be paid in cash after the assessment of financial and technical reports presented to Tübitak semi-annually.



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### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### a) Provisions

	31 December 2015	31 December 2014	
<u>Short term other provisions</u>			
Provision for litigation	64.904	23.152	
Other provisions	372	4.310	
	<u>65.276</u>	<u>27.462</u>	
	31 December 2015	31 December 2014	
<u>Long term other provisions</u>			
Other provisions	75	65	
	<u>75</u>	<u>65</u>	
	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as of 1 January 2015	23.152	4.375	27.527
Currency translation effect	4.513	695	5.208
Charge for the period	38.577	13	38.590
Provision paid	(602)	(3.758)	(4.360)
Provision released	(736)	(878)	(1.614)
Closing balance as of 31 December 2015	<u>64.904</u>	<u>447</u>	<u>65.351</u>
Opening balance as of 1 January 2014	8.112	22.650	30.762
Currency translation effect	626	739	1.365
Charge for the period	19.304	3.713	23.017
Provision paid	(382)	(136)	(518)
Provision released	(4.508)	(22.591)	(27.099)
Closing balance as of 31 December 2014	<u>23.152</u>	<u>4.375</u>	<u>27.527</u>

##### b) Contingent Assets and Liabilities

###### Contractual Obligations:

###### *Defects Liabilities*

Based on the agreements signed with customers, the Group’s subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods 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.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

##### b) Contingent Assets and Liabilities (cont’d)

###### Litigations:

As of 31 December 2015, lawsuit filed against the Group is totally 122.083 (31 December 2014: 119.453) and the management has decided to accrue 64.904 (31 December 2014: 23.152) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group.

###### *Libya Arbitration Claim*

As explained in detail in the consolidated financial statements of 31 December 2014, the Group resolved to proceed with an International Arbitration claim for recovery of assets in Libya. In line with this decision, on 16 June 2015, a plea of commercial arbitration was placed with the International Court of Arbitration of the International Chamber of Commerce (ICC) against the contracting management for the project, Libyan Man-Made River Authority (MMRA), and Libyan State via offering “Request for Arbitration”. Additionally, an additional plea of commercial arbitration was placed with ICC against Libyan State in the context of Treaty on Bilateral Investment Protection signed between Libyan and Turkish States. Letters of guarantees given related to Libya project to various institutions amount to 124.

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.

###### *Toros Tarım Samsun Fertilizer Facility*

As explained in detail in the consolidated financial statements of 31 December 2014, since Samsun Facility owned by Toros Tarım is acquired via privatization in 2005, the operating license has not been granted due to zoning problems and the facility encountered with the risk of shutdown by Samsun Metropolitan Municipality and information is given related to lawsuits to prevent this situation.

As these lawsuits proceed, on 16 September 2015 the operating license has been granted after a new zoning plan prepared by Municipality without the objection of Toros Tarım. Thus, the risk of shutdown of the facility disappeared entirely.

###### Other provisions

As explained in detail in the consolidated financial statements of 31 December 2014, tax inspection carried out by the Ministry of Finance on Tekfen İnşaat’s for the corporation tax calculations for the fiscal years 2010 and 2011 has been completed. According to the report prepared by the tax inspector, as of 31 December 2014, a provision was recognized in the amount of 3.610 (USD 1.651 thousand) in other provisions. During the current year, payment amounting to 3.758 (USD 1.382 thousand) has been made and provision amounting to 731 (USD 269 thousand) has been released.

###### 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.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### 19. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2015 and 2014 is as follows:

31 December 2015	Equivalent of Thousands TRY	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands</i>
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	5.696.722	1.664.489	59.691	667.380
-Guarantee	5.692.222	1.664.489	59.691	662.880
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	96.609	-	-	96.609
-Guarantee	96.609	-	-	96.609
-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	-	-	-	-
<b>Total as of 31 December 2015</b>	<b>5.793.331</b>	<b>1.664.489</b>	<b>59.691</b>	<b>763.989</b>
31 December 2014	Equivalent of Thousands TRY	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TRY)</i>
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	6.145.036	2.313.655	60.232	610.005
-Guarantee	6.140.536	2.313.655	60.232	605.505
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	27.381	-	-	27.381
-Guarantee	27.381	-	-	27.381
-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	-	-	-	-
<b>Total as of 31 December 2014</b>	<b>6.172.417</b>	<b>2.313.655</b>	<b>60.232</b>	<b>637.386</b>

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### 20. EMPLOYEE BENEFITS

Employee benefit payables

	31 December 2015	31 December 2014
Salary accruals	26.371	24.814
Social security withholding payables	10.125	9.312
	<u>36.496</u>	<u>34.126</u>

	31 December 2015	31 December 2014
Short term provisions attributable to employee benefits		
Retirement pay provision	4.533	17.321
Unused vacation pay liability provision	13.594	15.526
Premium provision	14.284	13.818
	<u>32.411</u>	<u>46.665</u>

Long term provisions attributable to employee benefits

Retirement pay provision	60.977	36.649
	31 December 2015	31 December 2014
Short term retirement pay provision	4.533	17.321
Long term retirement pay provision	60.977	36.649
	<u>65.510</u>	<u>53.970</u>

#### Retirement pay provision:

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.

