

**TEKFEN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH
INTERIM PERIOD
ENDED 30 JUNE 2018
TOGETHER WITH
REVIEW REPORT

(Translated into English from the report
originally issued in Turkish)

**CONVENIENCE TRANSLATION INTO ENGLISH OF
REVIEW REPORT ORIGINALLY ISSUED IN TURKISH****REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

**To the Board of Directors of
Tekfen Holding Anonim Şirketi**

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries (altogether referred as the "Group") as of 30 June 2018 and the related condensed consolidated statements of profit or loss, condensed consolidated other comprehensive income, condensed consolidated changes in equity, and condensed consolidated cash flows for the six-month period then ended. The Group Management is responsible for the preparation and fair presentation of the interim condensed consolidated financial information in accordance with the Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review.

Scope of Review


We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an independent audit conducted in accordance with International Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed consolidated financial information has not been prepared, in all material respects, in accordance with the TAS 34.

İstanbul,
2 August 2018

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



Selçuk Şahin, SMMM
Partner in charge

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2018**

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

ASSETS	Notes	Reviewed 30 June 2018	Audited 31 December 2017
Current Assets		8.039.588	7.013.920
Cash and cash equivalents	7	3.737.555	2.985.833
Financial investments		325.898	330.126
Trade receivables	8	1.707.090	1.890.014
- <i>Related party receivables</i>		23.882	14.468
- <i>Trade receivables</i>		1.683.208	1.875.546
Other receivables		29.459	23.518
- <i>Related party receivables</i>		4.249	-
- <i>Other receivables</i>		25.210	23.518
Receivables from ongoing construction contracts	9	351.312	171.361
Derivative instruments	21	48.149	6.460
Inventories	10	1.001.571	948.789
Prepaid expenses		504.734	335.754
- <i>Prepaid expenses</i>		504.734	335.754
Assets related with current tax		68.325	65.598
Other current assets		232.170	228.070
- <i>Other current assets</i>		232.170	228.070
		8.006.263	6.985.523
Assets classified as held for sale		33.325	28.397
Non-Current Assets		2.570.731	2.352.830
Financial investments		208.025	181.971
Trade receivables	8	81.541	76.585
- <i>Trade receivables</i>		81.541	76.585
Other receivables		4.576	4.235
- <i>Other receivables</i>		4.576	4.235
Investments valued by equity method	11	147.546	194.510
Investment property	12	106.554	103.866
Property, plant and equipment	12	1.731.520	1.597.309
Intangible assets	12	68.878	20.236
- <i>Goodwill</i>		45.940	-
- <i>Other intangible assets</i>		22.938	20.236
Prepaid expenses		17.710	2.470
- <i>Prepaid expenses</i>		17.710	2.470
Deferred tax assets		76.806	77.176
Other non-current assets		127.575	94.472
- <i>Other non-current assets</i>		127.575	94.472
TOTAL ASSETS		10.610.319	9.366.750

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 30 JUNE 2018

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
LIABILITIES			
Current Liabilities		6.314.215	5.586.667
Short-term borrowings	13	647.812	605.081
Short-term portion of long-term borrowings		139.053	110.508
Trade payables	8	2.364.555	2.038.629
- <i>Related party payables</i>		2.611	6.128
- <i>Trade payables</i>		2.361.944	2.032.501
Payables related to employee benefits		99.050	72.332
Other payables		108.717	78.440
- <i>Related party payables</i>		5.373	-
- <i>Other payables</i>		103.344	78.440
Payables to ongoing construction contracts	9	1.217.473	792.605
Derivative instruments	21	6.698	9.547
Deferred revenue	4(b)	1.411.188	1.638.897
- <i>Deferred revenue</i>		1.411.188	1.638.897
Current tax liability		66.698	62.100
Short-term provisions	14	252.328	178.067
- <i>Short-term provisions attributable to employee benefits</i>		58.634	65.613
- <i>Other short-term provisions</i>		193.694	112.454
Other short-term liabilities		643	461
- <i>Other short-term liabilities</i>		643	461
Non-Current Liabilities		862.052	771.769
Long-term borrowings	13	412.031	464.104
Trade payables	8	193.191	117.342
- <i>Trade payables</i>		193.191	117.342
Other payables		71.810	70.146
- <i>Other payables</i>		71.810	70.146
Government incentives and grants		1.132	1.132
Long-term provisions	14	68.186	57.996
- <i>Long-term provisions attributable to employee benefits</i>		68.108	57.924
- <i>Other long-term provisions</i>		78	72
Deferred tax liabilities		115.702	61.049
TOTAL LIABILITIES		7.176.267	6.358.436
EQUITY		3.434.052	3.008.314
Equity Attributable To Owners Of The Parent	5, 17	3.386.656	2.975.717
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		1.270	(2.349)
- <i>Gain (loss) on revaluation and remeasurement</i>		1.270	(2.349)
Accumulated other comprehensive income (expenses) that will be reclassified to profit or loss		361.465	219.312
- <i>Currency translation reserve</i>		261.124	154.480
- <i>Hedging reserve</i>		32.326	(2.408)
- <i>Gain (loss) on revaluation and reclassification</i>		68.015	67.240
Legal reserves		231.271	197.180
Prior years' income		1.598.242	1.115.816
Net profit for the period		519.949	771.299
Non-controlling Interests		47.396	32.597
TOTAL LIABILITIES AND EQUITY		10.610.319	9.366.750

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

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed 1 January- 30 June 2018	Unreviewed 1 April- 30 June 2018	Reviewed 1 January - 30 June 2017	Unreviewed 1 April- 30 June 2017
Revenue		5.102.508	2.836.579	3.344.297	1.707.322
Cost of revenue (-)		(4.368.761)	(2.443.714)	(2.845.461)	(1.474.169)
GROSS PROFIT		733.747	392.865	498.836	233.153
General administrative expenses (-)		(140.492)	(84.143)	(96.655)	(50.396)
Marketing expenses (-)		(103.217)	(54.759)	(82.721)	(37.250)
Research and development expenses (-)		(768)	(225)	(87)	(34)
Other operating income	19	157.762	116.390	172.974	82.178
Other operating expenses (-)	19	(282.746)	(200.381)	(161.422)	(46.379)
Share on profit of investments valued using equity method	11	20.083	3.235	102.479	88.462
OPERATING PROFIT		384.369	172.982	433.404	269.734
Investment income		7.155	(1.076)	16.486	8.391
Investment expense (-)		(1.189)	(1.134)	(14)	(8)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		390.335	170.772	449.876	278.117
Financial income	20	392.035	265.662	253.382	56.025
Financial expenses (-)	20	(152.228)	(95.425)	(232.398)	(70.197)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		630.142	341.009	470.860	263.945
Tax Expense from Continuing Operations (-)		(109.750)	(61.672)	(85.724)	(39.590)
Tax expense for the period (-)		(76.811)	(50.724)	(54.835)	(22.309)
Deferred tax expense (-)		(32.939)	(10.948)	(30.889)	(17.281)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		520.392	279.337	385.136	224.355
Distribution of Profit for the Period					
Non-controlling interests		443	282	(446)	491
Owners of the parent		519.949	279.055	385.582	223.864
Earnings Per Share	18	1,405	0,754	1,042	0,605

