

**TEKFEN HOLDİNG ANONİM ŐİRKETİ  
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTH  
INTERIM PERIOD  
ENDED 30 JUNE 2014  
TOGETHER WITH  
REVIEW REPORT

(Translated into English from the 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 2014 and the related condensed consolidated statements of profit or loss, other comprehensive income, changes in equity, and cash flows for the six-month period then ended. The Group Management is responsible for the preparation and fair presentation of the interim condensed financial information in accordance with the Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. The audit performed on the Group’s consolidated financial statements as of 31 December 2013 and the review of the interim condensed consolidated financial statements as of 30 June 2013 were performed by another independent auditor who expressed a qualified opinion in the independent audit report of 6 March 2014 and a qualified conclusion in the review report of 22 August 2013 as Tekfen TML J.V. was forced to cease its operations and evacuate its construction sites in Libya for an indefinite period of time.

### ***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 audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Basis for Qualified Conclusion***

Due to the unfavorable developments that occurred in Libya in February 2011, the Company had to cease its operations carried out by Tekfen-TML J.V., a joint operation 67% of which is indirectly owned by the Company, and evacuate its construction sites for an indefinite period of time.

In relation to its Libya operations, the Company’s total assets and total liabilities stated in the accompanying consolidated financial statements as of 30 June 2014 amount to TL 218.876 thousand (USD 103.078 thousand) and TL 48.437 thousand (USD 22.811 thousand), respectively, resulting in a net asset of TL 170.439 thousand (USD 80.267 thousand) as disclosed in detail in Note 4. Furthermore, the total amount of guarantee letters given to third parties related to these operations amounts to TL 34.548 thousand (USD 16.270 thousand).

The negotiations held between the management of the Authority in Libya and Tekfen-TML J.V management for the purpose of restarting the operations of Tekfen-TML J.V have also continued in 2014 with regard to determination of losses, the allowance payments of completed contract works, and the resumption and completion of the remaining contract works. The parties have come to a mutual understanding to make a final agreement on the subject issues. However, the agreed scope changes have not yet been approved by the Libyan Ministry of Water Resources and the Authority’s Board of Directors. Moreover, maintenance of safety conditions is determined as main condition for the completion of remaining contract works.

We were unable to perform review procedures on the Company’s Libya operations which were ceased as of the reporting date; and we are therefore not able to express a conclusion related to the effect of Libya operations on the consolidated financial statements.

### ***Qualified Conclusion***

Except for the adjustments to the accompanying condensed consolidated financial statements that we might have become aware of had it not been for the situation described in the “Basis for qualified conclusion” paragraph above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information has not been prepared, in all material respects, in accordance with the Turkish Accounting Standards.

***Without further qualifying our conclusion, we would like to draw your attention to the following matter:***

As explained in detail in Note 14, the Group’s legal claims and appeals against the administrative court’s decision regarding the closure of Samsun Gübre facility of Toros Tarım Sanayi ve Ticaret A.Ş. (“Toros Tarım”), subsidiary of the Group, after the written petition of the Samsun Municipality is still in process with the suspension execution as of report date due to existence of the uncertainty about the legal outcome of the case.

Istanbul,  
14 August 2014

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

Bülent Üstünel  
Partner in charge

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014

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

<b>ASSETS</b>	<b>Notes</b>	<b>Reviewed 30 June 2014</b>	<b>Audited 31 December 2013</b>
<b>Current Assets</b>		<b>3.375.469</b>	<b>3.291.454</b>
Cash and cash equivalents	7	1.109.618	1.055.153
Financial investments		-	49.119
Trade receivables	8	792.797	789.689
- <i>Related party receivables</i>		<i>12.806</i>	<i>9.081</i>
- <i>Trade receivables</i>		<i>779.991</i>	<i>780.608</i>
Other receivables		3.960	2.999
- <i>Related party receivables</i>		<i>832</i>	-
- <i>Other receivables</i>		<i>3.128</i>	<i>2.999</i>
Inventories	9	562.201	521.174
Receivables from ongoing construction contracts	10	582.535	558.960
Prepaid expenses		159.972	151.152
Assets related with current tax		34.654	44.299
Other current assets		116.578	105.597
		<b>3.362.315</b>	<b>3.278.142</b>
Assets classified as held for sale		13.154	13.312
<b>Non Current Assets</b>		<b>1.531.955</b>	<b>1.405.966</b>
Financial investments		68.521	63.593
Trade receivables	8	57.690	84.225
- <i>Related party receivables</i>		-	-
- <i>Trade receivables</i>		<i>57.690</i>	<i>84.225</i>
Other receivables		3.078	6.733
- <i>Related party receivables</i>		-	-
- <i>Other receivables</i>		<i>3.078</i>	<i>6.733</i>
Investments valued by equity method	11	111.857	120.547
Investment property	12	79.287	78.775
Property, plant and equipment	12	1.076.939	904.712
Intangible assets	12	4.601	3.311
Prepaid expenses	4(c)	46.691	69.094
Deferred tax assets		37.550	38.359
Other non current assets		45.741	36.617
<b>TOTAL ASSETS</b>		<b>4.907.424</b>	<b>4.697.420</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 30 JUNE 2014**

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>Reviewed 30 June 2014</b>	<b>Audited 31 December 2013</b>
<b>Current Liabilities</b>		<b>2.379.017</b>	<b>2.326.434</b>
Short term financial debts	13	687.313	555.236
Short term portion of long term financial debts		40.198	58.029
Trade payables	8	1.074.885	1.145.610
- <i>Related party payables</i>		685	444
- <i>Trade payables</i>		1.074.200	1.145.166
Employee benefit payables		39.969	38.389
Other payables		17.820	16.478
- <i>Related party payables</i>		21	-
- <i>Other payables</i>		17.799	16.478
Advances received		264.896	255.196
Deferred revenue		8.622	5.278
Current tax liability		36.399	48.327
Ongoing construction progress payments	10	134.910	135.906
Short term provisions	14	64.896	66.988
- <i>Short term provisions attributable to employee benefits</i>		25.143	36.296
- <i>Other short term provisions</i>		39.753	30.692
Other short term liabilities		9.109	997
<b>Non Current Liabilities</b>		<b>432.238</b>	<b>448.789</b>
Long term financial debts	13	255.120	297.662
Trade payables	8	35.957	23.651
Other payables		21.386	20.662
Long term provisions	14	46.262	45.160
- <i>Long term provisions attributable to employee benefits</i>		46.192	45.090
- <i>Other long term provisions</i>		70	70
Deferred tax liabilities		73.513	61.654
<b>EQUITY</b>	5, 17	<b>2.096.169</b>	<b>1.922.197</b>
<b>Equity Attributable To Owners Of The Parent</b>		<b>2.064.283</b>	<b>1.890.154</b>
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		2.025	2.470
- <i>Gain on revaluation and remeasurement</i>		2.025	2.470
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		185.248	194.274
- <i>Currency translation reserve</i>		135.391	149.095
- <i>Gain on revaluation and reclassification</i>		49.857	45.179
Legal reserves		140.186	120.830
Retained earnings		878.415	962.382
Net profit/(loss) for the period		183.950	(64.261)
<b>Non-controlling Interests</b>		<b>31.886</b>	<b>32.043</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4.907.424</b>	<b>4.697.420</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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