Retirement pay provision for Turkish personnel employed in Turkey:

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

Group has calculated current year's amount by using the upper limit 4.092,53 TRY which is effective on or after 1 January 2016 (31 December 2014: 3.541,37 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 2015.

There is no legal funding requirement for retirement pay liability.

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

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### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 20. EMPLOYEE BENEFITS (cont’d)

##### Retirement pay provision (cont’d):

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2015, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of 31 December 2015, the provisions have been calculated by taking the real discount rate as approximately 4,53% (31 December 2014: 2,82%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of foreign employees located abroad:

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

Retirement pay provision for subcontractor employee:

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

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as of 1 January 2015	53.970	13.818	15.526	83.314
Currency translation effect	5.677	1.486	1.633	8.796
Charge for the period	31.768	17.747	6.989	56.504
Interest expense	903	-	-	903
Provision paid	(26.277)	(18.767)	(9.831)	(54.875)
Provision released	(5)	-	(723)	(728)
Actuarial gain	(526)	-	-	(526)
Closing balance as of 31 December 2015	<u>65.510</u>	<u>14.284</u>	<u>13.594</u>	<u>93.388</u>
Opening balance as of 1 January 2014	50.824	12.629	17.933	81.386
Currency translation effect	1.627	274	793	2.694
Charge for the period	19.946	13.484	10.054	43.484
Interest expense	1.309	-	-	1.309
Provision paid	(23.414)	(12.569)	(11.645)	(47.628)
Provision released	(213)	-	(1.609)	(1.822)
Actuarial loss	3.891	-	-	3.891
Closing balance as of 31 December 2014	<u>53.970</u>	<u>13.818</u>	<u>15.526</u>	<u>83.314</u>

28.127 (2014: 17.960) of current year charge and released provision for retirement pay has been included in cost of revenue, 4.249 (2014: 2.916) has been included in general administrative expenses and 290 (2014: 166) has been included in marketing expenses.

2.544 (2014: 1.822), 14.548 (2014: 11.080) and 645 (2014: 582) of current year premium provision have been included in cost of revenue, in general administrative expenses and in marketing expenses respectively.

6.150 (2014: 7.249) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 96 (2014: 1.013) has been included in general administrative expenses and 20 (2014: 183) has been included in marketing expenses.

**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

	31 December 2015	31 December 2014
<b>Other current assets</b>		
VAT receivables	194.683	174.240
Withholding tax of ongoing construction contracts	47.646	3.084
Other current assets	431	109
	<u>242.760</u>	<u>177.433</u>
	31 December 2015	31 December 2014
<b>Other non current assets</b>		
Withholding tax of ongoing construction contracts	25.026	51.460
VAT receivables	1.800	1.799
	<u>26.826</u>	<u>53.259</u>
	31 December 2015	31 December 2014
<b>Other short term liabilities</b>		
VAT calculated	3.319	11.386
Other	146	-
	<u>3.465</u>	<u>11.386</u>

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 22. SHAREHOLDERS’ EQUITY

#### a) Share Capital

After the changes in the shareholders’ structure during the period, the structure of the paid in capital as of 31 December 2015 and 2014 is as follows:

Shareholders	(%)	31 December 2015	(%)	31 December 2014
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Akçağlılar family	10,87%	40.216	10,87%	40.216
Other (*)	4,21%	15.593	4,21%	15.593
Publicly traded (**)	46,31%	171.339	46,31%	171.339
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		<u>373.475</u>		<u>373.475</u>

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

(\*\*) 24.983.368 (6,75%) shares at 1 TRY par value of publicly traded shares are under the control of founding shareholder families as of 31 December 2015 (31 December 2014: 14.892.694 share; 4,02%).

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2014: 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 than 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) Accumulated other comprehensive income or loss that will be not reclassified / reclassified in profit or loss

	31 December 2015	31 December 2014
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
-Loss on revaluation of defined retirement benefit plans	(376)	(658)
	<u>(376)</u>	<u>(658)</u>
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	108.234	163.474
- Gain/(loss) on revaluation and reclassification (Note: 6)	51.995	50.060
	<u>160.229</u>	<u>213.534</u>

Gain/(loss) on revaluation and remeasurement:

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 22. SHAREHOLDERS’ EQUITY (cont’d)

Currency Translation Reserve:

Group’s consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group’s consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 108.234 (31 December 2014: 163.474).

Gain / (loss) on revaluation and reclassification:

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

#### c) Restricted Profit Reserves

	31 December 2015	31 December 2014
Restricted profit reserves	176.413	140.185

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

*Profit Distribution:*

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

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

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

As of 3 March 2016, Board of Directors offered to pay shareholders 0,16 TRY (2014: 0,10 TRY) gross dividends per share. 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 60.081 (2014: 40.000), on the other side projected gross dividend amount to be paid to holders of the redeemed share is 3.585 (2014: 1.048).