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

	Reviewed 1 January- 30 June 2018	Unreviewed 1 April- 30 June 2018	Reviewed 1 January - 30 June 2017	Unreviewed 1 April- 30 June 2017
PROFIT FOR THE PERIOD	520.392	279.337	385.136	224.355
OTHER COMPREHENSIVE INCOME:				
<u>Items that will not be reclassified to profit or loss</u>	3.619	2.749	(2.904)	(926)
Profit (loss) on revaluation of defined benefit plans	4.524	3.436	(3.630)	(1.157)
Taxes based on other comprehensive income that will not be reclassified to profit or loss	(905)	(687)	726	231
- <i>Deferred tax (expense) income</i>	(905)	(687)	726	231
<u>Items that will be reclassified to profit or loss</u>	138.672	89.677	(31.118)	(38.448)
Currency translation reserve differences	113.283	75.214	(432)	(9.457)
Gains (loss) from fair value through other comprehensive income financial assets	(9.837)	(5.885)	804	(6.394)
Other comprehensive income (expenses) related to cash flow hedging (-)	44.531	25.573	(39.313)	(28.647)
Taxes based on other comprehensive income that will be reclassified to profit or loss	(9.305)	(5.225)	7.823	6.050
- <i>Deferred tax (expense) income</i>	(9.305)	(5.225)	7.823	6.050
OTHER COMPREHENSIVE INCOME (EXPENSE)	142.291	92.426	(34.022)	(39.374)
TOTAL COMPREHENSIVE INCOME	662.683	371.763	351.114	184.981
Distribution of Total Comprehensive Income for The Period				
Non-controlling interests	7.082	(2.348)	631	(250)
Owners of the parent	655.601	374.111	350.483	185.231

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

				Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss			Retained Earnings			Equity attributable to owners of the parent	Non-controlling interests	Equity
	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Gains (loss) on hedging	Gain (loss) on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period			
Reviewed													
Opening balance as of 1 January 2017	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Transfers	-	-	-	-	-	-	-	2.857	321.554	(324.411)	-	-	-
Total comprehensive income (loss)	-	-	-	(2.904)	(1.509)	(31.450)	764	-	-	385.582	350.483	631	351.114
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	385.582	385.582	(446)	385.136
- Other comprehensive income (expense)	-	-	-	(2.904)	(1.509)	(31.450)	764	-	-	-	(35.099)	1.077	(34.022)
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	-	-	-	-	-	-	-	-	(8.779)	-	(8.779)	-	(8.779)
Closing balance as of 30 June 2017	370.000	3.475	300.984	(1.535)	124.468	(29.829)	72.539	197.002	1.148.163	385.582	2.570.849	30.407	2.601.256
Reviewed													
Opening balance as of 1 January 2018	370.000	3.475	300.984	(2.349)	154.480	(2.408)	67.240	197.180	1.115.816	771.299	2.975.717	32.597	3.008.314
Effect of changes in accounting policies (Note 3)	-	-	-	-	-	-	10.120	-	(4.729)	-	5.391	-	5.391
Revised balance as of 1 January 2018	370.000	3.475	300.984	(2.349)	154.480	(2.408)	77.360	197.180	1.111.087	771.299	2.981.108	32.597	3.013.705
Transfers	-	-	-	-	-	-	-	34.091	737.208	(771.299)	-	-	-
Total comprehensive income (loss)	-	-	-	3.619	106.644	34.734	(9.345)	-	-	519.949	655.601	7.082	662.683
- Profit for the period	-	-	-	-	-	-	-	-	-	519.949	519.949	443	520.392
- Other comprehensive income (expense)	-	-	-	3.619	106.644	34.734	(9.345)	-	-	-	135.652	6.639	142.291
Dividends	-	-	-	-	-	-	-	-	(248.693)	-	(248.693)	-	(248.693)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(90)	(90)
Capital increase	-	-	-	-	-	-	-	-	-	-	-	7.807	7.807
Other changes	-	-	-	-	-	-	-	-	(1.360)	-	(1.360)	-	(1.360)
Closing balance as of 30 June 2018	370.000	3.475	300.984	1.270	261.124	32.326	68.015	231.271	1.598.242	519.949	3.386.656	47.396	3.434.052

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		1.068.109	1.667.074
Profit for the Period		520.392	385.136
Adjustments to Reconcile Net Profit		249.612	70.226
- Depreciation and Amortization	12	83.475	63.596
- Provision Adjustments	8, 14	96.185	42.943
- Dividend Income and Expenses		(7.111)	(8.146)
- Interest Income and Expense Adjustments	20	(15.347)	(3.379)
- Gain/Loss on Fair Valuation		-	303
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	11	(20.083)	(102.479)
- Allowance for Taxation		111.546	85.724
- Adjustments for Gain/Loss on Sale of Fixed Assets	12	947	(8.336)
Movements in Working Capital		393.007	1.300.749
- Changes in Financial Investments		4.228	(1.556)
- Changes in Trade Receivables	8	178.655	59.152
- Changes in Other Assets		(35.236)	4.371
- Changes in Receivables from Ongoing Construction Contracts	9	(179.951)	(216.399)
- Changes in Inventories	10	(35.500)	(4.908)
- Changes in Prepaid Expenses		(166.892)	(92.039)
- Changes in Trade Payables	8	385.957	169.128
- Changes in Payables Related to Employee Benefits		26.570	(2.746)
- Changes in Payables to Ongoing Construction Contracts	9	424.868	203.881
- Changes in Other Liabilities		22.487	24.800
- Changes in Deferred Revenue	4(b)	(232.179)	1.157.065
Cash Generated by Operating Activities		1.163.011	1.756.111
Interest Paid		(30.423)	(18.539)
Interest Received		57.576	43.703
Provision Paid Related to Employee Benefits	14	(46.094)	(42.500)
Other Provision Paid	14	(1.020)	(453)
Tax Paid/Return		(74.941)	(71.248)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(68.258)	(91.559)
Acquisition of Non-controlling Interests' Shares		-	(293)
Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures	11	(570)	-
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments		(59.251)	(20.159)
Proceeds from Sales of Tangible and Intangible Assets	12	1.824	8.531
Acquisition of Tangible and Intangible Assets	12	(77.953)	(84.018)
Acquisition of Investment Properties	12	(223)	(1.575)
Proceeds from Sales of Assets Held for Sale		296	-
Advances and Debts Given		(15.804)	1.829
Dividend Received		83.423	4.126
C. CASH FLOWS FROM FINANCING ACTIVITIES		(436.370)	(137.777)
Proceeds from Borrowings		395.686	476.304
Repayments of Borrowings		(581.434)	(487.625)
Payments of Financial Lease Obligations		(1.929)	(6.164)
Dividend Paid	5	(248.693)	(120.292)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		563.481	1.437.738
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		188.241	29.559
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		751.722	1.467.297
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.985.833	1.483.429
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)		3.737.555	2.950.726

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

(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 30 June 2018, the Group has 19.955 employees (31 December 2017: 18.296) 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 as of 30 June 2018:

Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. (“Tekfen Tarım”), a subsidiary of the Group, purchased 90% of the paid in capitals of Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Ticaret A.Ş. (“Alanar Meyve”) and Alara Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş. (“Alara Fidan”) (Note: 4 (a)).

Toros Kılavuzluk Römorkör Hizmetleri ve Denizcilik A.Ş. was established and registered on 5 April 2018. The Group's subsidiary Toros Tarım owns the whole shares of Toros Kılavuzluk Römorkör Hizmetleri ve Denizcilik A.Ş.

Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 2 August 2018.

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 30 June 2018 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 2017 and the related disclosures. Interim periods' financial statements cannot be the sole indicator of the year-end results by themselves.

