

**TEKFEN HOLDİNG ANONİM ŞİRKETİ  
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE MONTH  
INTERIM PERIOD  
ENDED 31 MARCH 2017

(Translated into English from the report  
originally issued Turkish)

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**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017**

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

<b>ASSETS</b>	<b>Notes</b>	<b>Unreviewed 31 March 2017</b>	<b>Audited 31 December 2016</b>
<b>Current Assets</b>		<b>6.349.050</b>	<b>4.533.781</b>
Cash and cash equivalents	7	3.101.271	1.483.429
Financial investments		57.400	108.121
Trade receivables	8	1.163.561	1.075.322
- <i>Related party receivables</i>		23.562	20.680
- <i>Trade receivables</i>		1.139.999	1.054.642
Other receivables		34.929	61.083
- <i>Related party receivables</i>		26.634	53.922
- <i>Other receivables</i>		8.295	7.161
Receivables from ongoing construction contracts	10	520.645	391.944
Derivative instruments		3.961	2.245
Inventories	9	964.722	968.741
Prepaid expenses		124.211	91.213
- <i>Prepaid expenses</i>		124.211	91.213
Assets related with current tax		60.665	48.324
Other current assets		292.350	279.178
- <i>Other current assets</i>		292.350	279.178
		<b>6.323.715</b>	<b>4.509.600</b>
Assets classified as held for sale		25.335	24.181
<b>Non-Current Assets</b>		<b>2.212.489</b>	<b>2.135.028</b>
Financial investments		182.633	175.435
Trade receivables	8	191.496	152.542
- <i>Trade receivables</i>		191.496	152.542
Other receivables		4.004	3.823
- <i>Other receivables</i>		4.004	3.823
Investments valued by equity method	11	135.166	118.445
Investment property	12	81.881	82.559
Property, plant and equipment	12	1.495.735	1.487.673
Intangible assets	12	19.339	16.678
Prepaid expenses		4.082	6.348
- <i>Prepaid expenses</i>		4.082	6.348
Deferred tax assets		46.546	50.999
Other non-current assets		51.607	40.526
- <i>Other non-current assets</i>		51.607	40.526
<b>TOTAL ASSETS</b>		<b>8.561.539</b>	<b>6.668.809</b>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Translated into English from the report originally issued in Turkish.

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

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

LIABILITIES	Notes	Unreviewed 31 March 2017	Audited 31 December 2016
<b>Current Liabilities</b>		<b>5.757.788</b>	<b>3.896.563</b>
Short-term borrowings	13	934.159	920.641
Short-term portion of long-term borrowings		91.573	88.774
Trade payables	8	1.610.589	1.528.823
- <i>Related party payables</i>		5.678	10.919
- <i>Trade payables</i>		1.604.911	1.517.904
Payables related to employee benefits		69.386	70.449
Other payables		109.127	73.815
- <i>Other payables</i>		109.127	73.815
Payables to ongoing construction contracts	10	671.500	384.782
Derivative instruments		12.549	131
Deferred revenue	4(b)	2.116.342	685.253
- <i>Deferred revenue</i>		2.116.342	685.253
Current tax liability		60.842	57.062
Short-term provisions	14	78.210	82.935
- <i>Short-term provisions attributable to employee benefits</i>		68.074	72.905
- <i>Other short-term provisions</i>		10.136	10.030
Other short-term liabilities		3.511	3.898
- <i>Other short-term liabilities</i>		3.511	3.898
<b>Non-Current Liabilities</b>		<b>387.205</b>	<b>392.789</b>
Long-term borrowings	13	219.930	251.550
Trade payables	8	49.781	44.033
- <i>Trade payables</i>		49.781	44.033
Other payables		37.453	28.517
- <i>Other payables</i>		37.453	28.517
Government incentives and grants		1.190	1.194
Long-term provisions	14	43.124	40.135
- <i>Long-term provisions attributable to employee benefits</i>		43.052	40.054
- <i>Other long-term provisions</i>		72	81
Deferred tax liabilities		35.727	27.360
<b>TOTAL LIABILITIES</b>		<b>6.144.993</b>	<b>4.289.352</b>
<b>EQUITY</b>		<b>2.416.546</b>	<b>2.379.457</b>
<b>Equity Attributable To Owners Of The Parent</b>	5, 17	<b>2.385.889</b>	<b>2.349.681</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 (loss) that will not be reclassified to profit or loss		(609)	1.369
- <i>Gain (loss) on revaluation and remeasurement</i>		(609)	1.369
Accumulated other comprehensive income (loss) that will be reclassified to profit or loss		204.885	199.373
- <i>Currency translation reserve</i>		133.184	125.977
- <i>Hedging reserve</i>		(6.912)	1.621
- <i>Gain (loss) on revaluation and reclassification</i>		78.613	71.775
Legal reserves		196.835	194.145
Prior years' income		1.148.601	955.924
Net profit for the period		161.718	324.411
<b>Non-controlling Interests</b>		<b>30.657</b>	<b>29.776</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8.561.539</b>	<b>6.668.809</b>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

	Notes	Unreviewed 1 January- 31 March 2017	Unreviewed 1 January - 31 March 2016
Revenue		1.636.975	1.373.471
Cost of revenue (-)		(1.371.292)	(1.150.278)
<b>GROSS PROFIT</b>		<b>265.683</b>	<b>223.193</b>
General administrative expenses (-)		(46.259)	(38.479)
Marketing expenses (-)		(45.471)	(40.572)
Research and development expenses (-)		(53)	-
Other operating income	19	90.796	65.401
Other operating expenses (-)	19	(115.043)	(54.831)
Share on profit of investments valued using equity method	11	14.017	11.068
<b>OPERATING PROFIT</b>		<b>163.670</b>	<b>165.780</b>
Investment income		8.095	9.446
Investment expense (-)		(6)	(5)
<b>PROFIT BEFORE FINANCIAL INCOME (EXPENSES)</b>		<b>171.759</b>	<b>175.221</b>
Financial income	20	197.357	33.571
Financial expenses (-)	20	(162.201)	(40.656)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION</b>		<b>206.915</b>	<b>168.136</b>
<b>Tax expense from continuing operations</b>		<b>(46.134)</b>	<b>(18.321)</b>
Tax expense for the period (-)		(32.526)	(15.880)
Deferred tax (expense) income		(13.608)	(2.441)
<b>PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD</b>		<b>160.781</b>	<b>149.815</b>
<b>Distribution of Profit For The Period</b>			
Non-controlling interests		(937)	937
Owners of the parent		161.718	148.878
<b>Earnings Per Share</b>	18	0,437	0,402