*Resources That Can Be Subject To Profit Distribution:*

The other resources that may apply to profit distribution is 1.477.058 (31 December 2014: 1.206.696) for Tekfen Holding A.Ş., 1.002.181 portion of this amount belongs to shares issued and 474.877 portion of this amount belongs to bonus shares issued (31 December 2014: shares issued 731.790, bonus shares issued 474.906).

#### d) Premiums in Capital Stock

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



# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 23. REVENUE AND COST OF REVENUE

#### a) Revenue

	1 January- 31 December 2015	1 January 31 December 2014
Domestic goods and merchandise sales	1.627.791	1.623.119
Export goods and merchandise sales	47.338	33.572
Contract revenue – domestic	461.328	557.543
Contract revenue – abroad	1.669.659	2.191.110
Joint operations – domestic	14.463	17.712
Joint operations – abroad	7.683	1.428
Textile products revenue	7.972	14.564
Other	57.724	53.806
Sales returns (-)	(3.601)	(10.818)
Sales discounts (-)	(2.185)	(7.281)
	<u>3.888.172</u>	<u>4.474.755</u>

#### b) Cost of Revenue

	1 January- 31 December 2015	1 January- 31 December 2014
Cost of raw materials used	(1.590.334)	(1.658.370)
Subcontractor expenses	(685.517)	(1.103.723)
Personnel expenses	(496.800)	(522.560)
Machinery, vehicle and other rent expenses	(104.671)	(128.463)
Construction site expenses	(142.423)	(121.425)
Depreciation expenses (Note: 13, 14, 15)	(94.309)	(82.779)
Energy and fuel expenses	(80.440)	(53.893)
Maintenance expenses	(40.356)	(33.940)
Transportation expenses	(34.717)	(91.493)
Consultancy expenses	(32.781)	(54.710)
Outsourcing expenses	(31.460)	(23.911)
Engineering expenses	(16.792)	(23.254)
Cost of merchandises sold	(13.275)	(15.968)
Custom expenses	(12.216)	(7.854)
Insurance expenses	(10.217)	(10.739)
Consumable and other material expenses	(547)	(2.385)
Allowance for impairment on inventory (Note: 10)	-	(971)
Provision for doubtful receivables (Note: 8)	9.117	(19.938)
Other	(101.560)	(65.955)
	<u>(3.479.298)</u>	<u>(4.022.331)</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 24. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 31 December 2015	1 January- 31 December 2014
General administrative expenses (-)	(143.977)	(124.021)
Marketing expenses (-)	(123.072)	(131.825)
	<u>(267.049)</u>	<u>(255.846)</u>
	1 January- 31 December 2015	1 January- 31 December 2014
a) Details of General Administrative Expenses		
Personnel expenses	(89.422)	(77.932)
Consultancy expenses	(11.925)	(11.122)
Office and administration expenses	(14.265)	(10.760)
Depreciation and amortization expenses (Note: 13, 14, 15)	(5.259)	(5.861)
Bank and notary expenses	(3.741)	(2.133)
Hospitality expenses	(1.891)	(554)
Rent expenses	(1.805)	(1.016)
Duties, charges and other tax expenses	(1.725)	(1.897)
Communication expenses	(1.576)	(1.192)
Provision for doubtful receivables (Note: 8)	(1.436)	(1.690)
Traveling expenses	(1.318)	(1.152)
Maintenance expenses	(623)	(475)
Energy and fuel expenses	(411)	(324)
Reversal of doubtful receivable provision (Note: 8)	36	362
Other expenses	(8.616)	(8.275)
	<u>(143.977)</u>	<u>(124.021)</u>
b) Details of Marketing Expenses		
Transportation expenses	(94.448)	(96.606)
Personnel expenses	(9.241)	(8.756)
Real Estate group advertisement and marketing expenses	(3.509)	(3.475)
Duties, charges and other tax expenses	(1.304)	(1.693)
Rent expenses	(1.259)	(1.168)
Depreciation and amortization expenses (Note: 14)	(1.039)	(1.357)
Energy and fuel expenses	(901)	(972)
Hospitality expenses	(596)	(908)
Traveling expenses	(592)	(689)
Office and administration expenses	(447)	(2.599)
Maintenance expenses	(395)	(1.885)
Communication expenses	(296)	(354)
Other expenses	(9.045)	(11.363)
	<u>(123.072)</u>	<u>(131.825)</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 25. QUALITATIVE EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
Transportation expenses	(94.448)	(96.606)
Personnel expenses	(98.663)	(86.688)
Office and administration expenses	(14.712)	(13.359)
Consultancy expenses	(11.925)	(11.122)
Depreciation and amortization expenses (Note: 13, 14, 15)	(6.298)	(7.218)
Bank and notary expenses	(3.741)	(2.133)
Real Estate group advertisement and marketing expenses	(3.509)	(3.475)
Rent expenses	(3.064)	(2.184)
Duties, charges and other tax expenses	(3.029)	(3.590)
Hospitality expenses	(2.487)	(1.462)
Traveling expenses	(1.910)	(1.841)
Communication expenses	(1.872)	(1.546)
Provision for doubtful receivables (Note: 8)	(1.436)	(1.690)
Energy and fuel expenses	(1.312)	(1.296)
Maintenance expenses	(1.018)	(2.360)
Reversal of doubtful receivable provision (Note: 8)	36	362
Other expenses	(17.661)	(19.638)
	<u>(267.049)</u>	<u>(255.846)</u>