	Notes	Reviewed 1 January - 30 June 2014	Unreviewed 1 April - 30 June 2014	Reviewed 1 January - 30 June 2013	Unreviewed 1 April - 30 June 2013
Revenue		2.142.131	993.577	1.964.430	905.900
Cost of revenue (-)		(1.821.833)	(888.830)	(1.875.553)	(976.118)
<b>GROSS PROFIT/(LOSS)</b>		<b>320.298</b>	<b>104.747</b>	<b>88.877</b>	<b>(70.218)</b>
General administrative expenses (-)		(61.924)	(30.010)	(56.199)	(27.428)
Marketing expenses (-)		(64.604)	(28.432)	(61.907)	(27.451)
Research and development expenses (-)		-	-	(306)	(184)
Other operating income	19	88.734	44.170	58.027	26.933
Other operating expenses (-)	19	(88.829)	(36.482)	(84.019)	(58.161)
Share on profit / loss of investments valued using equity method	11	9.460	9.235	11.663	5.551
<b>OPERATING PROFIT/(LOSS)</b>		<b>203.135</b>	<b>63.228</b>	<b>(43.864)</b>	<b>(150.958)</b>
Investment income		10.303	3.032	56.313	1.567
Investment expense (-)		(2)	5	(1.450)	(1.405)
<b>PROFIT/(LOSS) BEFORE FINANCIAL INCOME/(EXPENSE)</b>		<b>213.436</b>	<b>66.265</b>	<b>10.999</b>	<b>(150.796)</b>
Financial income	20	102.761	39.606	67.547	38.897
Financial expense (-)	20	(80.015)	(41.236)	(39.070)	(20.803)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>236.182</b>	<b>64.635</b>	<b>39.476</b>	<b>(132.702)</b>
<b>Tax expense</b>		<b>(52.239)</b>	<b>(23.139)</b>	<b>(33.277)</b>	<b>(8.135)</b>
Tax expense for the period		(39.120)	(11.622)	(23.610)	(4.808)
Deferred tax expense		(13.034)	(11.751)	(9.055)	(2.824)
Currency translation reserve		(85)	234	(612)	(503)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>183.943</b>	<b>41.496</b>	<b>6.199</b>	<b>(140.837)</b>
<b>Distribution of Net Profit/(Loss) For The Period</b>					
Non-controlling interests		(7)	(72)	306	420
Owners of the parent		183.950	41.568	5.893	(141.257)
<b>Earnings/(Loss) Per Share</b>	18	0,497	0,112	0,016	(0,382)

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

	Reviewed 1 January - 30 June 2014	Unreviewed 1 April - 30 June 2014	Reviewed 1 January - 30 June 2013	Unreviewed 1 April - 30 June 2013
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>183.943</b>	<b>41.496</b>	<b>6.199</b>	<b>(140.837)</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE):</b>				
<b><u>Items that will not be reclassified to profit or loss</u></b>	<b>(445)</b>	<b>137</b>	<b>1.935</b>	<b>1.464</b>
Gain on revaluation of defined retirement benefit plans	(556)	172	2.419	1.832
Taxes based on other comprehensive income that will not be reclassified to profit or loss	111	(35)	(484)	(368)
<i>Deferred tax income/(expense)</i>	<i>111</i>	<i>(35)</i>	<i>(484)</i>	<i>(368)</i>
<b><u>Items that may be reclassified to profit or loss</u></b>	<b>(9.176)</b>	<b>(26.294)</b>	<b>3.604</b>	<b>7.900</b>
Gain/(loss) on revaluation of available for sale financial investments	4.924	(9.345)	(25.119)	(12.958)
Currency translation reserve differences	(13.854)	(17.416)	27.467	20.210
Taxes based on other comprehensive income that will be reclassified to profit or loss	(246)	467	1.256	648
<i>Deferred tax income/(expense)</i>	<i>(246)</i>	<i>467</i>	<i>1.256</i>	<i>648</i>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>	<b>(9.621)</b>	<b>(26.157)</b>	<b>5.539</b>	<b>9.364</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>174.322</b>	<b>15.339</b>	<b>11.738</b>	<b>(131.473)</b>
<b>Distribution of Total Comprehensive Income/(Loss) For The Period</b>				
Non-controlling interests	(157)	(1.057)	2.414	2.148
Owners of the parent	174.479	16.396	9.324	(133.621)

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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 2014

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

	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain on revaluation and remeasurement	Gain on revaluation and reclassification	Currency translation reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the period	Equity attributable to owners of the parent	Non controlling interests	Total
<b>Opening balance as of 1 January 2013</b>	370.000	3.475	300.984	-	74.273	91.270	98.255	843.918	299.305	2.081.480	29.785	2.111.265
<i>Other comprehensive income</i>	-	-	-	1.935	(23.863)	25.359	-	-	-	3.431	2.108	5.539
<i>Net profit/(loss) for the period</i>	-	-	-	-	-	-	-	-	5.893	5.893	306	6.199
Total comprehensive income	-	-	-	1.935	(23.863)	25.359	-	-	5.893	9.324	2.414	11.738
Change in non-controlling interests	-	-	-	-	-	-	-	(527)	-	(527)	(3.532)	(4.059)
Transfers to retained earnings	-	-	-	-	-	-	-	299.305	(299.305)	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	22.368	(22.368)	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	(138.275)	-	(138.275)	-	(138.275)
<b>Closing balance as of 30 June 2013</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>1.935</b>	<b>50.410</b>	<b>116.629</b>	<b>120.623</b>	<b>982.053</b>	<b>5.893</b>	<b>1.952.002</b>	<b>28.667</b>	<b>1.980.669</b>
<b>Opening balance as of 1 January 2014</b>	370.000	3.475	300.984	2.470	45.179	149.095	120.830	962.382	(64.261)	1.890.154	32.043	1.922.197
<i>Other comprehensive income</i>	-	-	-	(445)	4.678	(13.704)	-	-	-	(9.471)	(150)	(9.621)
<i>Net profit/(loss) for the period</i>	-	-	-	-	-	-	-	-	183.950	183.950	(7)	183.943
Total comprehensive income	-	-	-	(445)	4.678	(13.704)	-	-	183.950	174.479	(157)	174.322
Fair value of redeemed shares	-	-	-	-	-	-	-	(350)	-	(350)	-	(350)
Transfers to retained earnings	-	-	-	-	-	-	-	(64.261)	64.261	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	19.356	(19.356)	-	-	-	-
<b>Closing balance as of 30 June 2014</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>2.025</b>	<b>49.857</b>	<b>135.391</b>	<b>140.186</b>	<b>878.415</b>	<b>183.950</b>	<b>2.064.283</b>	<b>31.886</b>	<b>2.096.169</b>

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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 2014