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## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

	Unreviewed 1 January- 31 March 2017	Unreviewed 1 January - 31 March 2016
<b>PROFIT FOR THE PERIOD</b>	<b>160.781</b>	<b>149.815</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
<b><u>Items that will not be reclassified to profit or loss</u></b>	<b>(1.978)</b>	<b>(695)</b>
Loss on revaluation of defined retirement benefit plans (-)	(2.473)	(869)
Taxes based on other comprehensive income that will not be reclassified to profit or loss	495	174
- <i>Deferred tax income</i>	495	174
<b><u>Items that will be reclassified to profit or loss</u></b>	<b>7.330</b>	<b>2.347</b>
Currency translation reserve differences	9.025	(4.025)
Gain on revaluation of available for sale financial assets	7.198	6.707
Other comprehensive expenses related to cash flow hedging (-)	(10.666)	-
Taxes based on other comprehensive income that will be reclassified to profit or loss	1.773	(335)
- <i>Deferred tax (expense) income</i>	1.773	(335)
<b>OTHER COMPREHENSIVE INCOME</b>	<b>5.352</b>	<b>1.652</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>166.133</b>	<b>151.467</b>
<b>Distribution of Total Comprehensive Income</b>		
Non-controlling interests	881	507
Owners of the parent	165.252	150.960

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

	Paid in capital	Capital structure adjustment	Premiums in capital stock	Items not to be reclassified to profit or loss	Currency translation reserve	Items to be reclassified to profit or loss	Gain on revaluation and reclassification	Legal reserves	Retained Earnings		Equity attributable to owners of the parent	Non-controlling interests	Equity
				Gain (loss) on revaluation and remeasurement		Gains (loss) on hedging			Prior years' income	Net profit for the period			
<b>Opening balance as of 1 January 2016</b>	370.000	3.475	300.984	(376)	108.234	-	51.995	176.413	861.167	185.466	2.057.358	27.777	2.085.135
Transfers	-	-	-	-	-	-	-	17.732	167.734	(185.466)	-	-	-
Total comprehensive income (loss)	-	-	-	(695)	(3.595)	-	6.372	-	-	148.878	150.960	507	151.467
- Profit for the period	-	-	-	-	-	-	-	-	-	148.878	148.878	937	149.815
- Other comprehensive income (loss)	-	-	-	(695)	(3.595)	-	6.372	-	-	-	2.082	(430)	1.652
Dividends	-	-	-	-	-	-	-	-	(63.666)	-	(63.666)	-	(63.666)
Other changes	-	-	-	-	-	-	-	-	(5.439)	-	(5.439)	-	(5.439)
<b>Closing balance as of 31 March 2016</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(1.071)</b>	<b>104.639</b>	<b>-</b>	<b>58.367</b>	<b>194.145</b>	<b>959.796</b>	<b>148.878</b>	<b>2.139.213</b>	<b>28.284</b>	<b>2.167.497</b>
<b>Opening balance as of 1 January 2017</b>	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Transfers	-	-	-	-	-	-	-	2.690	321.721	(324.411)	-	-	-
Total comprehensive income (loss)	-	-	-	(1.978)	7.207	(8.533)	6.838	-	-	161.718	165.252	881	166.133
- Profit for the period	-	-	-	-	-	-	-	-	-	161.718	161.718	(937)	160.781
- Other comprehensive income (loss)	-	-	-	(1.978)	7.207	(8.533)	6.838	-	-	-	3.534	1.818	5.352
Dividends	-	-	-	-	-	-	-	-	(120.292)	-	(120.292)	-	(120.292)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	(244)	-	(244)	-	(244)
Other changes	-	-	-	-	-	-	-	-	(8.508)	-	(8.508)	-	(8.508)
<b>Closing balance as of 31 March 2017</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(609)</b>	<b>133.184</b>	<b>(6.912)</b>	<b>78.613</b>	<b>196.835</b>	<b>1.148.601</b>	<b>161.718</b>	<b>2.385.889</b>	<b>30.657</b>	<b>2.416.546</b>

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

	Notes	Unreviewed 1 January - 31 March 2017	Unreviewed 1 January - 31 March 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		<b>1.789.235</b>	<b>283.479</b>
Profit for the Period		160.781	149.815
Adjustments to Reconcile Net Profit		70.138	42.701
- Depreciation and Amortization	12	34.677	31.968
- Impairment/Reversed Provision	12	-	2
- Provision Adjustments	8, 14	19.131	22.254
- Dividend Income and Expenses		(507)	(8.974)
- Interest Income and Expense Adjustments	20	(7.732)	(9.333)
- Gain/Loss on Fair Valuation		38	(5)
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	11	(14.017)	(11.068)
- Allowance for Taxation		46.134	18.321
- Adjustments for Gain/Loss on Sale of Fixed Assets	12	(7.586)	(464)
Movements in Working Capital		1.621.531	146.587
- Changes in Financial Investments		50.721	(236)
- Changes in Trade Receivables	8	(100.087)	34.979
- Changes in Other Assets		(25.568)	(63.808)
- Changes in Receivables from Ongoing Construction Contracts	10	(128.701)	(19.649)
- Changes in Inventories	9	8.714	230.371
- Changes in Prepaid Expenses		(32.325)	(6.595)
- Changes in Trade Payables	8	87.514	(28.482)
- Changes in Payables Related to Employee Benefits		(1.063)	5.096
- Changes in Payables to Ongoing Construction Contracts	10	286.718	20.325
- Changes in Other Liabilities		44.519	(30.367)
- Changes in Deferred Revenue	4(b)	1.431.089	4.953
Cash Generated by Operating Activities		1.852.450	339.103
Interest Paid		(14.269)	(12.784)
Interest Received		17.898	17.556
Provision Paid Related to Employee Benefits	14	(25.635)	(15.373)
Other Provision Paid	14	(122)	(17.105)
Tax Paid/Return		(41.087)	(27.918)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		<b>(26.505)</b>	<b>(25.799)</b>
Acquisition of Non-controlling Interests' Shares		(293)	-
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments		(9.170)	-
Proceeds from Sales of Tangible and Intangible Assets	12	7.763	492
Acquisition of Tangible and Intangible Assets	12	(26.898)	(35.992)
Acquisition of Investment Properties	12	(7)	(25)
Advances and Debts Given		1.593	752
Dividend Received		507	8.974
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		<b>(140.223)</b>	<b>(47.856)</b>
Proceeds from Borrowings		445.323	246.492
Repayments of Borrowings		(461.468)	(291.118)
Payments of Financial Lease Obligations		(3.786)	(3.230)
Dividend paid	5	(120.292)	-
<b>CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT</b>			
		<b>1.622.507</b>	<b>209.824</b>
<b>D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS</b>			
		(4.665)	(14.124)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>			
		<b>1.617.842</b>	<b>195.700</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
		1.483.429	1.032.202
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>			
		<b>3.101.271</b>	<b>1.227.902</b>