#### 26. OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
<u>Other operating income</u>	<u>2015</u>	<u>2014</u>
Foreign exchange gains	254.309	131.566
Due date difference income	17.396	13.954
Rent income	3.962	3.180
Discount income	3.322	2.628
Indemnity income	2.835	932
Scrap sale income	1.658	1.881
Refundment income of social benefit	1.551	1.372
Government grants and incentives income (Note: 17)	1.439	1.079
Reversal of litigation provision (Note: 18)	736	573
Reversal of other unnecessary provisions	726	252
Project management income	-	87
Other income	5.233	3.776
	<u>293.167</u>	<u>161.280</u>
<u>Other operating expenses (-)</u>		
Foreign exchange losses	(340.494)	(149.569)
Litigation provision (Note: 18)	(13.138)	(4.638)
Due date difference expenses	(6.349)	(6.590)
Grants and contributions	(638)	(658)
Penalty and damages expenses	(292)	(1.536)
Rent expenses	(183)	(1.414)
Discount expenses	(177)	(4.004)
Damages subject to litigation	(117)	(29)
Additional tax expenses	(77)	(13.563)
Other provision expenses	(13)	-
Loss arising from the derecognition of net assets in Libya (Note: 18)	-	(189.740)
Other expenses	(8.953)	(2.729)
	<u>(370.431)</u>	<u>(374.470)</u>

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 27. INVESTMENT INCOME AND EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
<u>Investment income</u>		
Gain on sale of fixed asset	10.840	5.474
Dividend income	7.921	6.664
Other	-	11
	<u>18.761</u>	<u>12.149</u>
<u>Investment expense (-)</u>		
Loss on sale of fixed assets	(1.220)	(260)
Impairment of fixed assets (Note: 29)	(939)	-
Other	(9)	-
	<u>(2.168)</u>	<u>(260)</u>

#### 28. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
<u>Financial income</u>		
Foreign exchange gains	161.373	93.151
Interest income	89.065	84.420
Currency translation reserve gains	4.884	4.901
Other finance income	100	30
	<u>255.422</u>	<u>182.502</u>
<u>Financial expenses (-)</u>		
Foreign exchange losses	(113.219)	(77.487)
Interest expenses	(41.248)	(39.905)
Currency translation reserve losses	(26.223)	(14.542)
Other finance expenses	(6.221)	(5.329)
Less: Financial expenses included in costs of property, plant and equipment and inventories	57.933	14.052
	<u>(128.978)</u>	<u>(123.211)</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 29. ASSETS CLASSIFIED AS HELD FOR SALE

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

	31 December 2015	31 December 2014
Assets classified as held for sale	23.851	19.485
	<u>23.851</u>	<u>19.485</u>

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

	2015	2014
Net book value as at 1 January	19.485	13.312
Currency translation effect	3.802	19
Allowance for impairment (Note: 27)	(939)	-
Impairment of subsidiary	(4.384)	-
Transfer of subsidiary	-	6.154
Transfers	5.887	-
Net book value as at 31 December	<u>23.851</u>	<u>19.485</u>

Sales negotiations concerning the sale of all shares of the Group’s subsidiary Papfen, which is consolidated with the full consolidation method and whose amount of total net assets as of the balance sheet date is 3.028, with potential buyers are still in progress. Net assets of Papfen have been classified to the account of “Assets classified as held for sale”.

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

	31 December 2015	31 December 2014
Assets related to current tax		
Prepaid corporate tax	43.658	52.872
	<u>43.658</u>	<u>52.872</u>
Current tax liability		
Corporate tax provision	48.486	45.733
Less: Prepaid taxes and funds	(43.658)	(52.872)
	<u>4.828</u>	<u>(7.139)</u>
Tax expense comprises as follows:		
Current tax provision	80.971	48.157
Deferred tax income	(14.447)	(10.319)
	<u>66.524</u>	<u>37.838</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### 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 2015 is 20% (2014: 20%).

In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2015 is 20% (2014: 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.

The Group is able to use its losses carried forward occurred in 2014 until 2019.

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.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### 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 %	Withholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%	15% - 20%
Uzbekistan	7,5%	10% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	21% - 22%	0% - 15%
Ireland	12,5% - 25%	0% - 20%
United Kingdom	20%	0% - 20%
Morocco	30%	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.