For the condensed consolidated financial statements, except the ones stated in note 3(d) and 3(e), 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 2017

Exchange rates used in the consolidation process as of 30 June 2018 are; 1 USD= 4,5607 TL, 1 EUR= 5,3092 TL, 1 MAD= 0,5059 TL, 1 SAR= 1,2162 TL, 1 QAR= 1,2495 TL (Exchange rates as of 31 December 2017 are; 1 USD= 3, 7719 TL, 1 EUR= 4,5155 TL, 1 MAD= 0,4026 TL, 1 SAR= 1,0058 TL, 1 QAR= 1,0334 TL).

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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:

- TFRS 9, “Financial Instruments”, effective for annual periods beginning after 1 January 2018.
- TFRS 15, “Revenue from Contracts with Customers”, effective for annual periods beginning after 1 January 2018.
- TAS 40 (amendments), “Transfers of Investment Property”, effective for annual periods beginning after 1 January 2018.
- TFRS interpretation 22, “Foreign Currency Transactions and Advance Consideration”, effective for annual periods beginning after 1 January 2018.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2018, but not affecting the consolidated financial statements of the Group:

- TFRS 15 (amendments), “Revenue from Contracts with Customers”, effective for annual periods beginning after 1 January 2018.
- TFRS 4 (amendments), “Insurance Contracts”, effective for annual periods beginning after 1 January 2018.
- TFRS 2 (amendments), “Classification and Measurement of Share-Based Payment Transactions”, effective for annual periods beginning after 1 January 2018.
- Annual Improvements to TFRS 2014-2016 Cycle (TFRS 1, TAS 28), effective for annual periods beginning after 1 January 2018.

(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 (amendments) , “Financial Instruments”, effective for annual periods beginning after 1 January 2019.
- TAS 28 (amendments), “Long-term Interests in Associates and Joint Ventures”, effective for annual periods beginning after 1 January 2019.
- TFRS 16, “Leases”, effective for annual periods beginning after 1 January 2019.
- TFRS interpretation 23, “Uncertainty over Income Tax Treatments”, effective for annual periods beginning after 1 January 2019.
- TFRS 17 “Insurance Contracts”, effective for annual periods beginning after 1 January 2021.
- Annual Improvements to TFRS 2015-2017 Cycle (TFRS 3, TFRS 11, TAS 12, TAS 23), effective for annual periods beginning after 1 January 2019.
- TAS 19 (amendments), “Plan Amendment, Curtailment or Settlement”, effective for annual periods beginning after 1 January 2019.

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

(d) First Time Adoption of TFRS 9:

Group applied TFRS 9 “Financial Instruments” which has superseded TAS 39 “Financial Instruments: Recognition and Measurement” as of 1 January 2018 and accounted retrospectively in the consolidated financial statements within the transition exemption defined in the related Standard’s paragraph numbered 7.2.15. In accordance with the mentioned exemption, the cumulative effect of initial application of this Standard is recognised under retained earnings and gain on revaluation and reclassification accounts of the annual reporting period that includes the date of initial application. Under this transition method, within the scope of first time adoption of TFRS 9, no restatement has been required in the comparative information of the consolidated financial statements.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below:

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3. ADOPTION OF NEW AND REVISED STANDARDS (cont’d)

(d) First Time Adoption of TFRS 9 (cont’d):

Financial assets	Previous classification according to TAS 39	New classification according to TFRS 9
Trade receivables	Loans and receivables	Amortised cost
Derivative assets	Fair value through other comprehensive income	Fair value through other comprehensive income
Financial investments	Available-for-sale financial asset	Fair value through other comprehensive income
Financial investments	Fair value through profit or loss	Fair value through profit or loss

Financial liabilities	Previous classification according to TAS 39	New classification according to TFRS 9
Trade payables	Amortised cost	Amortised cost
Derivative liabilities	Fair value through other comprehensive income	Fair value through other comprehensive income
Borrowings	Amortised cost	Amortised cost

Information about the effect of the Group's application of TFRS 9 is given below:

Reconciliation of reclassified financial assets with balance sheet as first time adoption of TFRS 9

	Book Value Before TFRS 9 31 December 2017	Reclassification	Remeasurement	TFRS 9 Book Value 1 January 2018
Loans and receivables (Including cash and cash equivalents)				
Balance before reclassification	5.268.090	(5.268.090)	-	-
Reclassification to financial assets measured at amortized cost	-	5.268.090	-	5.268.090
Effect of the expected credit losses	-	-	(6.153)	(6.153)
Financial assets measured at amortized cost	5.268.090	-	(6.153)	5.261.937
Available-for-sale financial asset				
Balance before reclassification	170.651	(170.651)	-	-
Reclassification to financial assets measured at fair value through other comprehensive	-	170.651	-	170.651
Effect of remeasurement	-	-	10.727	10.727
Financial assets measured at fair value through other comprehensive income	170.651	-	10.727	181.378

Effect of application of TFRS 9 to the financial statements dated 1 January 2018

	31 December 2017 Reported	Effect of TFRS 9	1 January 2018 Revised
Cash and cash equivalents	2.985.833	(468)	2.985.833
Trade receivables (net)	1.952.131	(5.685)	1.952.131
Financial investments	181.971	10.727	181.971
Deferred tax assets	77.176	1.354	77.176
Deferred tax liabilities	61.049	537	61.049
Gain on revaluation and reclassification	67.240	10.120	67.240
Prior years' income	1.115.816	(4.729)	1.115.816

(e) First Time Adoption of TFRS 15:

TFRS 15 “Revenue from Contracts with Customers” has superseded TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations. The new five-step model in the standard provides the recognition and measurement requirements of revenue. TFRS 15 is effective for periods beginning on and after 1 January 2018 and the Group does not expect that application of TFRS 15 will have significant impact on its consolidated financial statements.

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4. EVENTS AND TRANSACTIONS MATERIALLY AFFECTING CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(a) Business Combinations

Upon the resolution of the Board of Directors dated 3 November 2017, a share acquisition agreement was signed on 5 January 2018 concerning acquisition of 90% of the paid in capitals of Alanar Meyve and Alara Fidan by Tekfen Tarım. The transaction was approved by the Competition Authority on 8 February 2018 and following the ratification of the Competition Authority, the closing was held on 14 February 2018. Temporary Goodwill arising from business combinations has been recognized in accordance with TFRS in the condensed consolidated financial statements as of 30 June 2018 (Note 12).

(b) Advances Received

The Group received cash advances on 19 January 2017 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 958.912 (767.432.000 Qatari Riyal) and is recognized under deferred revenue account as of 30 June 2018 (31 December 2017: 1.196.275).

5. SIGNIFICANT CHANGES IN EQUITY

Gain on Revaluation and Reclassification:

The negative change of 9.345 in the fair values of the financial investments of the Group has been directly recognized in equity (30 June 2017: positive change of 764).

Legal Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 30 June 2018, 34.091 of legal reserves were transferred from retained earnings in the condensed consolidated financial statements as of 30 June 2018 (30 June 2017: 2.857).

Profit Distribution:

Upon the resolution of Ordinary General Assembly held on 29 March 2018, it is decided to distribute 0,63 TRY (2017: 0,31 TRY) gross cash dividends per share attributable to the operations of the year of 2017. Profit shares of 232.530 (2017: 113.546) and 16.163 (2017: 6.746) in the aggregate 248.693 (2017: 120.292) was distributed on 4 April 2018 respectively to the owners of the parent and Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed share.

Hedging Reserve

The positive change of 34.734 (30 June 2017: negative 31.450) in the fair values of the effective derivative instruments which the Group uses for cash flow hedging has been recognized in equity.