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



# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 31 March 2017, the Group has 15.399 employees (31 December 2016: 14.295) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

The Company shares are being publicly traded in Borsa İstanbul since 23 November 2007.

#### Changes in the Group's subsidiaries and joint operations as of 31 March 2017:

The Company acquired 4,5% shares of its subsidiary Belpa on 2 January 2017. After the acquisition, direct share participation rate of the Company in Belpa has reached 100%.

A joint arrangement titled Tekfen – Al Jaber Engineering has been established between Tekfen İnşaat ve Tesisat A.Ş. and Al Jaber Engineering L.L.C. (50%-50%).

North Caspian Construction BV (NCC J.V.), a joint arrangement of the Group, has been liquidated within the period.

#### Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 27 April 2017.

### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the accounting principles in line with the Turkish Commercial Code ("TCC") and Tax Legislation. Subsidiaries those are registered in foreign countries maintain their books of account and prepare their statutory financial statements in local currencies and in accordance with the prevailing accounting principles in their registered countries.

The accompanying condensed 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/Turkish Financial Reporting Standards ("TAS"/"TFRS") and additions and interpretations regarding these standards 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 financial statements and notes are presented in accordance with the formats complying with CMB's announcement dated 7 June 2013.

The Group has preferred to disclose its interim consolidated financial statements as of 31 March 2017 in condensed format in accordance with TAS 34 "Interim Financial Reporting" standard. The descriptions and disclosures which are needed in the financial statements prepared annually complying with TAS are summarized appropriately in accordance with TAS 34 or not mentioned.

The accompanying condensed consolidated financial statements have to be considered with the consolidated financial statements which are independently audited as of 31 December 2016 and the related disclosures. Interim periods' financial statements cannot be the sole indicator of the year-end results by themselves.

The Group continues to apply the same accounting policies and accounting estimate methods which are mentioned in the consolidated financial statements as of 31 December 2016.

Exchange rates used in the consolidation process as of 31 March 2017 are; 1 USD= 3,6386 TL, 1 EUR= 3,9083 TL, 1 MAD= 0,3680 TL, 1 SAR= 0,9703 TL, 1 QAR= 0,9669 TL (Exchange rates as of 31 December 2016 are; 1 USD= 3,5192 TL, 1 EUR= 3,7099 TL, 1 MAD= 0,3481 TL, 1 SAR= 0,9385 TL, 1 QAR= 0,9642 TL).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

#### 3. ADOPTION OF NEW AND REVISED STANDARDS

New and revised standards and interpretations are presented below:

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

None.

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

None.

**(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", will be effective for annual periods beginning after 1 January 2018.
- 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.

#### 4. EVENTS AND TRANSACTIONS MATERIALLY AFFECTING CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(a) New Projects**

Tekfen İnşaat and BP Iraq N.V. have signed a unit-price based contract to provide man power and machinery for installation of Rumalia Oil Field Water Separation & Salt Separation Units. Duration of the project is 3 years. It is expected that the total amount of the works to be done according to the contract will reach approximately 360.221 (99 Million USD) by the end of the project period. The Company will give a letter of guarantee to the employer on behalf of Tekfen İnşaat in the amount of the contract price.

Tekfen-Al Jaber Engineering Joint Arrangement, which Tekfen İnşaat holds 50% partnership, received an invitation from Qatar Supreme Committee for Delivery and Legacy to sign the contract worth 1.246.096 (1.250.000.000 Qatari Riyal) concerning turnkey engineering and construction work for the "Main Works for the Fifth Precinct Stadium" project which is one of the stadium complexes in Qatar where 2022 World Cup Finals will take place. The Company will give a letter of guarantee to the employer in the amount of the contract price.

**(b) Advances Received**

Tekfen Emlak recognized the advances taken as cash and notes receivable from the pre-sales of Esenyurt Project amounting to 297.142 under deferred revenue account (31 December 2016: 330.599).

The Group received cash advances from Al Khor Expressway project that was signed with Ministry of Municipality and Environment of the State of Qatar on 13 October 2016. Balance of the advances is amounting to 1.447.967 (1.452.504.000 Qatari Riyal) and is recognized under deferred revenue account as of 31 March 2017 (31 December 2016: None).

**(c) Other**

Deliveries concerning HEP İstanbul housing project of Real Estate group started on 23 January 2017. As of 31 March 2017, the delivery of two blocks has been completed.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

#### 5. SIGNIFICANT CHANGES IN EQUITY

##### Gain on Revaluation and Reclassification:

The positive change of 6.838 in the fair values of the financial investments of the Group, which have been traded in the stock exchange market, has been directly recognized in equity (31 March 2016: positive change of 6.372).

##### Legal Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 31 March 2017, 2.690 of legal reserves were transferred from prior year's income in the condensed consolidated financial statements as of 31 March 2017 (31 March 2016: 17.732).

##### Profit Distribution:

Upon the resolution of Ordinary General Assembly held on 23 March 2017, it was decided to distribute 0,31 TL (2016: 0,16 TL) gross cash dividends per share attributable to the operations of the year of 2016. Profit shares of 113.546 (2016: 60.081) and 6.746 (2016: 3.585) in the aggregate 120.292 (2016: 63.666) was distributed to shareholders and holders of the redeemed shares on 29 March 2017.