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 operations. These contracts are as follows:

- Ankara - Pozantı Highway (Çiftehan - Pozantı Section) Project - extended till 31 December 2016.

##### Investment Incentive Tax Exemption:

Concerning the investment undertaken relating to Samsun Facility, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from Republic of Turkey Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio. Additionally, Toros Tarım has obtained 5<sup>th</sup> Region Investment Incentive Certificate (investments priority subject) as of 7 July 2014 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio. In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 24.398 on the basis of two years over Toros Tarım's profit projections. (2014: 12.765).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### Deferred Tax:

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

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.

	31 December 2015	31 December 2014
<u>Components of deferred tax (assets)/liabilities bases:</u>		
Restatement and depreciation / amortization		
differences of tangible and intangible assets	123.251	22.928
Provision for retirement benefits and vacation liability	(35.122)	(38.733)
Investment incentive undertaken	(121.990)	(63.824)
Impairment provision for inventory	-	(309)
Contract costs and progress billings (net)	116.455	186.902
Undistributed profits of joint operations	37.488	32.286
Provision for doubtful receivables	(16.085)	(15.072)
Effect of income accruals	2.116	682
Tax losses carried forward	(7.016)	(5.140)
Provision for litigation	(6.127)	(6.614)
Available for sale investments	54.666	52.642
Provision for premium payments	(7.779)	(6.029)
Other	(28.277)	(8.608)
Deferred tax liabilities / (assets)	<u>111.580</u>	<u>151.111</u>
	31 December 2015	31 December 2014
<u>Components of deferred tax (assets)/liabilities:</u>		
Restatement and depreciation / amortization		
differences of tangible and intangible assets	17.343	(883)
Provision for retirement benefits and vacation liability	(7.054)	(7.748)
Investment incentive undertaken	(24.398)	(12.765)
Impairment provision for inventory	-	(61)
Contract costs and progress billings (net)	23.284	37.378
Undistributed profits of joint operations	7.497	6.460
Provision for doubtful receivables	(3.215)	(3.015)
Effect of income accruals	423	136
Tax losses carried forward	(1.402)	(1.029)
Provision for litigation	(1.225)	(1.323)
Available for sale investments	2.733	2.632
Provision for premium payments	(1.552)	(1.204)
Other	(5.666)	(1.716)
Deferred tax liabilities / (assets)	<u>6.768</u>	<u>16.862</u>
Deferred tax assets	(41.814)	(47.076)
Deferred tax liabilities	<u>48.582</u>	<u>63.938</u>
	<u>6.768</u>	<u>16.862</u>

Translated into English from the report originally issued in Turkish.



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

##### Deferred Tax (cont'd):

Movement of deferred tax assets and liabilities for the year ended 31 December 2015 is as follows:

Movement of deferred tax liabilities / (assets)	2015	2014
Opening balance as at 1 January	16.862	23.295
Deferred tax (income)/expense	(14.447)	(10.319)
Effect of available for sale investments in comprehensive income	102	257
Effect of actuarial gain / (loss) in comprehensive income	144	(779)
Currency translation effect	4.107	4.408
Closing balance as at 31 December	6.768	16.862

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

Reconciliation of taxation:	1 January- 31 December 2015	1 January- 31 December 2014
Profit before tax	259.560	95.695
Expected taxation (*)	104.808	89.223
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	7.431	1.338
- Dividend and other non taxable income	(49.767)	(21.163)
- Carryforward tax losses deducted in current year	(3.462)	(1)
- Effects of unrealizable tax (losses) / income (net)	43.234	12.750
- Investment incentive undertaken	(11.633)	(31.086)
- Effects of joint ventures	(552)	(415)
- Effect of change in tax rates and consolidation adjustments	(24.410)	(14.076)
- Other	875	1.268
Income tax expense recognized in statement of profit or loss	66.524	37.838

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

#### 31. EARNINGS PER SHARE

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

As of 31 December 2015 and 2014, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to 1 TRY) set out here are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
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)	185.466	55.909
Earnings per share from operations (TRY)	0,501	0,151

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#### 32. RELATED PARTY TRANSACTIONS

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

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

	31 December 2015		31 December 2014	
	Due from	Due to	Due from	Due to
	Short term	Short term	Short term	Short term
Balances with related parties				
Tekzen	397	227	1.633	211
Azfen	6.609	-	10.920	-
H-T Fidencilik	79	3	78	-
Florya Gayrimenkul	3.138	1	588	-
Black Sea	-	5	-	-
Agromak	13.322	3	-	-
Other	167	86	245	169
<i>Shareholders and key management</i>	173	100	145	96
<i>Joint operations</i>	4.499	65	4.210	64
	<u>28.384</u>	<u>490</u>	<u>17.819</u>	<u>540</u>

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### 32. RELATED PARTY TRANSACTIONS (cont’d)