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

	Notes	Reviewed 1 January - 30 June 2014	Reviewed 1 January - 30 June 2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		<b>175.673</b>	<b>(39.177)</b>
Profit for the period		183.943	6.199
Adjustments to reconcile net profit		92.420	32.363
- Depreciation and amortization	12	48.193	38.299
- Impairment / reversed provision	9, 12	1.006	2.365
- Provision adjustments	8, 14	41.308	44.669
- Interest expense and income	20	(30.565)	(18.521)
- Difference between capital in kind and fair value		-	(49.083)
- Loss on sale of associaton accounted by equity method	11	-	42
- Group's share on net assets of investments in associates accounted by equity method	11	(9.460)	(11.663)
- Dividend income		(6.593)	(6.285)
- Gain / Loss on fair valuation		(6)	(6)
- Allowance for taxation		52.239	33.277
- Gain / Loss on sale of fixed assets	12	(3.702)	(731)
Movements in working capital		(56.879)	(36.623)
- Changes in inventories	9	(35.998)	(63.398)
- Changes in trade receivables	8	(35.321)	(99.005)
- Changes in retention receivables	8	49.454	(809)
- Changes in other assets		(25.598)	(22.466)
- Changes in receivables from ongoing construction contracts	10	(23.575)	3.931
- Changes in trade payables	8	(58.398)	191.956
- Changes in other liabilities		24.434	(42.213)
- Changes in receivables from ongoing construction progress payments	10	(996)	(4.619)
- Other changes in working capital		49.119	-
Cash generated by operating activities		219.484	1.939
Interest paid		(13.954)	(13.266)
Interest received		45.064	31.397
Tax paid / return		(41.403)	(34.849)
Penalty of litigation paid	14	(80)	(697)
Retirement pay provision and premiums paid	14	(26.804)	(18.983)
Unused vacation paid	14	(6.175)	(4.186)
Other provision paid	14	(459)	(532)

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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 2014

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

	Notes	Reviewed 1 January - 30 June 2014	Reviewed 1 January - 30 June 2013
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(170.517)</b>	<b>(63.084)</b>
Proceeds from sale of tangible and intangible assets	12	8.607	1.835
Acquisition of tangible and intangible assets	12	(224.500)	(49.510)
Advances and debts given		22.602	(32.503)
Proceeds from sale of association		-	6.126
Acquisition of non-controlling interests' shares		-	(4.059)
Dividend received		22.774	15.027
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>64.809</b>	<b>(45.793)</b>
Proceeds from borrowings		491.529	392.215
Repayments of borrowings		(395.498)	(276.662)
Payments of financial lease obligations		(31.222)	(23.071)
Dividend paid	5	-	(138.275)
<b>CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT</b>		<b>69.965</b>	<b>(148.054)</b>
<b>D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS</b>		(15.500)	38.135
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>54.465</b>	<b>(109.919)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		1.055.153	1.063.761
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1.109.618</b>	<b>953.842</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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

(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 2014, the Group has 14.627 employees (31 December 2013: 15.514) 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 subsidiaries and associates of the Company as of 30 June 2014:

The Company granted its subsidiary, Tekfen Kültür Sanat Ürünleri Yapım ve Yayın San. Tic. A.Ş., which is consolidated with the full consolidation method and whose amount of total net assets is 153 in the consolidated financial statements, to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı based on board of directors' resolution dated 31 January 2014.

Toros Tarımsal Ürünler Pazarlama Hizmet ve Ticaret A.Ş., a subsidiary wholly owned by the Group, whose field of activity is marketing of fertilizer products, is established and published in trade registry gazette on 25 March 2014. It is included in the accompanying condensed consolidated financial statements using the full consolidation method.

TGO İnşaat Taahhüt Ticaret Sanayi Ltd. Şti, which is recognised in the consolidated financial statements as of 31 December 2013 in relation to Group's interest in the joint operation, is not included in consolidation due to the completion of the project.

#### Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 14 August 2014.

### 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 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 2014 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 2013 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 2013.

Exchange rates used in the consolidation process as of 30 June 2014 are; 1 USD= 2,1234 TL, 1 EUR= 2,8919 TL, 1 MAD= 0,25889 TL, 1 SAR= 0,56623 TL, 1 QAR= 0,58175 TL (Exchange rates as of 31 December 2013 are; 1 USD= 2,1343 TL, 1 EUR= 2,9365 TL, 1 MAD= 0,26277 TL, 1 SAR= 0,56915TL, 1 QAR= 0,58474 TL).

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

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

Condensed consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year condensed consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Group had made reclassifications in prior period condensed consolidated financial statements in order to provide conformity with the current period's presentation. The nature, reason and amount the reclassification is described below:

Currency translation reserves shown in gross values amounting to 9.078, 3.129 and 11.995 are netted off with the reclassifications between "Financial Income" and "Financial Expense" accounts in the condensed consolidated financial statements as of 31 March 2014, 31 March 2013 ve 30 June 2013, respectively. In the scope of TAS 33 Earnings per share, these reclassifications have no effect on earnings per share calculation.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised standards and interpretations are presented below.

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

None.

#### (b) Standards and interpretations and amendments to existing standards that are effective as of the year 2014, but not affecting the financial statements of the Group:

- TFRS 10, TFRS 11 and TAS 27 (amendments), "Investment Entities", will be effective for annual periods beginning on or after 1 January 2014.
- TAS 32 (amendments), "Offsetting Financial Assets and Financial Liabilities", will be effective for annual periods beginning on or after 1 January 2014.
- TAS 36 (amendments), "Recoverable Amount Disclosures for Non-Financial Assets", will be effective for annual periods beginning on or after 1 January 2014.
- TAS 39 (amendments), "Novation of Derivatives and Continuation of Hedge Accounting", will be effective for annual periods beginning on or after 1 January 2014.
- TFRS Interpretation 21, "Levies", will be effective for annual periods beginning on or after 1 January 2014.

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

- TFRS 9, "Financial Instruments", will be effective for annual periods beginning on or after 1 January 2015.
- TFRS 9 and TFRS 7 (amendments), "Mandatory Effective Date of TFRS 9 and Transition Disclosures", on November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. This amendment has not been published by POA yet.

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

#### (a) New Project

Azfen, which is the joint venture Tekfen İnşaat ve Tesisat A.Ş., the subsidiary of the Group, with a 40% share and which is included in the consolidated financial statements by the equity method, entered an equal-share partnership with Saipem for the construction of a gas pipeline project in Azerbaijan and Georgia as part of the Şah Deniz Phase 2 investment. The total consideration for the contract is 1.560.699 (USD 735 million) and the Group's share is approximately 312.140 (USD 147 million).

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 4. EVENTS AND TRANSACTIONS MATERIALLY AFFECTING CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### (b) Developments in Libya

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.

On 21 November 2012, the Authority and Tekfen-TML J.V. agreed to meet and negotiate the subjects of the determination of losses and damages, the allowance payments of completed contract works and the resumption and completion of the remaining contract works. The negotiations between the Authority and Tekfen-TML J.V. also continued in the year 2014 for providing the resumption of the J.V.'s operations and the parties agreed to make final reconciliation of the subjects mentioned above.

Additionally, Libyan Ministry of Water Resources and the Board of Directors of the Authority have not approved the agreed change orders yet. Moreover, maintenance of safety conditions is determined as main condition for the completion of remaining contract works.

As of 30 June 2014, the negotiations are continuing to be held about the outlook of the operations and the accompanying condensed consolidated financial statements include total assets of 218.876 (USD 103.078 thousand), total debt of 48.437 (USD 22.811 thousand), resulting a net asset of 170.439 (USD 80.267 thousand) (31 December 2013: asset: 220.003 (USD 103.080 thousand), debt: 49.516 (USD 23.200 thousand), net asset: 170.487 (USD 79.880 thousand)).