##### Hedging Reserve

The negative change of 8.533 (31 March 2016: None) in the fair values of the effective derivative instruments which the Group uses for cash flow hedging has been recognized in equity.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### 6. SEGMENTAL REPORTING

##### a) Segmental results:

	1 January - 31 March 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	911.029	675.649	42.145	8.152	1.636.975
Cost of revenue (-)	(848.696)	(482.231)	(38.629)	(1.736)	(1.371.292)
<b>GROSS PROFIT</b>	<b>62.333</b>	<b>193.418</b>	<b>3.516</b>	<b>6.416</b>	<b>265.683</b>
General administrative expenses (-)	(26.477)	(7.675)	(1.900)	(10.207)	(46.259)
Marketing expenses (-)	(505)	(43.747)	(1.219)	-	(45.471)
Research and development expenses (-)	-	-	-	(53)	(53)
Other operating income	26.648	62.466	20	1.662	90.796
Other operating expenses (-)	(28.583)	(81.074)	(6)	(5.380)	(115.043)
Share on profit (loss) of investments valued using equity method	13.422	598	(3)	-	14.017
<b>OPERATING PROFIT (LOSS)</b>	<b>46.838</b>	<b>123.986</b>	<b>408</b>	<b>(7.562)</b>	<b>163.670</b>
Investment income	378	7.668	-	49	8.095
Investment expense (-)	-	-	-	(6)	(6)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>	<b>47.216</b>	<b>131.654</b>	<b>408</b>	<b>(7.519)</b>	<b>171.759</b>
Financial income	10.984	78.959	738	106.676	197.357
Financial expenses (-)	(11.830)	(75.509)	(307)	(74.555)	(162.201)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>46.370</b>	<b>135.104</b>	<b>839</b>	<b>24.602</b>	<b>206.915</b>
Tax expense from continuing operations (-)	(17.243)	(19.921)	(106)	(8.864)	(46.134)
<b>PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>29.127</b>	<b>115.183</b>	<b>733</b>	<b>15.738</b>	<b>160.781</b>

The Group has 39.134 of revenue and 24.985 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 31 March 2017.

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

#### 6. SEGMENTAL REPORTING (cont’d)

##### a) Segmental results (cont’d):

	1 January - 31 March 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	627.953	731.356	6.865	7.297	1.373.471
Cost of revenue (-)	(561.261)	(580.621)	(6.274)	(2.122)	(1.150.278)
<b>GROSS PROFIT</b>	<b>66.692</b>	<b>150.735</b>	<b>591</b>	<b>5.175</b>	<b>223.193</b>
General administrative expenses (-)	(22.661)	(5.965)	(1.472)	(8.381)	(38.479)
Marketing expenses (-)	(563)	(38.317)	(1.686)	(6)	(40.572)
Research and development expenses (-)	-	-	-	-	-
Other operating income	28.656	36.069	49	627	65.401
Other operating expenses (-)	(34.063)	(20.251)	(5)	(512)	(54.831)
Share on profit (loss) of investments valued using equity method	10.387	682	(1)	-	11.068
<b>OPERATING PROFIT (LOSS)</b>	<b>48.448</b>	<b>122.953</b>	<b>(2.524)</b>	<b>(3.097)</b>	<b>165.780</b>
Investment income	371	634	-	8.441	9.446
Investment expense (-)	-	-	-	(5)	(5)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>	<b>48.819</b>	<b>123.587</b>	<b>(2.524)</b>	<b>5.339</b>	<b>175.221</b>
Financial income	3.446	3.965	643	25.517	33.571
Financial expenses (-)	(8.056)	(10.242)	(417)	(21.941)	(40.656)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>44.209</b>	<b>117.310</b>	<b>(2.298)</b>	<b>8.915</b>	<b>168.136</b>
Tax (expense) income from continuing operations	(10.087)	(5.621)	479	(3.092)	(18.321)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>34.122</b>	<b>111.689</b>	<b>(1.819)</b>	<b>5.823</b>	<b>149.815</b>

The Group has 35.969 of revenue and 22.946 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 31 March 2016.

Translated into English from the report originally issued in Turkish.

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

#### 6. SEGMENTAL REPORTING (cont'd)

##### b) Segmental assets and liabilities:

Balance sheet	31 March 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	4.443.229	2.367.830	593.581	1.156.899	8.561.539
Current and non-current liabilities	4.221.402	1.138.731	625.734	159.126	6.144.993
Equity attributable to owners of the parent	(131.314)	946.226	13.405	1.557.572	2.385.889
Non-controlling interests	30.438	207	-	12	30.657

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

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

	1 January - 31 March 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	21.532	4.928	318	127	26.905
Depreciation and amortization expense for the period (**)	15.354	18.080	269	974	34.677
Intra-segment revenue	11.482	10.335	15	125	21.957
Inter-segment revenue	-	322	348	3.519	4.189

	1 January - 31 March 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	2.732	33.650	139	56	36.577
Depreciation and amortization expense for the period (**)	16.934	13.778	182	1.074	31.968
Intra-segment revenue	7.063	9.169	11	73	16.316
Inter-segment revenue	-	136	374	2.472	2.982

(\*) Borrowings costs (2017: None, 2016: capitalized 560) are also included.

(\*\*) Depreciation expense of 3.435 is deducted from the cost of inventory (31 March 2016: 325 deducted from the cost of inventory).

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

#### 6. 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 March 2017)	1.092.063	243.026	-	326.529	1.503	(26.146)	1.636.975
Total Assets (31 March 2017)	9.411.213	2.563.654	968.566	2.438.736	99.886	(6.920.516)	8.561.539
Capital Expenditures (1 January - 31 March 2017) (*)	23.747	3.094	-	64	-	-	26.905
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 March 2016)	905.004	248.728	(1.862)	239.781	1.118	(19.298)	1.373.471
Total Assets (31 December 2016)	9.041.938	2.484.914	738.860	727.912	99.883	(6.424.698)	6.668.809
Capital Expenditures (1 January - 31 March 2016) (*)	36.077	500	-	-	-	-	36.577

(\*) Borrowings costs (2017: None, 2016: capitalized 560) are also included.

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

### 7. CASH AND CASH EQUIVALENTS

Time deposits with maturity of three months or less constitute the part of the cash and cash equivalents amounting to 2.832.173 (31 December 2016: 1.305.930). Demand deposits and other cash equivalents with maturity of three months or less constitute the rest of the cash and cash equivalents.