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6. SEGMENTAL REPORTING

a) Segmental results:

	1 January - 30 June 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	3.597.749	1.444.998	40.230	19.531	5.102.508
Cost of revenue (-)	(3.244.854)	(1.086.278)	(34.298)	(3.331)	(4.368.761)
GROSS PROFIT	352.895	358.720	5.932	16.200	733.747
General administrative expenses (-)	(74.804)	(30.605)	(4.533)	(30.550)	(140.492)
Marketing expenses (-)	(1.774)	(97.190)	(4.253)	-	(103.217)
Research and development expenses (-)	(70)	(698)	-	-	(768)
Other operating income	71.880	83.855	136	1.891	157.762
Other operating expenses (-)	(59.231)	(217.778)	(1.878)	(3.859)	(282.746)
Share on profit (loss) of investments valued using equity method	20.242	(155)	(4)	-	20.083
OPERATING PROFIT (LOSS)	309.138	96.149	(4.600)	(16.318)	384.369
Investment income	-	135	-	7.020	7.155
Investment expense (-)	(293)	(38)	(759)	(99)	(1.189)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	308.845	96.246	(5.359)	(9.397)	390.335
Financial income	37.060	132.150	3.507	219.318	392.035
Financial expenses (-)	(9.857)	(69.205)	(21.895)	(51.271)	(152.228)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	336.048	159.191	(23.747)	158.650	630.142
Tax (expense) income from continuing operations	(57.037)	(13.876)	4.702	(43.539)	(109.750)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	279.011	145.315	(19.045)	115.111	520.392

For the six month interim period ended 30 June 2018, revenue amounting 1.922.096 was obtained from a non-related client of construction segment which constitute 37,7% of the Group's revenue.

The Group has 68.241 of revenue and 46.992 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 30 June 2018.

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6. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d):

	1 April - 30 June 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.109.426	701.249	15.933	9.971	2.836.579
Cost of revenue (-)	(1.912.294)	(515.375)	(14.406)	(1.639)	(2.443.714)
GROSS PROFIT	197.132	185.874	1.527	8.332	392.865
General administrative expenses (-)	(44.376)	(18.773)	(2.541)	(18.453)	(84.143)
Marketing expenses (-)	(1.055)	(51.510)	(2.194)	-	(54.759)
Research and development expenses (-)	(53)	(172)	-	-	(225)
Other operating income	59.462	55.675	(35)	1.288	116.390
Other operating expenses (-)	(43.078)	(154.800)	(53)	(2.450)	(200.381)
Share on profit (loss) of investments valued using equity method	4.088	(853)	-	-	3.235
OPERATING PROFIT (LOSS)	172.120	15.441	(3.296)	(11.283)	172.982
Investment income	-	85	-	(1.161)	(1.076)
Investment expense (-)	(293)	(38)	(759)	(44)	(1.134)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	171.827	15.488	(4.055)	(12.488)	170.772
Financial income	15.095	81.088	3.055	166.424	265.662
Financial expense (-)	(5.052)	(39.017)	(10.794)	(40.562)	(95.425)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	181.870	57.559	(11.794)	113.374	341.009
Tax (expense) income from continuing operations	(32.984)	(221)	2.024	(30.491)	(61.672)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	148.886	57.338	(9.770)	82.883	279.337

The Group has 37.669 of revenue and 26.702 of operating income from terminal operations classified as agricultural operation for the period of 1 April – 30 June 2018.

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6. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd):

	1 January - 30 June 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.950.196	1.155.643	221.628	16.830	3.344.297
Cost of revenue (-)	(1.795.398)	(845.040)	(201.632)	(3.391)	(2.845.461)
GROSS PROFIT	154.798	310.603	19.996	13.439	498.836
General administrative expenses (-)	(54.268)	(16.037)	(3.945)	(22.405)	(96.655)
Marketing expenses (-)	(906)	(78.894)	(2.921)	-	(82.721)
Research and development expenses (-)	-	-	-	(87)	(87)
Other operating income	59.834	108.246	176	4.718	172.974
Other operating expenses (-)	(55.591)	(98.783)	(8)	(7.040)	(161.422)
Share on profit (loss) of investments valued using equity method	100.977	1.504	(2)	-	102.479
OPERATING PROFIT (LOSS)	204.844	226.639	13.296	(11.375)	433.404
Investment income	1.045	7.669	-	7.772	16.486
Investment expense (-)	-	(1)	-	(13)	(14)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	205.889	234.307	13.296	(3.616)	449.876
Financial income	21.293	97.206	1.233	133.650	253.382
Financial expenses (-)	(14.995)	(102.987)	(445)	(113.971)	(232.398)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	212.187	228.526	14.084	16.063	470.860
Tax expense from continuing operations (-)	(52.327)	(20.801)	(2.708)	(9.888)	(85.724)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	159.860	207.725	11.376	6.175	385.136

For the six month interim period ended 30 June 2017, revenue amounting 623.634 was obtained from a non-related client of construction segment which constitute 18,6% of the Group's revenue.

The Group has 77.099 of revenue and 49.636 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 30 June 2017.

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6. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d):

	1 April - 30 June 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.039.167	479.994	179.483	8.678	1.707.322
Cost of revenue (-)	(946.702)	(362.809)	(163.003)	(1.655)	(1.474.169)
GROSS PROFIT	92.465	117.185	16.480	7.023	233.153
General administrative expenses (-)	(27.791)	(8.362)	(2.045)	(12.198)	(50.396)
Marketing expenses (-)	(401)	(35.147)	(1.702)	-	(37.250)
Research and development expenses (-)	-	-	-	(34)	(34)
Other operating income	33.186	45.780	156	3.056	82.178
Other operating expenses (-)	(27.008)	(17.709)	(2)	(1.660)	(46.379)
Share on profit of investments valued using equity method	87.555	906	1	-	88.462
OPERATING PROFIT (LOSS)	158.006	102.653	12.888	(3.813)	269.734
Investment income	667	1	-	7.723	8.391
Investment expense (-)	-	(1)	-	(7)	(8)
PROFIT BEFORE FINANCIAL INCOME (EXPENSE)	158.673	102.653	12.888	3.903	278.117
Financial income	10.309	18.247	495	26.974	56.025
Financial expense (-)	(3.165)	(27.478)	(138)	(39.416)	(70.197)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	165.817	93.422	13.245	(8.539)	263.945
Tax expense from continuing operations (-)	(35.084)	(880)	(2.602)	(1.024)	(39.590)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	130.733	92.542	10.643	(9.563)	224.355

The Group has 37.965 of revenue and 24.651 of operating income from terminal operations classified as agricultural operation for the period of 1 April – 30 June 2017.

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6. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities:

Balance sheet	30 June 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	5.870.783	2.983.610	439.047	1.316.879	10.610.319
Current and non-current liabilities	5.075.035	1.531.655	409.430	160.147	7.176.267
Equity attributable to owners of the parent	484.423	1.357.736	(24.445)	1.568.942	3.386.656
Non-controlling interests	38.415	8.968	-	13	47.396

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

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6. SEGMENTAL REPORTING (cont'd)

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

	1 January - 30 June 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	61.420	15.141	444	1.171	78.176
Depreciation and amortization expense for the period (*)	46.050	34.647	652	2.126	83.475
Intra-segment revenue	103.183	24.413	13	2.869	130.478
Inter-segment revenue	-	597	643	9.618	10.858

	1 April - 30 June 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	26.282	13.799	161	551	40.793
Depreciation and amortization expense for the period (*)	24.771	14.120	359	1.071	40.321
Intra-segment revenue	53.133	13.330	5	1.524	67.992
Inter-segment revenue	-	183	336	4.948	5.467

	1 January - 30 June 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	48.997	34.458	348	1.790	85.593
Depreciation and amortization expense for the period (*)	32.712	28.393	528	1.963	63.596
Intra-segment revenue	17.804	19.535	42	2.441	39.822
Inter-segment revenue	-	539	620	7.299	8.458

	1 April - 30 June 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	27.465	29.530	30	1.663	58.688
Depreciation and amortization expense for the period (*)	17.358	10.313	259	989	28.919
Intra-segment revenue	6.322	9.200	27	2.316	17.865
Inter-segment revenue	-	217	272	3.780	4.269

(*) Depreciation expense of 1.043 is deducted from the cost of inventory (30 June 2017: 1.083 added to the cost of inventory).