Transactions with related parties	1 January - 31 December 2015								
	Purchases	Sales	Interest income	Interest expense	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	-	7.219	-	-	-	-	-	331	377
Azfen	-	13.364	-	-	11.211	3.854	-	-	-
Agromak	-	11.696	622	-	-	-	-	-	-
H-T Fidecilik	-	14	-	-	-	-	-	68	-
Florya Gayrimenkul	-	1.231	-	-	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	-	770	-	-	-	-
Tekzen	56	991	-	-	-	57	-	-	-
Üçgen Bakım	-	142	-	-	150	-	-	-	261
Akmerkez Gayrimenkul	-	-	-	-	6.432	-	858	-	-
Tekfen Vakfi	-	21	-	-	-	1	-	-	-
Other	-	51	-	-	569	21	-	-	-
<i>Shareholders and key management</i>	-	250	-	-	-	1	-	-	-
<i>Joint operations</i>	-	79	3.704	-	-	-	-	-	-
	<u>56</u>	<u>35.058</u>	<u>4.326</u>	<u>-</u>	<u>19.132</u>	<u>3.934</u>	<u>858</u>	<u>399</u>	<u>638</u>
Transactions with related parties	1 January - 31 December 2014								
	Purchases	Sales	Interest income	Interest expense	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	-	6.178	-	-	-	-	-	134	3
Azfen	-	11.593	-	-	16.357	672	-	-	-
H-T Fidecilik	-	12	-	-	-	-	-	259	-
Florya Gayrimenkul	-	1.117	-	-	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	-	683	-	-	-	-
Tekzen	-	3.742	-	-	-	-	-	-	339
Üçgen Bakım	-	128	-	-	70	-	-	2	93
Akmerkez Gayrimenkul	-	4	-	-	5.226	-	429	-	-
Tekfen Vakfi	-	23	-	-	-	1	-	-	-
Other	-	-	-	-	685	1	-	-	-
<i>Shareholders and key management</i>	-	214	-	-	-	-	-	-	-
<i>Joint operations</i>	-	214	1.764	-	-	-	-	-	-
	<u>-</u>	<u>23.225</u>	<u>1.764</u>	<u>-</u>	<u>23.021</u>	<u>674</u>	<u>429</u>	<u>395</u>	<u>435</u>

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#### 32. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

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

	31 December 2015	31 December 2014
Salaries and other short term benefits	12.516	5.373
	<u>12.516</u>	<u>5.373</u>

#### 33. 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 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Total Financial Debts	(1.214.910)	(1.087.933)
Less: Cash and cash equivalents	1.032.202	1.047.449
Less: Time deposits with maturity of longer than three months	-	41.411
Net Cash Position	<u>(182.708)</u>	<u>927</u>

##### 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.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### 33. 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		Bank Deposit (***)
	Related Party	Third Party	Related Party	Third Party	
<b>31 December 2015</b>					
Minimum credit risk exposure at balance sheet date (*)	25.440	1.062.813	2.944	5.720	1.014.251
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	16.348	-	-	-
A. Net book value of not due or not impaired financial assets	6.914	717.531	2.944	5.720	1.014.251
B. Net book value of assets that are due but not impaired	18.526	345.282	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	25.396	-	571	-
- Impairment (-)	-	(25.396)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	672	-	-	-
- Impairment (-)	-	(672)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-
<b>31 December 2014</b>					
Minimum credit risk exposure at balance sheet date (*)	17.819	774.774	-	6.019	1.034.159
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	77.334	-	-	-
A. Net book value of not due or not impaired financial assets	17.701	745.388	-	6.019	1.034.159
B. Net book value of assets that are due but not impaired	118	17.891	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	11.495	-	-	-
- Over due (gross book value)	-	67.787	-	1.684	-
- Impairment (-)	-	(56.292)	-	(1.684)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-

(\*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.

(\*\*) Warrants consist of collateral bills, letters of guarantees and mortgages.

(\*\*\*) Bank deposits include the times deposits classified under financial investments and other receivables.

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#### 33. 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 2015	Trade Receivables	Other Receivables	Total
Not due receivables	725.117	8.664	733.781
Overdue by 1-30 days	2.664	-	2.664
Overdue by 1-3 months	47.792	-	47.792
Overdue by 3-12 months	302.018	-	302.018
Overdue 1-5 years	26.743	-	26.743
Overdue by more than 5 years	9.987	571	10.558
Total receivables	1.114.321	9.235	1.123.556
Total overdue receivables	389.204	571	389.775
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(25.396)	(571)	(25.967)
Total provision provided for overdue receivables	(672)	-	(672)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-
31 December 2014	Trade Receivables	Other Receivables	Total
Not due receivables	763.089	6.019	769.108
Overdue by 1-30 days	1.524	-	1.524
Overdue by 1-3 months	7.180	-	7.180
Overdue by 3-12 months	1.718	-	1.718
Overdue 1-5 years	66.472	-	66.472
Overdue by more than 5 years	8.902	1.684	10.586
Total receivables	848.885	7.703	856.588
Total overdue receivables	85.796	1.684	87.480
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(56.292)	(1.684)	(57.976)
Total provision provided for overdue receivables	-	-	-
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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