### 8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

	31 March 2017	31 December 2016
<b>Short-term trade receivables</b>		
Receivables from Contracting group operations	809.647	842.204
Receivables from Agriculture group operations	266.732	92.569
Receivables from Real Estate group operations	25.184	36.933
Receivables from Other group operations	7.105	7.566
Provision for doubtful receivables	(31.032)	(30.850)
Retention receivables (Note: 10)	53.230	98.056
Due from related parties	23.562	20.680
Other	9.133	8.164
	<u>1.163.561</u>	<u>1.075.322</u>
<b>Long-term trade receivables</b>		
Retention receivables (Note: 10)	181.648	143.163
Receivables from Real Estate group operations	9.848	9.379
	<u>191.496</u>	<u>152.542</u>

Postdated cheques amounting to 128.862 (31 December 2016: 59.339), notes receivables amounting to 30.582 (31 December 2016: 42.269), negative foreign currency differences amounting to 483 (31 December 2016: positive foreign currency differences amounting to 155), and due date differences amounting to 5 (31 December 2016: 110) 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 132 days (31 December 2016: 123 days), for domestic projects is 39 days (31 December 2016: 47 days), for Agriculture group is 38 days (31 December 2016: 40 days), for Real Estate group for short-term trade receivables are 22 days, long-term trade receivables are 563 days (31 December 2016: short-term trade receivables is 84 days, long-term trade receivables are 647 days) and for other segment is approximately 29 days (31 December 2016: 30 days).

The amount of overdue receivables included in short and long-term trade receivables from non-related parties is 472.154 (31 December 2016: 334.691). 36.412 (31 December 2016: 1.115) and 422.035 (31 December 2016: 406.105) of these receivables are overdue by 1-3 months and by 3-12 months, respectively. Provision for these total overdue trade receivables amounts to 30.936 (31 December 2016: 30.711).

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

	2017	2016
Provision as of 1 January	(30.850)	(26.068)
Charge for the period	(644)	(99)
Collected	793	1
Currency translation effect	(331)	(150)
Provision as of 31 March	<u>(31.032)</u>	<u>(26.316)</u>

Doubtful receivable charge for the period has been charged to general administrative expenses (2016: 98 general administrative expenses, 1 cost of revenue).



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### 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 March 2017	31 December 2016
<b>Short-term trade payables</b>		
Trade payables from Contracting group operations	815.125	718.254
Trade payables from Agriculture group operations	677.624	677.546
Trade payables from Real Estate group operations	19.429	27.315
Payables from Other group operations	12.899	14.300
Due to related parties	5.678	10.919
Retention payables (Note: 10)	79.631	80.457
Other trade payables	203	32
	<u>1.610.589</u>	<u>1.528.823</u>
<b>Long-term trade payables</b>		
Payables from Agriculture group operations	32.322	30.684
Retention payables (Note: 10)	16.926	12.979
Trade payables from Contracting group operations	533	370
	<u>49.781</u>	<u>44.033</u>

Notes payables amounting to 131 (31 December 2016: 533), and foreign currency differences amounting to 211.613 (31 December 2016: 176.147) are included in short and long-term trade payables. There are not any postdated cheques in the current period (31 December 2016: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2016: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 315 days (31 December 2016: 219 days) whereas average payable period for domestic purchases is 30 days (31 December 2016: 30 days). For Contracting group, import purchases through letter of credit constitute 7% (31 December 2016: 7%) of trade payables as at balance sheet date. The average payable period for these import purchases is 86 days (31 December 2016: 88 days) whereas the average payable period for other purchases is 110 days (31 December 2016: 122 days). The average payable period for Real Estate group is 32 days (31 December 2016: 31 days). For the other operations of the Group, the average payable period is 61 days (31 December 2016: 59 days).

#### 9. INVENTORIES

	31 March 2017	31 December 2016
Raw materials	115.095	103.605
Work in progress	127.984	171.762
Finished goods	19.621	26.635
Trading goods	66.539	41.922
Goods in transit	15.280	35.846
Inventory from real estate projects	455.397	432.253
Inventory at construction sites	123.200	115.721
Other inventories	41.606	40.997
	<u>964.722</u>	<u>968.741</u>

For the three month interim period ended 31 March 2017, borrowing costs capitalized in inventory amount to 8.130 (31 December 2016: 15.901).

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 March 2016: None).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

#### 10. CONSTRUCTION CONTRACTS

	31 March 2017	31 December 2016
Cost incurred on ongoing contracts	11.946.530	13.884.066
Recognised gain less losses (net)	764.524	784.831
	<u>12.711.054</u>	<u>14.668.897</u>
Less: Billings to date (-)	(12.861.909)	(14.661.735)
	<u>(150.855)</u>	<u>7.162</u>

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

	31 March 2017	31 December 2016
Receivables from ongoing construction contracts	520.645	391.944
Payables to ongoing construction contracts	(671.500)	(384.782)
	<u>(150.855)</u>	<u>7.162</u>

	31 March 2017	31 December 2016
<u>Receivables from ongoing construction contracts</u>		
Contracts undersigned abroad	384.272	340.773
Contracts undersigned in Turkey	136.373	51.171
	<u>520.645</u>	<u>391.944</u>
<u>Payables to ongoing construction contracts</u>		
Contracts undersigned abroad	(208.822)	(20.511)
Contracts undersigned in Turkey	(462.678)	(364.271)
	<u>(671.500)</u>	<u>(384.782)</u>
	<u>(150.855)</u>	<u>7.162</u>

The Group has 85.508 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2016: 48.437). Also, the Group has 1.758.159 of advances received for contracting projects classified in deferred revenue (31 December 2016: 302.765).