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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 - 30 June 2018)	2.781.715	301.241	-	2.135.774	25.114	(141.336)	5.102.508
Total Assets (30 June 2018)	12.001.868	3.305.098	56.594	3.261.296	157.844	(8.172.381)	10.610.319
Capital Expenditures (1 January - 30 June 2018)	33.240	13.343	-	30.862	731	-	78.176

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 April - 30 June 2018)	1.513.484	178.972	-	1.208.052	9.530	(73.459)	2.836.579
Capital Expenditures (1 April - 30 June 2018)	25.581	7.322	-	7.631	259	-	40.793

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 30 June 2017)	2.250.263	447.825	-	688.329	6.160	(48.280)	3.344.297
Total Assets (31 December 2017)	9.821.715	2.768.683	45.340	2.461.092	116.552	(5.846.632)	9.366.750
Capital Expenditures (1 January - 30 June 2017)	68.254	5.515	-	11.754	70	-	85.593

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 April - 30 June 2017)	1.158.200	204.799	-	361.800	4.657	(22.134)	1.707.322
Capital Expenditures (1 April - 30 June 2017)	44.507	2.421	-	11.690	70	-	58.688

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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 3.331.848 (31 December 2017: 2.680.704). 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:

	30 June 2018	31 December 2017
Short-term trade receivables		
Receivables from Contracting group operations	993.167	1.402.427
Receivables from Agriculture group operations	376.904	190.873
Receivables from Real Estate group operations	19.268	15.770
Receivables from Other group operations	8.335	7.118
Provision for doubtful receivables (-)	(40.231)	(32.998)
Retention receivables (Note: 9)	318.947	283.764
Due from related parties	23.882	14.468
Other	6.818	8.592
	1.707.090	1.890.014
Long-term trade receivables		
Retention receivables (Note: 9)	66.236	64.374
Receivables from Real Estate group operations	15.305	12.211
	81.541	76.585

Postdated cheques amounting to 173.424 (31 December 2017: 126.185), notes receivables amounting to 33.327 (31 December 2017: 23.459), negative foreign currency differences amounting to 1.031 (31 December 2017: positive foreign currency differences amounting to 73) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2017: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 97 days (31 December 2017: 135 days), for domestic projects is 38 days (31 December 2017: 39 days), for Agriculture group is 46 days (31 December 2017: 43 days), for Real Estate group for short-term trade receivables are 187 days, long-term trade receivables are 843 days (31 December 2017: short-term trade receivables is 150 days, long-term trade receivables are 770 days) and for other segment is approximately 24 days (31 December 2017: 27 days).

As of 30 June 2018, receivables amounting 527.145 was obtained from a non-related client which constitute 30% of the Group’s receivables (31 December 2017: 935.627, 48%).

As of 30 June 2018, 40.231 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (30 June 2017: 30.982).

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

	2018	2017
Provision as of 1 January	(32.998)	(30.850)
Effect of changes in accounting policies (Note 3)	(5.685)	-
Effect of business combinations	(410)	-
Charge for the period	(442)	(752)
Collected	423	793
Provision released	939	-
Write off of bad debt	7	6
Currency translation effect	(2.065)	(179)
Provision as of 30 June	(40.231)	(30.982)

Doubtful receivable charge for the period has been charged to general administrative expenses (2017: Doubtful receivable charge for the period has been charged to general administrative expenses).

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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:

	30 June 2018	31 December 2017
Short-term trade payables		
Trade payables from Contracting group operations	1.225.101	1.063.448
Trade payables from Agriculture group operations	1.024.216	836.921
Trade payables from Real Estate group operations	4.719	5.105
Payables from Other group operations	17.345	12.707
Due to related parties	2.611	6.128
Retention payables (Note: 9)	90.228	114.159
Other	335	161
	<u>2.364.555</u>	<u>2.038.629</u>
Long-term trade payables		
Payables from Agriculture group operations	40.889	60.869
Retention payables (Note: 9)	151.679	55.674
Trade payables from Contracting group operations	623	799
	<u>193.191</u>	<u>117.342</u>

Notes payables amounting to 55 (31 December 2017: None), and foreign currency differences amounting to 156.828 (31 December 2017: 218.219) are included in short and long-term trade payables. There are not any postdated cheques in the current period (31 December 2017: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 96,5% (31 December 2017: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 162 days (31 December 2017: 172 days) whereas average payable period for domestic purchases is 30 days (31 December 2017: 30 days). For Contracting group, import purchases through letter of credit constitute 1% (31 December 2017: 3%) of trade payables as at balance sheet date. The average payable period for these import purchases is 83 days (31 December 2017: 87 days) whereas the average payable period for other purchases is 77 days (31 December 2017: 90 days). The average payable period for Real Estate group is 35 days (31 December 2017: 35 days). For the other operations of the Group, the average payable period is 61 days (31 December 2017: 61 days).

9. CONSTRUCTION CONTRACTS

	30 June 2018	31 December 2017
Cost incurred on ongoing contracts	16.332.319	16.125.698
Recognised gain less losses (net)	1.690.303	1.140.279
	<u>18.022.622</u>	<u>17.265.977</u>
Less: Billings to date (-)	(18.888.783)	(17.887.221)
	<u>(866.161)</u>	<u>(621.244)</u>

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9. CONSTRUCTION CONTRACTS (cont'd)

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

	30 June 2018	31 December 2017
Receivables from ongoing construction contracts	351.312	171.361
Payables to ongoing construction contracts	(1.217.473)	(792.605)
	<u>(866.161)</u>	<u>(621.244)</u>
	30 June 2018	31 December 2017
<u>Receivables from ongoing construction contracts</u>		
Contracts undersigned abroad	271.067	125.117
Contracts undersigned in Turkey	80.245	46.244
	<u>351.312</u>	<u>171.361</u>
<u>Payables to ongoing construction contracts</u>		
Contracts undersigned abroad	(1.091.166)	(503.887)
Contracts undersigned in Turkey	(126.307)	(288.718)
	<u>(1.217.473)</u>	<u>(792.605)</u>
	<u>(866.161)</u>	<u>(621.244)</u>

The Group has 426.219 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2017: 292.548). Also, the Group has 1.344.136 of advances received for contracting projects classified in deferred revenue (31 December 2017: 1.559.333).

As of 30 June 2018, the Group has 241.907 of retention payables to subcontractors (31 December 2017: 169.833). Also, the amount of retention receivables is 385.183 (31 December 2017: 348.138) (Note: 8).

10. INVENTORIES

	30 June 2018	31 December 2017
Raw materials	120.286	144.221
Work in progress	214.235	146.499
Finished goods	25.745	19.138
Trading goods	65.197	72.868
Goods in transit	61.446	30.800
Inventory from real estate projects	258.307	256.473
Inventory at construction sites	206.387	225.214
Other inventories	49.968	53.576
	<u>1.001.571</u>	<u>948.789</u>

For the six month interim period ended 30 June 2018, borrowing costs added to inventory amount to 9.340 (31 December 2017: Borrowing costs deducted 4.886).