##### b) Financial Risk Factors (cont'd)

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

As at the balance sheet date, there are no collaterals held for the past due trade receivables which are impaired or not 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 2015						
Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.204.019	1.231.777	281.221	575.416	375.140	-
Finance lease obligations	10.891	11.483	2.486	4.888	4.109	-
Trade payables (due to related parties included)	1.214.016	1.217.758	909.315	306.174	2.004	265
Employee benefit payables	36.496	36.496	36.496	-	-	-
Other payables (due to related parties included)	43.748	43.748	23.301	2.062	18.282	103
<b>Total liabilities</b>	<b>2.509.170</b>	<b>2.541.262</b>	<b>1.252.819</b>	<b>888.540</b>	<b>399.535</b>	<b>368</b>
31 December 2014						
Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.061.557	1.094.056	215.004	477.503	349.035	52.514
Finance lease obligations	26.376	27.445	6.116	15.331	5.998	-
Trade payables (due to related parties included)	1.185.235	1.188.754	737.355	372.093	79.306	-
Employee benefit payables	34.126	34.126	34.126	-	-	-
Other payables	39.486	39.486	14.221	1.052	24.213	-
<b>Total liabilities</b>	<b>2.346.780</b>	<b>2.383.867</b>	<b>1.006.822</b>	<b>865.979</b>	<b>458.552</b>	<b>52.514</b>

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#### 33. 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:



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#### 33. 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 2015	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	59.596	11.572	2.877	1	16.803
2. Monetary Financial Assets	421.545	139.455	939	6	13.056
3. Other	11.837	467	709	208	7.332
4. CURRENT ASSETS	492.978	151.494	4.525	215	37.191
5. Trade Receivables	21.886	7.527	-	-	-
6. Monetary Financial Assets	358	-	-	-	358
7. Other	22.002	11	6.914	-	-
8. NON CURRENT ASSETS	44.246	7.538	6.914	-	358
9. TOTAL ASSETS	537.224	159.032	11.439	215	37.549
10. Trade Payables	776.322	171.929	6.458	224	254.937
11. Financial Liabilities	79.235	1.029	22.127	-	5.932
12. Monetary Other Liabilities	60.028	3.300	6.428	-	30.007
12b. Non Monetary Other Liabilities	1.743	524	66	-	10
13. CURRENT LIABILITIES	917.328	176.782	35.079	224	290.886
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	269.522	289	84.555	-	-
16. Monetary Other Liabilities	15.142	914	4	-	12.472
17. NON CURRENT LIABILITIES	284.664	1.203	84.559	-	12.472
18. TOTAL LIABILITIES	1.201.992	177.985	119.638	224	303.358
19. Net foreign currency assets / liabilities position	(664.768)	(18.953)	(108.199)	(9)	(265.809)
20. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(696.864)	(18.907)	(115.756)	(217)	(273.131)

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#### 33. 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 2014	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	75.155	18.293	3.081	-	24.045
2. Monetary Financial Assets	352.201	146.684	1.512	2	7.783
3. Other	32.333	1.468	925	-	26.320
4. CURRENT ASSETS	459.689	166.445	5.518	2	58.148
5. Trade Receivables	12.916	5.570	-	-	-
6. Monetary Financial Assets	342	-	17	-	294
7. Other	12.524	-	4.440	-	-
8. NON CURRENT ASSETS	25.782	5.570	4.457	-	294
9. TOTAL ASSETS	485.471	172.015	9.975	2	58.442
10. Trade Payables	741.985	204.154	16.904	20	220.819
11. Financial Liabilities	35.000	8.250	3.723	-	5.368
12. Monetary Other Liabilities	68.282	457	7.108	-	47.173
12b. Non Monetary Other Liabilities	823	322	27	-	-
13. CURRENT LIABILITIES	846.090	213.183	27.762	20	273.360
14. Trade Payables	37.844	-	1.218	-	34.408
15. Financial Liabilities	262.863	845	92.496	-	-
16. Monetary Other Liabilities	11.308	732	-	-	9.611
17. NON CURRENT LIABILITIES	312.015	1.577	93.714	-	44.019
18. TOTAL LIABILITIES	1.158.105	214.760	121.476	20	317.379
19. Net foreign currency assets / liabilities position	(672.634)	(42.745)	(111.501)	(18)	(258.937)
20. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(716.668)	(43.891)	(116.839)	(18)	(285.257)

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### 33. 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 2015	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	(2.755)	2.755
	If Euro changes 5% against TL	
Euro net assets / liabilities	(17.191)	17.191
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(13.292)	13.292
TOTAL	(33.238)	33.238
	31 December 2014	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	(4.956)	4.956
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.726)	15.726
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(12.950)	12.950
TOTAL	(33.632)	33.632

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### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### b) Financial Risk Factors (cont'd)

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

##### b.3.2) Interest rate risk management

##### Interest rate sensitivity

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

	31 December 2015	31 December 2014
Financial liabilities - Fixed Interest Rate Instruments	878.163	827.775
Financial liabilities - Floating Interest Rate Instruments	336.747	260.158

At 31 December 2015 if the interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax and non-controlling interest would decrease/increase by 1.684 (31 December 2014: 1.301).