Additionally, letters of guarantees given related to such projects to various institutions amount to 34.548 (USD 16.270 thousand). In accordance with the Council of Ministers' decree no: 2011/2001 issued on 21 June 2011 and until a new resolution replaces resolutions no:1970 and 1973 of the United Nations Security Council and their requirements, resolution no:1973 requires disregarding compensation claims of guarantees given to the contractor, hence the expired letter of guarantees do not bear any risk exposure for the Group.

#### (c) Other

With Toros Tarım's Board of Directors' resolution dated 20 June 2012, it is decided that an investment amounting to 492.629 (USD 232 million) will be made and 40% of this amount will be met by shareholders' equity. With Toros Tarım's Board of Directors' resolution dated 7 January 2013, the amount of the investment is increased by 144.391 (USD 68 million) and the total amount of the investment is 637.020 (USD 300 million). As of the balance sheet date, ongoing investments are worth around 383 Million TL, besides advance payments made for these investments amounting to 37.692 is classified under long term prepaid expenses. ECA (SACE) bank loan is obtained from Unicredit Bank Austria AG for related investments in August 2013. The amount used until the balance sheet date is 159.638 (EUR 55.202 thousand). A bank loan from Deutsche Bank amounting to 7.704 (EUR 2.664 thousand) is obtained in June 2014 for the investments. In the subsequent period, there is not any use of additional bank loans.

### 5. SIGNIFICANT CHANGES IN EQUITY

#### Gain on Revaluation and Reclassification:

The positive change of 4.678 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 (30 June 2013: negative change of 23.863).

#### Restricted Profit Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 30 June 2014, 19.356 of restricted reserves were transferred from retained earnings in the condensed consolidated financial statements as of 30 June 2014 (30 June 2013: 22.368).

#### Profit Distribution:

Upon the resolution of the Ordinary General Assembly held on 15 April 2014, it is decided not to distribute any dividend due to the occurrence of loss for the year in accordance with the CMB standards. (For the operations of the year 2012, gross profit shares of 132.220 and 6.055 in the aggregate 138.275 were distributed respectively to owners of the parent and Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed share.)

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 6. SEGMENTAL REPORTING

#### a) Segmental results

	1 January - 30 June 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.272.070	820.361	13.208	36.492	2.142.131
Cost of revenue (-)	(1.171.580)	(614.834)	(11.638)	(23.781)	(1.821.833)
<b>GROSS PROFIT</b>	<b>100.490</b>	<b>205.527</b>	<b>1.570</b>	<b>12.711</b>	<b>320.298</b>
General administrative expenses (-)	(35.190)	(11.380)	(1.893)	(13.461)	(61.924)
Marketing expenses (-)	(436)	(59.585)	(327)	(4.256)	(64.604)
Research and development expenses (-)	-	-	-	-	-
Other operating income	30.160	57.322	137	1.115	88.734
Other operating expenses (-)	(35.568)	(52.342)	(4)	(915)	(88.829)
Share on profit / loss of investments valued using equity method	9.040	420	-	-	9.460
<b>OPERATING PROFIT/(LOSS)</b>	<b>68.496</b>	<b>139.962</b>	<b>(517)</b>	<b>(4.806)</b>	<b>203.135</b>
Investment income	2.882	1.432	31	5.958	10.303
Investment expense (-)	-	(2)	-	-	(2)
<b>PROFIT/(LOSS) BEFORE FINANCIAL INCOME/(EXPENSE)</b>	<b>71.378</b>	<b>141.392</b>	<b>(486)</b>	<b>1.152</b>	<b>213.436</b>
Financial income	4.558	30.352	257	67.594	102.761
Financial expense (-)	(14.725)	(34.203)	(21)	(31.066)	(80.015)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>61.211</b>	<b>137.541</b>	<b>(250)</b>	<b>37.680</b>	<b>236.182</b>
Tax expense	(18.765)	(22.999)	73	(10.548)	(52.239)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>42.446</b>	<b>114.542</b>	<b>(177)</b>	<b>27.132</b>	<b>183.943</b>

The Group has 34.023 of revenue and 15.449 of operating profit from terminal operations classified as agricultural operation for the period of 1 January - 30 June 2014.

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

#### a) Segmental results (cont'd)

	1 April - 30 June 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	663.103	306.673	6.516	17.285	993.577
Cost of revenue (-)	(615.268)	(256.431)	(5.886)	(11.245)	(888.830)
<b>GROSS PROFIT</b>	<b>47.835</b>	<b>50.242</b>	<b>630</b>	<b>6.040</b>	<b>104.747</b>
General administrative expenses (-)	(17.023)	(5.320)	(956)	(6.711)	(30.010)
Marketing expenses (-)	(191)	(25.992)	(196)	(2.053)	(28.432)
Research and development expenses (-)	-	-	-	-	-
Other operating income	14.246	29.023	24	877	44.170
Other operating expenses (-)	(19.573)	(16.493)	(1)	(415)	(36.482)
Share on profit / loss of investments valued using equity method	8.989	245	1	-	9.235
<b>OPERATING PROFIT/(LOSS)</b>	<b>34.283</b>	<b>31.705</b>	<b>(498)</b>	<b>(2.262)</b>	<b>63.228</b>
Investment income	2.143	193	-	696	3.032
Investment expense (-)	-	-	-	5	5
<b>PROFIT/(LOSS) BEFORE FINANCIAL INCOME/(EXPENSE)</b>	<b>36.426</b>	<b>31.898</b>	<b>(498)</b>	<b>(1.561)</b>	<b>66.265</b>
Financial income	370	5.755	131	33.350	39.606
Financial expense (-)	(7.116)	(17.318)	(3)	(16.799)	(41.236)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>29.680</b>	<b>20.335</b>	<b>(370)</b>	<b>14.990</b>	<b>64.635</b>
Tax expense	(11.043)	(6.922)	93	(5.267)	(23.139)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>18.637</b>	<b>13.413</b>	<b>(277)</b>	<b>9.723</b>	<b>41.496</b>

The Group has 13.252 of revenue and 4.146 of operating profit from terminal operations classified as agricultural operation for the period of 1 April - 30 June 2014.



# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 6. SEGMENTAL REPORTING (cont’d)

#### a) Segmental results (cont’d)

	1 January - 30 June 2013				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.147.556	764.369	16.842	35.663	1.964.430
Cost of revenue (-)	(1.208.778)	(629.308)	(14.407)	(23.060)	(1.875.553)
<b>GROSS PROFIT/(LOSS)</b>	<b>(61.222)</b>	<b>135.061</b>	<b>2.435</b>	<b>12.603</b>	<b>88.877</b>
General administrative expenses (-)	(29.484)	(11.092)	(2.155)	(13.468)	(56.199)
Marketing expenses (-)	(653)	(57.055)	(86)	(4.113)	(61.907)
Research and development expenses (-)	-	(306)	-	-	(306)
Other operating income	30.567	24.622	1.062	1.776	58.027
Other operating expenses (-)	(27.109)	(54.363)	(412)	(2.135)	(84.019)
Share on profit / loss of investments valued using equity method	11.157	547	(68)	27	11.663
<b>OPERATING PROFIT/(LOSS)</b>	<b>(76.744)</b>	<b>37.414</b>	<b>776</b>	<b>(5.310)</b>	<b>(43.864)</b>
Investment income	888	454	-	54.971	56.313
Investment expense (-)	(194)	(1.214)	-	(42)	(1.450)
<b>PROFIT/(LOSS) BEFORE FINANCIAL INCOME/(EXPENSE)</b>	<b>(76.050)</b>	<b>36.654</b>	<b>776</b>	<b>49.619</b>	<b>10.999</b>
Financial income	1.985	10.429	709	54.424	67.547
Financial expense (-)	(14.836)	(5.587)	(2.297)	(16.350)	(39.070)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>(88.901)</b>	<b>41.496</b>	<b>(812)</b>	<b>87.693</b>	<b>39.476</b>
Tax expense	(14.611)	(8.191)	173	(10.648)	(33.277)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(103.512)</b>	<b>33.305</b>	<b>(639)</b>	<b>77.045</b>	<b>6.199</b>

The Group has 33.039 of revenue and 11.849 of operating profit from terminal operations classified as agricultural operation for the period of 1 January - 30 June 2013.