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 (30 June 2017: None).

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11. INVESTMENTS VALUED BY EQUITY METHOD

Joint Ventures	Location of foundation and operation	30 June 2018		31 December 2017		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
H-T Fidecilik	Turkey	50%	11.578	50%	11.543	50%	Agriculture
Azfen	Azerbaijan	40%	46.666	40%	94.227	40%	Construction
Black Sea Gübre	Turkey	30%	1.094	30%	1.092	30%	Fertilizer Trade
Florya Gayrimenkul	Turkey	50%	88.208	50%	87.648	50%	Real Estate
			<u>147.546</u>		<u>194.510</u>		

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

	2018	2017
Opening balance as of 1 January	194.510	118.445
Group’s share on profit	20.083	102.479
Group’s share on other comprehensive income	192	-
Dividends received	(80.511)	-
Capital increases	570	-
Currency translation effect	12.708	422
Profit eliminations	(6)	(1.004)
Closing balance as of 30 June	<u>147.546</u>	<u>220.342</u>

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

H-T Fidecilik	(157)	1.578
Azfen	20.242	100.977
Black Sea Gübre	2	(74)
Florya Gayrimenkul	(4)	(2)
Shares on profit of joint ventures consolidated by equity method	<u>20.083</u>	<u>102.479</u>

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

Information related to balance sheet:

30 June 2018	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	25	156.132	3.038	103	159.298
Other current assets	48.510	210.334	711	58.550	318.105
Non-current assets	21.365	52.440	10	121.000	194.815
Total Assets	69.900	418.906	3.759	179.653	672.218
Short-term borrowings	27.294	-	-	-	27.294
Other short-term liabilities	17.067	291.131	99	763	309.060
Long-term borrowings	233	-	-	-	233
Other long-term liabilities	2.151	11.109	14	2.474	15.748
Total Liabilities	46.745	302.240	113	3.237	352.335
Net Assets	23.155	116.666	3.646	176.416	319.883
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Net Assets	11.578	46.666	1.094	88.208	147.546
31 December 2017	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	98	153.208	2.698	294	156.298
Other current assets	48.872	299.910	1.169	57.666	407.617
Non-current assets	22.279	52.435	12	120.396	195.122
Total Assets	71.249	505.553	3.879	178.356	759.037
Short-term borrowings	26.937	-	-	-	26.937
Other short-term liabilities	18.253	260.971	223	596	280.043
Long-term borrowings	835	-	-	-	835
Other long-term liabilities	2.139	9.014	17	2.465	13.635
Total Liabilities	48.164	269.985	240	3.061	321.450
Net Assets	23.085	235.568	3.639	175.295	437.587
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Net Assets	11.543	94.227	1.092	87.648	194.510

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11. INVESTMENTS VALUED BY EQUITY METHOD (cont’d)

Information related to statement of profit or loss:

1 January - 30 June 2018	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	37.479	647.814	-	-	685.293
Depreciation and amortization expense	1.243	14.354	2	-	15.599
Operating profit (loss)	1.412	63.847	(579)	-	64.680
Financial income	-	772	633	1	1.406
Financial expense (-)	(1.896)	-	(41)	-	(1.937)
Tax (expense) income	104	(13.998)	(7)	(9)	(13.910)
Profit (Loss) for the Period	(313)	50.604	6	(7)	50.290
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	(157)	20.242	2	(4)	20.083
1 April - 30 June 2018	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	20.797	324.095	-	-	344.892
Depreciation and amortization expense	630	7.760	1	-	8.391
Operating profit (loss)	(1.249)	11.908	(315)	-	10.344
Financial income	-	418	460	-	878
Financial expense (-)	(1.100)	-	(3)	-	(1.103)
Tax (expense) income	513	(2.091)	(8)	-	(1.586)
Profit (Loss) for the Period	(1.786)	10.220	134	-	8.568
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	(893)	4.088	40	-	3.235

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

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

1 January - 30 June 2017	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	39.443	806.173	78.501	-	924.117
Depreciation and amortization expense	954	13.916	10	-	14.880
Operating profit	5.311	360.261	178	-	365.750
Financial income	-	113	1.557	2	1.672
Financial expense (-)	(1.327)	-	(1.946)	-	(3.273)
Tax expense (-)	(828)	(106.500)	(36)	(7)	(107.371)
Profit (Loss) for the Period	3.155	252.442	(247)	(4)	255.346
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	1.578	100.977	(74)	(2)	102.479
1 April - 30 June 2017	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	22.029	582.501	29.901	-	634.431
Depreciation and amortization expense	470	7.203	5	-	7.678
Operating profit (loss)	3.361	287.169	(201)	-	290.329
Financial income	8	113	440	1	562
Financial expense (-)	(756)	-	(630)	1	(1.385)
Tax expense (-)	(543)	(68.387)	(37)	(1)	(68.968)
Profit (Loss) for the Period	2.068	218.888	(428)	2	220.530
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	1.034	87.555	(128)	1	88.462

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

(a) Property, Plant and Equipment, Other Intangible Assets and Investment Property

	Property, Plant and Equipment	Other Intangible Assets	Investment Property
Cost Value			
Opening balance as of 1 January 2018	3.609.694	54.954	135.511
Currency translation effect	367.992	6.873	5.335
Additions	75.162	2.791	223
Acquired through business combination	38.679	13	-
Disposals	(4.408)	-	(102)
Transfers	1.653	261	(1.914)
Closing balance as of 30 June 2018	<u>4.088.772</u>	<u>64.892</u>	<u>139.053</u>
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2018	(2.012.385)	(34.718)	(31.645)
Currency translation effect	(266.575)	(5.689)	-
Charge for the period	(79.559)	(1.547)	(1.326)
Disposals	1.710	-	29
Transfers	(443)	-	443
Closing balance as of 30 June 2018	<u>(2.357.252)</u>	<u>(41.954)</u>	<u>(32.499)</u>
Carrying value as of 30 June 2018	<u>1.731.520</u>	<u>22.938</u>	<u>106.554</u>

	Property, Plant and Equipment	Other Intangible Assets	Investment Property
Cost Value			
Opening balance as of 1 January 2017	3.298.646	46.920	112.711
Currency translation effect	1.873	(172)	(89)
Additions	81.013	3.005	1.575
Disposals	(1.755)	-	-
Transfers	4.363	320	(4.683)
Closing balance as of 30 June 2017	<u>3.384.140</u>	<u>50.073</u>	<u>109.514</u>
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2017	(1.810.973)	(30.242)	(30.152)
Currency translation effect	304	75	-
Charge for the period	(62.106)	(1.219)	(1.354)
Disposals	1.560	-	-
Transfers	(1.272)	-	1.272
Closing balance as of 30 June 2017	<u>(1.872.487)</u>	<u>(31.386)</u>	<u>(30.234)</u>
Carrying value as of 30 June 2017	<u>1.511.653</u>	<u>18.687</u>	<u>79.280</u>

Property, plant and equipment include fixed assets with carrying value of 4.241 purchased through financial lease (30 June 2017: 9.550). 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 (30 June 2017: None). For the period ended as of 30 June 2018, there are no additional capitalized borrowing costs (30 June 2017: None).

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise which has no connection with the Group and is one of the independent valuers accredited by Capital Market Board. Valuation work has been concluded based on fair value of similar properties. The fair value of the investment properties as of 30 June 2018 is 488.290 (30 June 2017: 450.202) according to the valuation carried out by independent expert. There are not any restrictions on the realizability of property, plant and equipment, intangible assets and investment property or any remittances of income and proceeds of disposal.