As of 31 Mart 2017, the Group has 96.557 of retention payables to subcontractors (31 December 2016: 93.436). Also, the amount of retention receivables is 234.878 (31 December 2016: 241.219) (Note: 8).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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#### 11. INVESTMENTS VALUED BY EQUITY METHOD

Joint Ventures	Location of foundation and operation	31 March 2017		31 December 2016		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
H-T Fidecilik	Turkey	50%	10.583	50%	10.039	50%	Agriculture
Azfen	Azerbaijan	40%	64.190	40%	47.608	40%	Construction
Black Sea Gübre	Turkey	30%	1.088	30%	1.034	30%	Fertilizer Trade
Florya Gayrimenkul	Turkey	50%	59.305	50%	59.764	50%	Real Estate
			<u>135.166</u>		<u>118.445</u>		

Movements of Group’s joint ventures during the period is as follows:

	2017	2016
Opening balance as of 1 January	118.445	147.848
Group’s share on profit	14.017	11.068
Currency translation effect	3.160	(1.241)
Profit eliminations	(456)	(78)
Closing balance as of 31 March	<u>135.166</u>	<u>157.597</u>

Group’s share on profit (loss) of joint ventures is as follows:

H-T Fidecilik	544	798
Azfen	13.422	10.387
Black Sea Gübre	54	(116)
Florya Gayrimenkul	(3)	(1)
Shares on profit (loss) of joint ventures consolidated by equity method	<u>14.017</u>	<u>11.068</u>

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#### 11. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

##### Information related to financial position:

31 March 2017	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	86	228.373	29.356	58	257.873
Other current assets	49.890	557.739	6.375	58.531	672.535
Non-current assets	18.712	133.173	26	116.912	268.823
<b>Total Assets</b>	<b>68.688</b>	<b>919.285</b>	<b>35.757</b>	<b>175.501</b>	<b>1.199.231</b>
Short-term borrowings	25.217	-	-	-	25.217
Other short-term liabilities	20.658	758.809	32.111	54.427	866.005
Long-term borrowings	313	-	-	-	313
Other long-term liabilities	1.335	-	18	2.464	3.817
<b>Total Liabilities</b>	<b>47.523</b>	<b>758.809</b>	<b>32.129</b>	<b>56.891</b>	<b>895.352</b>
<b>Net Assets</b>	<b>21.165</b>	<b>160.476</b>	<b>3.628</b>	<b>118.610</b>	<b>303.879</b>
Group's Ownership Rate	50%	40%	30%	50%	
<b>Group's Share on Net Assets</b>	<b>10.583</b>	<b>64.190</b>	<b>1.088</b>	<b>59.305</b>	<b>135.166</b>
31 December 2016	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	58	103.072	8.000	83	111.213
Other current assets	41.183	732.506	663	57.652	832.004
Non-current assets	18.326	123.338	31	114.585	256.280
<b>Total Assets</b>	<b>59.567</b>	<b>958.916</b>	<b>8.694</b>	<b>172.320</b>	<b>1.199.497</b>
Short-term borrowings	21.107	-	-	-	21.107
Other short-term liabilities	16.919	839.895	5.237	50.335	912.386
Long-term borrowings	244	-	-	-	244
Other long-term liabilities	1.220	-	10	2.458	3.688
<b>Total Liabilities</b>	<b>39.490</b>	<b>839.895</b>	<b>5.247</b>	<b>52.793</b>	<b>937.425</b>
<b>Net Assets</b>	<b>20.077</b>	<b>119.021</b>	<b>3.447</b>	<b>119.527</b>	<b>262.072</b>
Group's Ownership Rate	50%	40%	30%	50%	
<b>Group's Share on Net Assets</b>	<b>10.039</b>	<b>47.608</b>	<b>1.034</b>	<b>59.764</b>	<b>118.445</b>

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

#### 11. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

##### Information related to profit or loss statement:

1 January - 31 March 2017	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	17.414	223.672	48.600	-	289.686
Depreciation and amortization expense	484	6.713	5	-	7.202
Operating profit	1.950	73.092	379	-	75.421
Financial income	(8)	-	1.117	1	1.110
Financial expense (-)	(571)	-	(1.316)	(1)	(1.888)
Tax (expense) income	(285)	(38.113)	1	(6)	(38.403)
Profit (Loss) for the Period	1.087	33.556	181	(6)	34.818
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	544	13.422	54	(3)	14.017
1 January - 31 March 2016	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	11.770	350.438	11.432	-	373.640
Depreciation and amortization expense	407	5.497	31	-	5.935
Operating profit (loss)	2.214	32.478	(33)	-	34.659
Financial income	1	-	88	-	89
Financial expense (-)	(506)	-	(435)	(1)	(942)
Tax expense (-)	(113)	(6.511)	(8)	-	(6.632)
Profit (Loss) for the Period	1.596	25.967	(388)	(1)	27.174
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	798	10.387	(116)	(1)	11.068

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

#### 12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY

	Property, Plant and Equipment	Intangible Assets	Investment Property
<b>Cost Value</b>			
Opening balance as of 1 January 2017	3.298.646	46.920	112.711
Currency translation effect	53.167	917	(14)
Additions	24.046	2.852	7
Disposals	(1.041)	-	-
Transfers	(320)	320	-
Closing balance as of 31 March 2017	3.374.498	51.009	112.704
<b>Accumulated Depreciation and Amortization</b>			
Opening balance as of 1 January 2017	(1.810.973)	(30.242)	(30.152)
Currency translation effect	(38.705)	(806)	-
Charge for the period	(29.949)	(622)	(671)
Disposals	864	-	-
Closing balance as of 31 March 2017	(1.878.763)	(31.670)	(30.823)
Carrying value as of 31 March 2017	1.495.735	19.339	81.881
<b>Cost Value</b>			
Opening balance as of 1 January 2016	2.945.143	38.663	120.392
Currency translation effect	(28.363)	(546)	(42)
Additions	35.948	604	25
Disposals	(10.966)	-	-
Closing balance as of 31 March 2016	2.941.762	38.721	120.375
<b>Accumulated Depreciation and Amortization</b>			
Opening balance as of 1 January 2016	(1.565.899)	(24.059)	(31.562)
Currency translation effect	21.714	480	-
Charge for the period	(30.419)	(506)	(718)
Allowance for impairment	(2)	-	-
Disposals	10.938	-	-
Closing balance as of 31 March 2016	(1.563.668)	(24.085)	(32.280)
Carrying value as of 31 March 2016	1.378.094	14.636	88.095

Property, plant and equipment include fixed assets with carrying value of 11.691 purchased through financial lease (31 March 2016: 29.722). These property, plant and equipment purchased through financial lease consist of various prefabricated buildings, machinery, equipment and vehicles employed in construction sites. During the current period, there are not any property, plant and equipment purchases through financial lease (31 March 2016: None). For the period ended as of 31 March 2017, there are no additional capitalized borrowing costs (31 March 2016: 560 additional capitalized borrowing costs, capitalization rate 19,21% are included in property, plant and equipment).