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

#### a) Segmental results (cont'd)

	1 April - 30 June 2013				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	593.339	287.723	7.249	17.589	905.900
Cost of revenue (-)	(706.357)	(251.560)	(6.526)	(11.675)	(976.118)
<b>GROSS PROFIT/(LOSS)</b>	<b>(113.018)</b>	<b>36.163</b>	<b>723</b>	<b>5.914</b>	<b>(70.218)</b>
General administrative expenses (-)	(15.084)	(4.349)	(946)	(7.049)	(27.428)
Marketing expenses (-)	(340)	(24.795)	(51)	(2.265)	(27.451)
Research and development expenses (-)	-	(184)	-	-	(184)
Other operating income	13.947	11.559	109	1.318	26.933
Other operating expenses (-)	(13.265)	(43.233)	(310)	(1.353)	(58.161)
Share on profit / loss of investments valued using equity method	5.198	335	18	-	5.551
<b>OPERATING PROFIT/(LOSS)</b>	<b>(122.562)</b>	<b>(24.504)</b>	<b>(457)</b>	<b>(3.435)</b>	<b>(150.958)</b>
Investment income	182	424	-	961	1.567
Investment expense (-)	(194)	(1.211)	-	-	(1.405)
<b>PROFIT/(LOSS) BEFORE FINANCIAL INCOME/(EXPENSE)</b>	<b>(122.574)</b>	<b>(25.291)</b>	<b>(457)</b>	<b>(2.474)</b>	<b>(150.796)</b>
Financial income	681	4.747	431	33.038	38.897
Financial expense (-)	(5.857)	(2.420)	(2.260)	(10.266)	(20.803)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>(127.750)</b>	<b>(22.964)</b>	<b>(2.286)</b>	<b>20.298</b>	<b>(132.702)</b>
Tax expense	(7.718)	4.409	484	(5.310)	(8.135)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(135.468)</b>	<b>(18.555)</b>	<b>(1.802)</b>	<b>14.988</b>	<b>(140.837)</b>

The Group has 16.143 of revenue and 5.644 of operating profit from terminal operations classified as agricultural operation for the period of 1 April - 30 June 2013.

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

b) As of 30 June 2014 and 31 December 2013 segmental assets and liabilities are as follows:

Balance sheet	30 June 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.209.534	1.459.702	146.259	1.091.929	4.907.424
Current and non-current liabilities	1.878.153	683.331	121.243	128.528	2.811.255
Equity attributable to owners of the parent	167.071	556.446	19.971	1.320.795	2.064.283
Non-controlling interests	31.604	215	-	67	31.886

  

Balance sheet	31 December 2013				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.217.424	1.312.260	129.460	1.038.276	4.697.420
Current and non-current liabilities	1.882.713	652.739	107.544	132.227	2.775.223
Equity attributable to owners of the parent	143.702	451.509	20.295	1.274.648	1.890.154
Non-controlling interests	31.789	189	-	65	32.043

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 6. SEGMENTAL REPORTING (cont’d)

c) Segmental information related to property, plant and equipment, intangible assets and investment property for the six month interim periods ended 30 June 2014 and 2013 is as follows:

	1 January - 30 June 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	17.430	207.651	341	390	225.812
Depreciation and amortization expense for the period (**)	34.045	11.809	150	2.189	48.193
Intra-segment revenue	73.566	10.889	55	103	84.613
Inter-segment revenue	23	554	256	3.494	4.327

  

	1 April - 30 June 2014				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	3.467	128.660	248	128	132.503
Depreciation and amortization expense for the period (**)	16.393	9.529	76	1.075	27.073
Intra-segment revenue	23.896	4.990	5	50	28.941
Inter-segment revenue	3	187	115	1.731	2.036

(\*) Fixed assets purchases through financial lease amounting to 2.189 (2013: 4.484) and capitalized income from borrowings amounting to 877 (2013:None) are also included.

(\*\*) Depreciation expense of 1.211 is deducted from the cost of inventory (30 June 2013: 1.618 added to the cost of inventory).

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

c) Segmental information related to property, plant and equipment, intangible assets and investment property for the six month interim periods ended 30 June 2014 and 2013 is as follows (cont'd):

	1 January - 30 June 2013				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	13.370	39.784	268	572	53.994
Depreciation and amortization expense for the period (**)	28.765	6.931	136	2.467	38.299
Intra-segment revenue	41.186	10.304	117	91	51.698
Inter-segment revenue	18	682	200	3.257	4.157

  

	1 April - 30 June 2013				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	8.385	33.112	225	522	42.244
Depreciation and amortization expense for the period (**)	14.440	3.901	74	1.202	19.617
Intra-segment revenue	21.108	5.189	110	46	26.453
Inter-segment revenue	9	350	105	1.535	1.999

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014**

(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 - 30 June 2014)	1.289.804	537.696	73.246	328.211	2.114	(88.940)	2.142.131
Total assets (30 June 2014)	5.602.616	1.820.829	361.660	692.878	105.456	(3.676.015)	4.907.424
Capital expenditures (1 January - 30 June 2014)	210.183	3.477	-	12.152	-	-	225.812
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 April - 30 June 2014)	539.004	305.364	15.918	163.140	1.128	(30.977)	993.577
Capital expenditures (1 April - 30 June 2014)	129.841	504	-	2.158	-	-	132.503
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 30 June 2013)	1.155.051	405.067	169.169	289.174	1.824	(55.855)	1.964.430
Total assets (31 December 2013)	5.382.474	1.726.942	385.965	722.194	78.812	(3.598.967)	4.697.420
Capital expenditures (1 January - 30 June 2013)	51.694	778	78	1.444	-	-	53.994
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 April - 30 June 2013)	491.472	237.540	31.677	172.922	741	(28.452)	905.900
Capital expenditures (1 April - 30 June 2013)	41.796	425	-	23	-	-	42.244

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

(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 983.009 (31 December 2013: 996.633). 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 2014	31 December 2013
<b>Short term trade receivables</b>		
Receivables from Contracting group operations	497.800	500.337
Receivables from Agriculture group operations	193.902	159.088
Receivables from Real Estate group operations	1.402	1.106
Other trade receivables	24.839	24.706
Provision for doubtful receivables	(41.138)	(32.675)
Retention receivables (Note: 10)	100.418	123.337
Due from related parties	12.806	9.081
Other	2.768	4.709
	<u>792.797</u>	<u>789.689</u>
<b>Long term trade receivables</b>		
Retention receivables (Note: 10)	57.690	84.225
	<u>57.690</u>	<u>84.225</u>

Post dated cheques amounting to 160.208 (31 December 2013: 131.730), notes receivables amounting to 7 (31 December 2013: 45), negative foreign currency differences amounting to (71) (31 December 2013: (10)) and due date differences amounting to 4 (31 December 2013: 88) are included in short and long term trade receivables.