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12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY (cont'd)

(b) Goodwill

The identifiable assets and liabilities and acquisition price detailed below are temporarily reported under TFRS provisions. During the measurement period allowed by the standard, the assets and liabilities and acquisition price will be reevaluated.

Subsidiaries Acquired	Nature of Business	Date of Acquisition	Ratio of Shares Acquired	Acquisition price	Goodwill
Alanar Meyve	Agricultural Manufacturing	14 February 2018	90%	44.599	42.856
Alara Fidan	Agricultural Manufacturing	14 February 2018	90%	525	3.084
				45.124	45.940

Breakdown of the acquisition price is as follows:

	Alanar Meyve	Alara Fidan	Total
Paid in cash	32.111	378	32.489
Acquisition liability	12.488	147	12.635
Acquisition price	44.599	525	45.124

The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Alanar Meyve	Alara Fidan	Total
Current assets	14.811	4.883	19.694
Cash and cash equivalents	395	273	668
Other current assets	14.416	4.610	19.026
Non-current assets	39.539	4.606	44.145
Tangible and intangible assets	34.410	3.887	38.297
Other non-current assets	5.129	719	5.848
Current liabilities	42.068	12.254	54.322
Non-current liabilities	10.345	78	10.423
Net assets	1.937	(2.843)	(906)

As a result of the acquisition, the Group obtained control of Alanar Meyve and Alara Fidan so that goodwill arisen. 10% of non-controlling interests in Alanar Meyve and Alara Fidan are measured at the proportionate share of the acquiree's identifiable net assets. The temporary goodwill arising from the acquisition is as follows:

	Alanar Meyve	Alara Fidan	Total
Acquisition price	44.599	525	45.124
Non-controlling interest	194	(284)	(90)
Less: Fair values of net assets of the acquired companies	(1.937)	2.843	906
Goodwill	42.856	3.084	45.940

Net cash outflow concerning the acquisition is as follows:

	Alanar Meyve	Alara Fidan	Total
Paid in cash	32.111	378	32.489
Less: Cash and cash equivalents of the acquired company	(395)	(273)	(668)
	31.716	105	31.821

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13. SHORT AND LONG-TERM BORROWINGS

The Company's bank loans are reclassified as long-term whose maturities passed 30 June 2019 according to their opening dates. Annual weighted average interest rate of the existing short-term loans is 4,92% for US Dollars, 0,99% for EUR and 16,05% for TL (31 December 2017: 4,41% for US Dollars, 1,17% for EUR and 14,49% 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 2,65% for EUR and 16,87% for TL (31 December 2017: USD None, EUR 2,66%, TL 16,36%).

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) and ECA (Hermes) bank loans from Unicredit Bank Austria AG in August 2013 and Deutsche Bank AG in January 2014 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criterias obliged due to the agreement as of 30 June 2018. As of 30 June 2018, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 147.633 (27.807 Thousand EUR) and 167.043 (31.463 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the year ended 30 June 2018 is 29.525 (5.561 Thousand EUR) and 33.411 (6.293 Thousand EUR) respectively.

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2018	31 December 2017
Short-term provisions	252.328	178.067
Long-term provisions	68.186	57.996
Total provisions	<u>320.514</u>	<u>236.063</u>
Employment termination benefits provision	83.406	76.735
Unused vacation pay liability provision	33.505	25.268
Premium provision	9.831	21.534
Total provisions attributable to employee benefits	<u>126.742</u>	<u>123.537</u>
Provision for litigation	14.608	17.873
Other liability provisions	179.164	94.653
Other provisions	<u>193.772</u>	<u>112.526</u>
Total provisions	<u>320.514</u>	<u>236.063</u>

	Employment Termination Benefits Provision	Unused Vacation Pay Liability Provision	Premium Provision	Total Provisions Attributable to Employee Benefits
Opening balance as of 1 January 2018	76.735	25.268	21.534	123.537
Effect of business combinations	373	220	-	593
Currency translation effect	5.660	3.250	1.655	10.565
Charge for the period	18.581	11.322	11.086	40.989
Interest expense	1.013	-	-	1.013
Provision paid during the period	(15.495)	(6.155)	(24.444)	(46.094)
Provision released	(527)	(400)	-	(927)
Actuarial gain	(2.934)	-	-	(2.934)
Closing balance as of 30 June 2018	<u>83.406</u>	<u>33.505</u>	<u>9.831</u>	<u>126.742</u>
Opening balance as of 1 January 2017	80.537	18.453	13.969	112.959
Currency translation effect	213	(215)	99	97
Charge for the period	20.785	12.206	8.754	41.745
Interest expense	1.056	-	-	1.056
Provision paid during the period	(20.555)	(6.630)	(15.315)	(42.500)
Provision released	-	(219)	-	(219)
Actuarial loss	3.608	-	-	3.608
Closing balance as of 30 June 2017	<u>85.644</u>	<u>23.595</u>	<u>7.507</u>	<u>116.746</u>

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

The amount payable to employee calculated by one month salary is limited to a maximum 5.434,42 TL (31 December 2017: 5.001,76 TL) as of 30 June 2018.

	Provision for Litigation	Other Liability Provisions	Total Other Provisions
Opening balance as of 1 January 2018	17.873	94.653	112.526
Effect of business combinations	180	-	180
Currency translation effect	693	26.295	26.988
Charge for the period	1.744	60.865	62.609
Provision paid during the period	(1.020)	-	(1.020)
Provision released	(4.862)	(2.649)	(7.511)
Closing balance as of 30 June 2018	<u>14.608</u>	<u>179.164</u>	<u>193.772</u>
Opening balance as of 1 January 2017	9.998	113	10.111
Currency translation effect	(12)	(1)	(13)
Charge for the period	444	5	449
Provision paid during the period	(444)	(9)	(453)
Provision released	(41)	-	(41)
Closing balance as of 30 June 2017	<u>9.945</u>	<u>108</u>	<u>10.053</u>

Litigations:

As of 30 June 2018, except Libya counterclaim, lawsuit filed against the Group is totally 217.691 (31 December 2017: 138.468) and it has been decided to accrue 14.608 (31 December 2017: 17.873) 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 399.

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

15. COMMITMENTS

The guarantee, pledge and mortgage ("GPM") position tables of the Group as of 30 June 2018 and 31 December 2017 are as follows:

	Equivalent of Thousands TL	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TL)</i>
30 June 2018				
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	10.283.591	1.471.983	52.451	3.291.845
-Guarantee	10.260.939	1.471.983	52.451	3.269.193
-Pledge	-	-	-	-
-Mortgage	22.652	-	-	22.652
C. GPM given in order to guarantee third parties' debts for the routine trade operations	84.435	-	-	84.435
-Guarantee	84.435	-	-	84.435
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 30 June 2018	10.368.026	1.471.983	52.451	3.376.280
31 December 2017				
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	10.299.998	1.856.593	35.538	3.136.644
-Guarantee	10.295.498	1.856.593	35.538	3.132.144
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	113.681	-	-	113.681
-Guarantee	113.681	-	-	113.681
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2017	10.413.679	1.856.593	35.538	3.250.325

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 30 June 2018 and 31 December 2017 is as follows:

Shareholders	(%)	30 June 2018	(%)	31 December 2017
Gökyiğit family	22,78%	84.272	22,78%	84.272
Berker family	22,28%	82.422	22,28%	82.422
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,48%	5.480	1,48%	5.480
Publicly traded	46,81%	173.215	46,81%	173.215
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.