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 March 2017 is 486.275 (31 March 2016: 516.275) according to the valuation carried out by independent expert.

#### 13. SHORT AND LONG-TERM BORROWINGS

The Company’s bank loans are reclassified as long-term whose maturities passed 31 March 2018 according to their opening dates. Annual weighted average interest rate of the existing short-term loans is 3,89% for US Dollars, 1,25% for EUR and 12,83% for TL (31 December 2016: 3,70% for US Dollars, 2,14% for EUR and 12,75% for TL). There is not any long term loan in terms of US Dollars, weighted average interest rate of the existing long-term loans is 2,90% for EUR (31 December 2016: USD None, EUR 2,76%).

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

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 for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criteris obliged due to the agreement as of 31 March 2017. As of 31 March 2017, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 152.150 (38.930 Thousand EUR) and 154.694 (39.581 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the period ended 31 March 2017 is 21.734 (5.561 Thousand EUR) and 22.098 (5.654 Thousand EUR) respectively.

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

	31 March 2017	31 December 2016
Short-term provisions	78.210	82.935
Long-term provisions	43.124	40.135
Total provisions	<u>121.334</u>	<u>123.070</u>
Employment termination benefits provision	86.418	80.537
Unused vacation pay liability provision	21.019	18.453
Premium provision	3.689	13.969
Total provisions attributable to employee benefits	<u>111.126</u>	<u>112.959</u>
Provision for litigation	10.103	9.998
Other liability provisions	105	113
Other provisions	<u>10.208</u>	<u>10.111</u>
Total provisions	<u><u>121.334</u></u>	<u><u>123.070</u></u>

	Employment Termination Benefits Provision	Unused Vacation Pay Liability Provision	Premium Provision	Total Provisions Attributable to Employee Benefits
Opening balance as of 1 January 2017	80.537	18.453	13.969	112.959
Currency translation effect	1.704	334	143	2.181
Charge for the period	9.844	4.831	4.549	19.224
Interest expense	527	-	-	527
Provision paid during the period	(8.657)	(2.491)	(14.487)	(25.635)
Provision released	-	(108)	(485)	(593)
Actuarial loss	2.463	-	-	2.463
Closing balance as of 31 March 2017	<u>86.418</u>	<u>21.019</u>	<u>3.689</u>	<u>111.126</u>
Opening balance as of 1 January 2016	65.510	13.594	14.284	93.388
Currency translation effect	(1.043)	(278)	(363)	(1.684)
Charge for the period	11.866	3.784	2.784	18.434
Interest expense	328	-	-	328
Provision paid during the period	(4.493)	(1.526)	(9.354)	(15.373)
Provision released	(134)	(78)	(1.412)	(1.624)
Actuarial loss	864	-	-	864
Closing balance as of 31 March 2016	<u>72.898</u>	<u>15.496</u>	<u>5.939</u>	<u>94.333</u>

The amount payable to employee calculated by one month salary is limited to a maximum 4.426,16 TL (31 December 2016: 4.426,16 TL) as of 31 March 2017.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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

	Provision for Litigation	Other Liability Provisions	Total Other Provisions
Opening balance as of 1 January 2017	9.998	113	10.111
Currency translation effect	96	1	97
Charge for the period	122	-	122
Provision paid during the period	(113)	(9)	(122)
Closing balance as of 31 March 2017	<u>10.103</u>	<u>105</u>	<u>10.208</u>
Opening balance as of 1 January 2016	64.904	447	65.351
Currency translation effect	(143)	2	(141)
Charge for the period	5.664	-	5.664
Provision paid during the period	(17.105)	-	(17.105)
Provision released	(646)	-	(646)
Closing balance as of 31 March 2016	<u>52.674</u>	<u>449</u>	<u>53.123</u>

#### Litigations:

As of 31 March 2017, except Libya counterclaim, lawsuit filed against the Group is totally 129.923 (31 December 2016: 106.822) and it has been decided to accrue 10.103 (31 December 2016: 9.998) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group.

#### *Libya Arbitration Claim*

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

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

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

Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group. Letters of guarantees given related to Libya project to various institutions amount to 159.



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#### 15. COMMITMENTS

The guarantee, pledge and mortgage (“GPM”) position tables of the Group as of 31 March 2017 and 31 December 2016 are as follows:

31 March 2017	Equivalent of Thousands TL	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TL)</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	9.042.842	1.550.059	74.486	3.111.684
-Guarantee	9.038.342	1.550.059	74.486	3.107.184
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	128.109	-	-	128.109
-Guarantee	128.109	-	-	128.109
-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 March 2017</b>	<b>9.170.951</b>	<b>1.550.059</b>	<b>74.486</b>	<b>3.239.793</b>
31 December 2016				
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	8.763.286	1.554.919	67.676	3.040.146
-Guarantee	8.758.786	1.554.919	67.676	3.035.646
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	125.662	-	-	125.662
-Guarantee	125.662	-	-	125.662
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
<b>Total as of 31 December 2016</b>	<b>8.888.948</b>	<b>1.554.919</b>	<b>67.676</b>	<b>3.165.808</b>

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

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#### 16. SIGNIFICANT RELATED PARTY TRANSACTIONS

According to TAS 24, the shareholders of the Company, Group companies and their subsidiaries, management and other related parties are classified as related parties.

Transactions with related parties are distinct and measurable.

#### 17. EQUITY

##### Capital / Capital Structure Adjustment

The capital structure as of 31 March 2017 and 31 December 2016 is as follows:

Shareholders	(%)	31 March 2017	(%)	31 December 2016
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	4,21%	15.593	4,21%	15.593
Publicly traded (**)	50,53%	186.944	50,53%	186.944
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustment		3.475		3.475
Restated capital		<u>373.475</u>		<u>373.475</u>

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

(\*\*)24.737.369 (6,69%) shares at 1 TL par value of publicly traded shares are under the control of founding shareholder families as of 31 March 2017 (31 December 2016: 24.737.369 share; 6,69 %).