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting segment, for projects in abroad is 78 days (31 December 2013: 81 days), for domestic projects is 55 days (31 December 2013: 43 days), for Agriculture segment is 41 days (31 December 2013: 37 days), for Real Estate segment is 45 days (31 December 2013: 36 days), and for other segments is 115 days (31 December 2013: 80 days).

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

	2014	2013
Provision as at 1 January	(32.675)	(17.090)
Charge for the period	(9.080)	(1.398)
Collected	355	78
Currency translation effect	262	(111)
Provision as at 30 June	<u>(41.138)</u>	<u>(18.521)</u>

8.730 (2013:None) of doubtful receivable charge for the period has been charged to cost of revenue and 350 (2013:1.398) to general administration expenses.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

#### 8. TRADE RECEIVABLES AND PAYABLES (cont’d)

##### b) Trade Payables:

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

	30 June 2014	31 December 2013
<b>Short term trade payables</b>		
Trade payables from Contracting group operations	605.718	663.618
Trade payables from Agriculture group operations	434.453	440.831
Trade payables from Real Estate group operations	2.153	1.641
Due to related parties	685	444
Retention payables (Note: 10)	20.235	23.954
Other trade payables	11.641	15.122
	<u>1.074.885</u>	<u>1.145.610</u>
	30 June 2014	31 December 2013
<b>Long term trade payables</b>		
Retention payables (Note: 10)	35.880	23.569
Trade payables from Contracting group operations	77	82
	<u>35.957</u>	<u>23.651</u>

Notes payables amounting to 6.097 (31 December 2013: 18.123), post dated cheques amounting to 49 (31 December 2013: 248), and foreign currency differences amounting to 59.249 (31 December 2013: 86.049) are included in short and long term trade payables.

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2013: 96%) of trade payables as at balance sheet date and average payable period for these import purchases is 175 days (31 December 2013: 131 days) whereas average payable period for domestic purchases is 30 days (31 December 2013: 30 days).

For Contracting segment, import purchases through letter of credit constitute 2% (31 December 2013: 4%) of trade payables as at balance sheet date. The average payable period for these import purchases is 72 days (31 December 2013: 76 days) whereas the average payable period for other purchases is 97 days (31 December 2013: 84 days).

The average payable period for Real Estate segment is 43 days (31 December 2013: 36 days).

For the other operations of the Group, the average payable period is 70 days (31 December 2013: 53 days).



# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 9. INVENTORIES

	30 June 2014	31 December 2013
Raw materials	42.937	48.741
Work in progress	90.993	46.487
Finished goods	26.897	41.734
Trading goods	24.359	38.169
Goods in transit	65.306	52.066
Inventory from real estate projects	121.268	110.936
Inventory at construction sites	159.419	149.679
Other inventories	32.095	33.429
Allowance for impairment on inventory (-)	(1.073)	(67)
	<u>562.201</u>	<u>521.174</u>

During the six month interim period ended 30 June 2014, borrowing costs capitalized in inventory amount to 8.487 (31 December 2013: 11.454).

<u>Movement of allowance for impairment of inventory</u>	<u>2014</u>	<u>2013</u>
Provision as of 1 January	(67)	(983)
Charge for the period	(1.036)	(2.146)
Currency translation effect	-	(14)
Provision released	30	992
Provision as of 30 June	<u>(1.073)</u>	<u>(2.151)</u>

Group has identified some inventories whose net realizable value is less than its current cost. Accordingly, the amount of 1.073 (30 June 2013: 2.151) has been determined as provision for allowance for impairment on inventory and included in cost of revenue. As of 30 June 2014, total amount of the inventory shown at net realizable value is 455.( 30 June 2013:527)

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 10. CONSTRUCTION CONTRACTS

	30 June 2014	31 December 2013
Cost incurred on uncompleted contracts	8.136.360	7.531.560
Recognised gain less losses (net)	409.872	481.652
	<u>8.546.232</u>	<u>8.013.212</u>
Less: Billings to date (-)	(8.098.607)	(7.590.158)
	<u>447.625</u>	<u>423.054</u>

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

	30 June 2014	31 December 2013
From customers under construction contracts	582.535	558.960
To customers under construction contracts	(134.910)	(135.906)
	<u>447.625</u>	<u>423.054</u>

	30 June 2014	31 December 2013
<u>Receivables from uncompleted contracts</u>		
Contracts undersigned abroad	515.766	513.876
Contracts undersigned in Turkey	66.769	45.084
	<u>582.535</u>	<u>558.960</u>
<u>Payables to uncompleted contracts</u>		
Contracts undersigned abroad	(130.246)	(135.906)
Contracts undersigned in Turkey	(4.664)	-
	<u>(134.910)</u>	<u>(135.906)</u>
	<u>447.625</u>	<u>423.054</u>

The Group has 128.090 of advances given to subcontractors and other suppliers for construction projects classified in short term prepaid expenses (31 December 2013: 130.772). Also, the Group has 241.959 of advances received for contracting projects classified in advances received (31 December 2013: 189.065).

As of 30 June 2014, the Group has 56.115 of retention payables to subcontractors (31 December 2013: 47.523). Also, the amount of retention receivables is 158.108 (31 December 2013: 207.562) (Note: 8).

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 11. INVESTMENTS VALUED BY EQUITY METHOD

Joint Ventures	Location of foundation and operation	%	30 June 2014		31 December 2013		Power to appoint	Industry
			Amount	%	Amount	%		
H-T Fidecilik	Turkey	50%	5.805	50%	5.610	50%	Agriculture	
Azfen	Azerbaijan	40%	43.795	40%	52.841	40%	Construction	
Black Sea Gübre	Turkey	30%	952	30%	727	30%	Fertilizer Trade	
Florya Gayrimenkul	Turkey	50%	61.305	50%	61.369	50%	Real Estate	
			<u>111.857</u>		<u>120.547</u>			

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

	2014	2013
Opening balance as at 1 January	120.547	42.539
Group's share on profit/loss	9.460	11.663
Effect of the newly established joint ventures	-	61.560
Effect of the joint ventures sold	-	(6.168)
Transactions of the joint ventures sold during the year	-	(8.200)
Dividends	(16.181)	(8.742)
Currency translation effect	(1.905)	1.283
Profit eliminations	(64)	(138)
Closing balance as at 30 June	<u>111.857</u>	<u>93.797</u>

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

H-T Fidecilik	195	209
Azfen	9.040	11.157
Black Sea Gübre	225	338
Florya Gayrimenkul	-	(68)
Tekfen Oz (*)	-	27
Joint ventures consolidated by equity method	<u>9.460</u>	<u>11.663</u>

(\*) Group has sold its shares in Tekfen Oz, which is consolidated by equity method, to Omurga Konya Gayrimenkul Yatırım A.Ş. on 29 March 2013.