##### 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 2015, 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 6.554 (31 December 2014: 6.369 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of available for sale financial investments.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 34. FINANCIAL INSTRUMENTS

31 December 2015	Loans and receivables (including cash and cash equivalents)	Available for sale financial investments	Financial liabilities at amortized cost	Carrying value (*)	Note
<b>Financial assets</b>					
Cash and cash equivalents	1.032.202	-	-	1.032.202	5
Trade receivables (due from related parties included)	1.088.253	-	-	1.088.253	8, 33
Financial investments	-	70.770	-	70.770	6
Other current and non current assets	8.664	-	-	8.664	9, 33
<b>Financial liabilities</b>					
Financial debts	-	-	1.214.910	1.214.910	7, 33
Trade payables (due to related parties included)	-	-	1.214.016	1.214.016	8, 33
Employee benefit payables	-	-	36.496	36.496	20
Other short and long term liabilities (due to related parties included)	-	-	43.748	43.748	9, 33
<b>31 December 2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.047.449	-	-	1.047.449	5
Trade receivables (due from related parties included)	792.593	-	-	792.593	8, 33
Financial investments	41.411	68.745	-	110.156	6
Other current and non current assets	6.019	-	-	6.019	9, 33
<b>Financial liabilities</b>					
Financial debts	-	-	1.087.933	1.087.933	7, 33
Trade payables (due to related parties included)	-	-	1.185.235	1.185.235	8, 33
Employee benefit payables	-	-	34.126	34.126	20
Other short and long term liabilities	-	-	39.486	39.486	9, 33

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

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 34. FINANCIAL INSTRUMENTS (cont'd)

##### Fair Value of Financial Instruments

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

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.
- Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The fair values of financial assets are as follows:

<u>Financial investments</u>	31 December 2015	<u>Fair value level as of reporting date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available for sale financial investments	69.071	69.071	-	-
Total	<u>69.071</u>	<u>69.071</u>	<u>-</u>	<u>-</u>

<u>Financial investments</u>	31 December 2014	<u>Fair value level as of reporting date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available for sale financial investments	67.049	67.049	-	-
Total	<u>67.049</u>	<u>67.049</u>	<u>-</u>	<u>-</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 35. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

##### Toros Tarım Capital Expenditure

With Toros Tarım’s Board of Directors’ resolution dated 21 June 2012, it is decided that an investment amounting to 232 million USD will be made and 40% of this amount will be met by shareholders’ equity. The amount of the investment increased by 300 million USD on 7 January 2013 and finally with Toros Tarım’s Board of Directors’ resolution dated 26 October 2015, the amount of the investment is increased by 335 million USD. As of the balance sheet date, ongoing investments are worth around 672 Million TRY after the consolidation adjustments, besides advance payments made for these investments amounting to 1.636 is classified under long term prepaid expenses. ECA (SACE) bank loan is obtained from Unicredit Bank Austria AG for related investments in August 2013, ECA (Hermes) bank loan is obtained from Deutsche Bank AG in January 2014. The amount used until the balance sheet date is 176.722 (55.615 thousand EUR) from Unicredit Bank Austria AG, the amount used until the balance sheet date is 158.492 (49.878 thousand EUR) from Deutsche Bank AG. In the subsequent period, the use of new loans has been realized from Deutsche Bank amounting to 5.361 (1.987 thousand EUR) and the amount of payment loan is realized to 15.850 (4.988 thousands EUR). Unicredit Bank Austria AG loan has been paid to the part of 17.671 (5.561 thousands EUR).

#### 36. SUBSEQUENT EVENTS

Tekfen İnşaat, secured 1.328.773 (457 million USD) deal as the part of Trans Anatolian Natural Gas Pipeline (TANAP) Project that involves compressor and metering stations for the engineering, procurement and construction jobs. The duration of the project is 39 months.

With the Company’s Board of Directors’ resolution dated 3 March 2016, it is decided that the “Buy-Back Plan” which has been prepared in accordance with the article 22 of the Capital Markets Code no. 6362, article 379 of the Turkish Commercial Code, article 5 of the Communiqué on Buy-Backed Shares (Series II, 22.1) and article 10 of the Company’s Article of Association and has been prepared for the purpose of buying back the Company’s shares publicly traded in Borsa İstanbul A.Ş., if deemed necessary, with a limit of 37.000.000 units, that is 10% of the Company’s paid in capital, during the period that will last on 30 September 2016 will be submitted for approval of the shareholders in the next Ordinary General Shareholders’ Meeting. Under this plan, maximum amount of funds to be generated from the Company’s resources and operations to buy back the publicly traded shares of the Company of any price level between TRY 0,01 and TRY 6 is TRY 222.0000.000.