#### 18. EARNINGS PER SHARE

	1 January- 31 March 2017	1 January - 31 March 2016
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the parent (Thousands TL)	161.718	148.878
Earnings per share from continuing operations (TL)	0,437	0,402

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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#### 19. OTHER OPERATING INCOME AND EXPENSES

	1 January- 31 March 2017	1 January - 31 March 2016
<b>Other operating income</b>		
Foreign exchange income from operations	77.848	49.835
Due date difference income	7.572	8.339
Discount income	1.986	1.490
Rental income	1.088	1.047
Scrap sales income	380	511
Government grants and incentives income	302	20
Indemnity income	58	151
Reversal of litigation provision (Note: 14)	-	646
Other income	1.562	3.362
	<u>90.796</u>	<u>65.401</u>
	1 January- 31 March 2017	1 January - 31 March 2016
<b>Other operating expenses (-)</b>		
Foreign exchange losses from operations	(104.280)	(46.054)
Discount expenses	(1.475)	(2.451)
Grants and contributions	(797)	(163)
Due date difference expenses	(736)	(454)
Litigation provision (Note: 14)	(122)	(2.778)
Damages subject to litigation	(97)	-
Additional tax expense	(20)	(18)
Other expenses	(7.516)	(2.913)
	<u>(115.043)</u>	<u>(54.831)</u>

#### 20. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January- 31 March 2017	1 January - 31 March 2016
<b>Financial income</b>		
Foreign exchange gains	171.325	13.578
Interest income	25.455	17.931
Currency translation reserve gains	495	2.057
Other finance income	82	5
	<u>197.357</u>	<u>33.571</u>
	1 January- 31 March 2017	1 January - 31 March 2016
<b>Financial expenses (-)</b>		
Foreign exchange losses	(146.753)	(30.963)
Interest expenses	(18.053)	(9.477)
Currency translation reserve losses	(3.978)	(963)
Other finance expenses	(1.547)	(1.708)
Less: Financial expenses included in costs of property, plant and equipment and inventories	8.130	2.455
	<u>(162.201)</u>	<u>(40.656)</u>

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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#### 21. FOREIGN CURRENCY POSITION

31 March 2017	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	109.236	12.263	3.084	-	52.563
2. Monetary Financial Assets	1.101.983	255.495	42.191	8	7.408
3. Other	30.016	1.000	894	845	19.067
4. CURRENT ASSETS	1.241.235	268.758	46.169	853	79.038
5. Trade Receivables	25	-	-	-	25
6. Monetary Financial Assets	560	-	-	-	560
7. Other	7.459	9	1.900	-	-
8. NON-CURRENT ASSETS	8.044	9	1.900	-	585
9. TOTAL ASSETS	1.249.279	268.767	48.069	853	79.623
10. Trade Payables	1.104.960	188.151	16.998	257	352.760
11. Financial Liabilities	91.258	538	22.742	-	418
12. Monetary Other Liabilities	92.012	2.122	1.085	-	80.050
12b. Non-Monetary Other Liabilities	4.529	1.236	8	-	-
13. CURRENT LIABILITIES	1.292.759	192.047	40.833	257	433.228
14. Trade Payables	473	-	-	-	473
15. Financial Liabilities	219.534	98	56.080	-	-
16. Monetary Other Liabilities	21.276	945	4	-	17.822
17. NON-CURRENT LIABILITIES	241.283	1.043	56.084	-	18.295
18. TOTAL LIABILITIES	1.534.042	193.090	96.917	257	451.523
19. Off-balance Sheet Derivative Instruments Net Position (19a-19b)	419.891	115.399	-	-	-
19a. Derivative Assets	419.891	115.399	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	135.128	191.076	(48.848)	596	(371.900)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	(317.709)	75.904	(51.634)	(249)	(390.967)
22. Fair Value of Derivative Instruments Held for Hedging	(8.587)	(2.360)	-	-	-

Translated into English from the report originally issued in Turkish.

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#### 21. FOREIGN CURRENCY POSITION (cont'd)

31 December 2016	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	114.991	17.771	3.785	-	38.409
2. Monetary Financial Assets	1.151.256	295.031	24.330	10	22.678
3. Other	14.265	224	862	564	7.853
4. CURRENT ASSETS	1.280.512	313.026	28.977	574	68.940
5. Trade Receivables	25	-	-	-	25
6. Monetary Financial Assets	538	-	-	-	538
7. Other	9.588	10	2.575	-	-
8. NON-CURRENT ASSETS	10.151	10	2.575	-	563
9. TOTAL ASSETS	1.290.663	313.036	31.552	574	69.503
10. Trade Payables	1.081.847	196.647	16.528	152	327.836
11. Financial Liabilities	90.161	1.056	23.301	-	-
12. Monetary Other Liabilities	107.273	127	8.613	-	74.873
12b. Non-Monetary Other Liabilities	414	107	10	-	-
13. CURRENT LIABILITIES	1.279.695	197.937	48.452	152	402.709
14. Trade Payables	313	-	-	-	313
15. Financial Liabilities	250.003	98	67.295	-	-
16. Monetary Other Liabilities	21.161	885	4	-	18.032
17. NON-CURRENT LIABILITIES	271.477	983	67.299	-	18.345
18. TOTAL LIABILITIES	1.551.172	198.920	115.751	152	421.054
19. Off-balance Sheet Derivative Instruments Net Position (19a-19b)	50.194	14.263	-	-	-
19a. Derivative Assets	50.194	14.263	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	(210.315)	128.379	(84.199)	422	(351.551)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	(283.948)	113.989	(87.626)	(142)	(359.404)
22. Fair Value of Derivative Instruments Held for Hedging	2.115	601	-	-	-

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#### 21. FOREIGN CURRENCY POSITION (cont’d)

##### Foreign currency sensitivity

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

The following table details the Group’s sensitivity to a 5% increase and decrease in foreign currency rates. 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 three month interim period end for a 5% change in foreign currency rates. Positive number indicates an increase in profit or loss.

	31 March 2017	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	34.762	(34.762)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(9.546)	9.546
	If other foreign currencies changes 5% against TL	
Other foreign currency assets / liabilities	(18.460)	18.460
TOTAL	6.756	(6.756)
	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	22.590	(22.590)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.618)	15.618
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(17.488)	17.488
TOTAL	(10.516)	10.516

#### 22. SUBSEQUENT EVENTS

None.