18. EARNINGS PER SHARE

	1 January- 30 June 2018	1 April- 30 June 2018	1 January - 30 June 2017	1 April- 30 June 2017
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000	370.000.000	370.000.000
Net profit for the period attributable to owners of the parent (Thousands TL)	519.949	279.055	385.582	223.864
Earnings per share from continuing operations (TL)	1,405	0,754	1,042	0,605

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19. OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January - 30 June 2017	1 April- 30 June 2017
Other operating income				
Foreign exchange income from operations	90.862	73.132	139.654	61.806
Due date difference income	21.281	10.847	14.093	6.521
Discount income	19.533	11.757	7.426	5.440
Hedging income (Note: 21)	15.385	15.353	98	-
Rental income	2.395	1.260	2.137	1.049
Reversal of litigation provision (Note: 14)	1.293	25	41	41
Scrap sales income	624	288	586	206
Indemnity income	216	216	3.061	3.003
Other income	6.173	3.512	5.878	4.112
	<u>157.762</u>	<u>116.390</u>	<u>172.974</u>	<u>82.178</u>
	1 January- 30 June 2018	1 April- 30 June 2018	1 January - 30 June 2017	1 April- 30 June 2017
Other operating expenses (-)				
Foreign exchange losses from operations	(245.668)	(186.051)	(140.113)	(35.833)
Hedging expenses (Note: 21)	(11.190)	(41)	(806)	(772)
Due date difference expenses	(8.449)	(6.984)	(9.727)	(8.991)
Discount expenses	(7.722)	(1.994)	(2.265)	(790)
Litigation provision (Note: 14)	(1.744)	(733)	(444)	(322)
Grants and contributions	(1.016)	(332)	(901)	(104)
Damages subject to litigation	(38)	(38)	(97)	-
Additional tax expense	(20)	(20)	(37)	(17)
Other expenses	(6.899)	(4.188)	(7.032)	450
	<u>(282.746)</u>	<u>(200.381)</u>	<u>(161.422)</u>	<u>(46.379)</u>

20. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January - 30 June 2017	1 April- 30 June 2017
Financial income				
Foreign exchange gains	314.954	228.225	201.045	29.720
Interest income	68.931	38.510	52.337	26.882
Currency translation reserve gains	8.150	(1.070)	-	(495)
Other financial income	-	(3)	-	(82)
	<u>392.035</u>	<u>265.662</u>	<u>253.382</u>	<u>56.025</u>
	1 January- 30 June 2018	1 April- 30 June 2018	1 January - 30 June 2017	1 April- 30 June 2017
Financial expenses (-)				
Foreign exchange losses	(106.758)	(71.707)	(207.630)	(60.877)
Interest expenses	(48.657)	(23.869)	(35.953)	(17.900)
Other financial expenses	(5.774)	(4.363)	(4.012)	(2.465)
Currency translation reserve losses	(379)	(236)	(2.265)	1.713
Less: Financial expenses included in costs of inventories	9.340	4.750	17.462	9.332
	<u>(152.228)</u>	<u>(95.425)</u>	<u>(232.398)</u>	<u>(70.197)</u>

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.)

21. DERIVATIVE INSTRUMENTS

	30 June 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	48.149	6.698	6.460	9.547
Current	48.149	6.698	6.460	9.547
Non-current	-	-	-	-
	<u>48.149</u>	<u>6.698</u>	<u>6.460</u>	<u>9.547</u>

Currency derivatives:

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

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

	30 June 2018	31 December 2017
Forward foreign exchange contracts	723.010	399.347
	<u>723.010</u>	<u>399.347</u>

As of 30 June 2018, the fair value of the Toros Tarım’s currency derivatives is estimated to be 48.149 assets and 6.698 liabilities which is positive 41.451 (31 December 2017: assets 6.460, liabilities 9.547, negative 3.087). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classification of derivative instruments is Level 2 (31 December 2017: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to positive 32.326 has been deferred in equity (31 December 2017: negative 2.408). There are no ineffective cash flow hedges for the period (30 June 2017: Expenses amounting to 294 of ineffective part have been recognized in profit or loss). Gains amounting to 15.385 and expenses amounting to 11.190 concerning matured derivative contracts during the period have been recognized in profit or loss (30 June 2017: Gains amounting to 98 and expenses amounting to 512 concerning matured derivative contracts during the period have been recognized in profit or loss).

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

22. FOREIGN CURRENCY POSITION

30 June 2018	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	253.157	21.430	9.023	37	107.295
2. Monetary Financial Assets	1.494.777	230.864	81.521	8	9.016
3. Other	35.133	1.075	1.515	41	21.942
4. CURRENT ASSETS	1.783.067	253.369	92.059	86	138.253
5. Trade Receivables	166	-	-	-	166
6. Monetary Financial Assets	543	-	-	-	543
7. Other	2.788	42	489	-	-
8. NON-CURRENT ASSETS	3.497	42	489	-	709
9. TOTAL ASSETS	1.786.564	253.411	92.548	86	138.962
10. Trade Payables	1.373.595	205.813	18.147	82	338.107
11. Financial Liabilities	127.442	-	24.004	-	-
12. Monetary Other Liabilities	193.169	1.271	7.986	-	144.973
12b. Non-Monetary Other Liabilities	5.821	1.196	69	-	-
13. CURRENT LIABILITIES	1.700.027	208.280	50.206	82	483.080
14. Trade Payables	8.694	-	148	-	7.908
15. Financial Liabilities	188.806	-	35.562	-	-
16. Monetary Other Liabilities	30.731	839	4	-	26.883
17. NON-CURRENT LIABILITIES	228.231	839	35.714	-	34.791
18. TOTAL LIABILITIES	1.928.258	209.119	85.920	82	517.871
19. Off-balance Sheet Derivative Instruments Net Position (19a-19b)	731.427	160.376	-	-	-
19a. Derivative Assets	731.427	160.376	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	589.733	204.668	6.628	4	(378.909)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	(173.794)	44.371	4.693	(37)	(400.851)
22. Fair Value of Derivative Instruments Held for Hedging	41.451	9.089	-	-	-

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22. FOREIGN CURRENCY POSITION (cont'd)

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

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22. 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 six month interim period end for a 5% change in foreign currency rates. Positive number indicates an increase in profit or loss.

	30 June 2018	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	46.671	(46.671)
	If Euro changes 5% against TL	
Euro net assets / liabilities	1.759	(1.759)
	If other foreign currencies changes 5% against TL	
Other foreign currency assets / liabilities	(18.943)	18.943
TOTAL	29.487	(29.487)
	31 December 2017	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	37.312	(37.312)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(4.917)	4.917
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(19.500)	19.500
TOTAL	12.895	(12.895)

23. SUBSEQUENT EVENTS

Tekfen Ventures L.P. ,a subsidiary of the Group, made a financial investments worth 8.209 (1.800.000 USD) after the balance sheet date.

Tekfen İnşaat ve Tesisat A.Ş. (“Tekfen İnşaat”), a subsidiary of the Group, has signed an agreement with Saudi Arabian Oil Company for the construction works of the Haradh Gas Increment Program – Satellite Gas Compression Plants Pipelines, Saudi Arabia. The duration of the Project shall be 33 months and the value of the contract is approximately 2.690.813 (590.000.000 USD).

Tekfen İnşaat, which holds %50 of the shares of Gate İnşaat Taahhüt San. ve Tic. A.Ş. (“Gate”), purchased %50 of the shares of Gate, which belongs to Gama Endüstri Tesisleri İmalat ve Montaj A.Ş. in accordance with the agreement made on 25 July 2018 worth 98.269 (21.547.000 USD). After the acquisition, direct share participation rate of the Group in Gate has reached 100%.