**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014**

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

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

Information related to financial position:

30 June 2014	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	34	148.481	2.157	75	150.747
Other current assets	20.596	110.827	12.204	55.726	199.353
Non current assets	11.843	45.739	517	69.378	127.477
<b>Total Assets</b>	<b>32.473</b>	<b>305.047</b>	<b>14.878</b>	<b>125.179</b>	<b>477.577</b>
Short term financial debts	10.384	-	-	-	10.384
Other short term liabilities	9.310	195.560	11.614	125	216.609
Long term financial debts	800	-	-	-	800
Other long term liabilities	369	-	90	2.445	2.904
<b>Total Liabilities</b>	<b>20.863</b>	<b>195.560</b>	<b>11.704</b>	<b>2.570</b>	<b>230.697</b>
Net Assets	11.610	109.487	3.174	122.609	246.880
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
<b>Group's share on Net Assets</b>	<b>5.805</b>	<b>43.795</b>	<b>952</b>	<b>61.305</b>	<b>111.857</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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

Information related to financial position (cont’d):

31 December 2013	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	7	8.997	1.744	261	11.009
Other current assets	16.293	160.474	605	56.603	233.975
Non current assets	9.285	37.873	393	68.376	115.927
<b>Total Assets</b>	<b>25.585</b>	<b>207.344</b>	<b>2.742</b>	<b>125.240</b>	<b>360.911</b>
Short term financial debts	6.534	-	-	-	6.534
Other short term liabilities	5.906	75.096	318	67	81.387
Long term financial debts	1.600	-	-	-	1.600
Other long term liabilities	325	145	-	2.435	2.905
<b>Total Liabilities</b>	<b>14.365</b>	<b>75.241</b>	<b>318</b>	<b>2.502</b>	<b>92.426</b>
<b>Net Assets</b>	<b>11.220</b>	<b>132.103</b>	<b>2.424</b>	<b>122.738</b>	<b>268.485</b>
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
<b>Group's share on Net Assets</b>	<b>5.610</b>	<b>52.841</b>	<b>727</b>	<b>61.369</b>	<b>120.547</b>

Translated into English from the report originally issued in Turkish.

**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

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

Information related to profit or loss statement:

<u>1 January - 30 June 2014</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	15.604	261.870	89.335	-	366.809
Depreciation and amortization expense	415	5.512	57	-	5.984
Operating profit	924	28.307	542	-	29.773
Financial income	3	215	169	8	395
Financial expense (-)	(435)	-	-	-	(435)
Tax income/(expense)	(101)	(5.923)	38	(9)	(5.995)
Profit/(Loss) for the period	391	22.600	749	(1)	23.739
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Profit/(Loss) for the period	195	9.040	225	-	9.460
<u>1 April - 30 June 2014</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	9.075	139.703	22.606	-	171.384
Depreciation and amortization expense	211	2.810	29	-	3.050
Operating profit	495	28.143	416	-	29.054
Financial income	2	215	164	1	382
Financial expense (-)	(230)	-	-	-	(230)
Tax income/(expense)	(54)	(5.886)	(117)	-	(6.057)
Profit for the period	213	22.473	463	1	23.150
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Profit/(Loss) for the period	106	8.989	139	1	9.235

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

1 January - 30 June 2013	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	12.999	157.909	48.366	-	219.274
Depreciation and amortization expense	411	3.767	57	-	4.235
Operating profit	838	34.942	634	145	36.559
Financial income	-	-	685	13	698
Financial expense (-)	(470)	-	(3)	(326)	(799)
Tax income/(expense)	49	(7.049)	(188)	32	(7.156)
Profit/(Loss) for the period	418	27.893	1.128	(137)	29.302
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Tekfen OZ (*)					27
Group's share on Profit/(Loss) for the period	209	11.157	338	(68)	11.663
1 April - 30 June 2013	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	8.232	93.838	33.664	-	135.734
Depreciation and amortization expense	204	1.948	29	-	2.181
Operating profit/(loss)	612	16.354	219	1	17.186
Financial income	(201)	(52)	594	11	352
Financial expense (-)	(202)	52	(2)	34	(118)
Tax income/(expense)	70	(3.358)	(162)	(10)	(3.460)
Profit for the period	280	12.996	649	36	13.961
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Tekfen OZ (*)					-
Group's share on Profit/(Loss) for the period	140	5.198	195	18	5.551

(\*) Group has sold its shares in Tekfen Oz, which is consolidated by equity method, to Omurga Konya Gayrimenkul Yatırım A.Ş. on 29 March 2013.

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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 2014

(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	Intangible assets	Investment
	equipment		property
<b>Cost Value</b>			
Opening balance as of 1 January 2014	2.370.090	19.580	105.249
Currency translation effect	(6.957)	(79)	(21)
Additions	224.632	923	257
Disposals	(22.009)	-	-
Disposals due to the grant of subsidiary	(250)	(202)	-
Transfers	(1.394)	975	1.660
Closing balance as of 30 June 2014	2.564.112	21.197	107.145
<b>Accumulated Depreciation and Amortization</b>			
Opening balance as of 1 January 2014	(1.465.378)	(16.269)	(26.474)
Currency translation effect	5.867	69	-
Disposals due to the grant of subsidiary	250	186	-
Charge for the period	(45.016)	(582)	(1.384)
Disposals	17.104	-	-
Closing balance as of 30 June 2014	(1.487.173)	(16.596)	(27.858)
Carrying value as of 30 June 2014	1.076.939	4.601	79.287
	Property, plant and		Investment
	equipment	Intangible assets	property
<b>Cost Value</b>			
Opening balance as of 1 January 2013	2.015.079	16.692	119.291
Currency translation effect	79.178	855	289
Additions	52.886	679	429
Disposals	(8.249)	(79)	-
Impairment loss provision	-	(1.211)	-
Transfers as capital in kind	-	-	(15.191)
Transfers	(91)	91	-
Closing balance as of 30 June 2013	2.138.803	17.027	104.818
<b>Accumulated Depreciation and Amortization</b>			
Opening balance as of 1 January 2013	(1.266.574)	(14.001)	(26.466)
Currency translation effect	(47.675)	(765)	-
Charge for the period	(37.930)	(640)	(1.347)
Disposals	7.146	78	-
Transfers as capital in kind	-	-	2.714
Closing balance as of 30 June 2013	(1.345.033)	(15.328)	(25.099)
Carrying value as of 30 June 2013	793.770	1.699	79.719

Property, plant and equipment includes fixed assets with carrying value of 144.398 purchased through financial lease (30 June 2013: 151.122). This property, plant and equipment purchased through financial lease consists of various prefabricated buildings, machinery, equipment and vehicles employed in construction sites. During the current period, property, plant and equipment purchases through financial lease amount to 2.189 (30 June: 4.484).

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. Valuation work is concluded with regard to the market purchase and sale prices of similar properties. The fair value of the investment properties as of 30 June 2014 is 395.735 (30 June 2013: 342.081) according to the valuation carried out by independent expert.

During the period ended 30 June 2014, borrowing income capitalized in property, plant and equipment amount to 877 (30 June 2013: None). The rate used to determine the amount of borrowing costs eligible for capitalization is 18,35%.

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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 2014

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

### 13. SHORT AND LONG TERM FINANCIAL DEBTS

The Company's bank loans, utilized to finance its working capital flow are reclassified as long term whose maturities passed 30 June 2015 according to their opening dates. Annual weighted average interest rate of the existing short term loans is 3,18% for US Dollars, 2,46% for EUR and 10,79% for TL (31 December 2013: 3,38% for US Dollars, 2,36% for EUR and 9,6% for TL.). Annual weighted average interest rate of the existing long term loans in terms of US Dollars is 4,05% (31 December 2013: 4,05%).

One of the Group's subsidiaries, Toros Tarım has borrowed ECA (SACE) bank loan from Unicredit Bank Austria in August, 2013 for sulfuric acid facility in Samsun factory. The credit amount used until 30 June 2014 is 159.638 (EUR 55.202 thousand). The duration of repayments will last 7 years, including no principal payment within the first 2 years. The interest rate for 6 months is 2% plus Euribor. Toros Tarım fulfilled the financial performance criteria obliged due to the agreement as of 30 June 2014. The Deutsche Bank credit amount used for investments in June 2014 is 7.704 (EUR 2.664 thousand). The duration of repayments will last 6,5 years, including no principal payment within first 1,5 years. The interest rate for 6 months is 0,9% plus Euribor.

### 14. SHORT AND LONG TERM PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2014	31 December 2013
Short term provisions	64.896	66.988
Long term provisions	46.262	45.160
Total provisions	<u>111.158</u>	<u>112.148</u>
Retirement pay provision	49.407	50.824
Unused vacation pay liability provision	15.700	17.933
Premium provision	6.228	12.629
Total provisions attributable to employee benefits	<u>71.335</u>	<u>81.386</u>
Provision for litigation	4.386	8.112
Other liability provisions	35.437	22.650
Total other provisions	<u>39.823</u>	<u>30.762</u>
Total provisions	<u>111.158</u>	<u>112.148</u>

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 14. SHORT AND LONG TERM PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as of 1 January 2014	50.824	12.629	17.933	81.386
Currency translation effect	(148)	(173)	(10)	(331)
Charge for the period	11.778	6.299	3.952	22.029
Interest expense	676	-	-	676
Provision paid during the period	(14.277)	(12.527)	(6.175)	(32.979)
Actuarial loss	554	-	-	554
Closing balance as of 30 June 2014	<u>49.407</u>	<u>6.228</u>	<u>15.700</u>	<u>71.335</u>
Opening balance as of 1 January 2013	42.581	11.754	13.223	67.558
Currency translation effect	1.630	139	818	2.587
Charge for the period	11.857	5.853	7.007	24.717
Interest expense	242	-	-	242
Provision paid during the period	(7.268)	(11.715)	(4.186)	(23.169)
Actuarial gain	(2.350)	-	-	(2.350)
Closing balance as of 30 June 2013	<u>46.692</u>	<u>6.031</u>	<u>16.862</u>	<u>69.585</u>

The amount payable to employee calculated by one month salary is limited to a maximum 3.438 TL (31 December 2013: 3.438 TL) as of 30 June 2014.

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as of 1 January 2014	8.112	22.650	30.762
Currency translation effect	69	(347)	(278)
Charge for the period	408	17.308	17.716
Provision paid during the period	(80)	(459)	(539)
Provision released	(4.123)	(3.715)	(7.838)
Closing balance as of 30 June 2014	<u>4.386</u>	<u>35.437</u>	<u>39.823</u>
Opening balance as of 1 January 2013	8.248	877	9.125
Currency translation effect	1	1.161	1.162
Provision paid during the period	284	18.128	18.412
Provision paid	(697)	(532)	(1.229)
Provision released	(22)	-	(22)
Closing balance as of 30 June 2013	<u>7.814</u>	<u>19.634</u>	<u>27.448</u>

#### Litigations:

As of 30 June 2014, lawsuit filed against the Group is totally 116.150 (31 December 2013: 114.085) and it has been decided to accrue 4.386 (31 December 2013: 8.112) 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.

#### Toros Tarım Samsun Fertilizer Facility

Toros Tarım has acquired all of the public shares of Samsun Gübre Sanayi A.Ş. from the Privatization Administration on 4 July 2005. Following the issuance of the Article 2/B of the Forest Law in April 2012, restraints on some parcels transferred from Samsun Gübre Sanayi A.Ş. have become futile. Accordingly, revised construction plans with different scales and application zoning plans have been prepared by Samsun Metropolitan Municipality (Municipality). Upon the rejection of appeal for each construction plans, Toros Tarım has filed an annulment action against Municipality at Samsun 1. Administrative Court. Since the effect of Planning Partnership Interest prescribed at the Application Zoning Plan is considered to break the integrity of the facility; Toros Tarım has not been granted the operating license and Municipality Committee has announced enforcement on 5 February 2013 regarding the shutdown of the facility. Aforementioned transaction was not exercised upon interim suspension of the execution by the Administrative Court.

The process of shutdown is not executed in consequence of negotiations and correspondences done with the Municipality in spite of the suspension of the execution given by the court is removed after the Administration’s advocacy is taken; lawsuits filed at Samsun Administrative Court with the request for cancellation of construction plans prepared by the Municipality are not yet concluded.

On the other side, new title deeds are received as a result of construction plans prepared ex officio and parceling made by Ministry of Environment and Urbanization related to the parcels on which the facility is located.

After all these developments, the Entity has filed an application to Municipality for business license, the process of gathering documents requested by the Municipality for application is still going on.

#### Other:

34.611 of provision is recognized for the possible expenses of contracting group which may occur in the future under “Other liability provisions” (31 December 2013:19.447).

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 15. COMMITMENTS AND OBLIGATIONS

The guarantee, pledge and mortgage ("GPM") position tables of the Group as of 30 June 2014 and 31 December 2013 are as follows:

	Equivalent of Thousands TL	Thousands of US Dollars	Thousands of EUR	Other (Equivalent of Thousands TL)
<b>30 June 2014</b>				
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	4.605.062	1.857.685	60.091	486.678
-Guarantee	4.600.562	1.857.685	60.091	482.178
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	-	-	-	-
-Guarantee	-	-	-	-
-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 30 June 2014</b>	<b>4.605.062</b>	<b>1.857.685</b>	<b>60.091</b>	<b>486.678</b>
	Equivalent of Thousands TL	Thousands of US Dollars	Thousands of EUR	Other (Equivalent of Thousands TL)
<b>31 December 2013</b>				
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	1.915.847	589.084	47.760	518.318
-Guarantee	1.914.347	589.084	47.760	516.818
-Pledge	-	-	-	-
-Mortgage	1.500	-	-	1.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	-	-	-	-
-Guarantee	-	-	-	-
-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 2013</b>	<b>1.915.847</b>	<b>589.084</b>	<b>47.760</b>	<b>518.318</b>

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

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 16. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

For the interim period, there isn't any extraordinary transaction occurred with related parties. Transactions with related parties are distinct and measurable.

### 17. EQUITY

#### Capital / Capital Structure Adjustment

After the changes in the shareholders' structure during the period, the capital structure as of 30 June 2014 and 31 December 2013 is as follows:

Shareholders	(%)	30 June 2014	(%)	31 December 2013
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Akçağlılar family	10,86%	40.216	19,30%	71.426
Other (*)	4,23%	15.593	4,23%	15.593
Publicly traded (**)	46,31%	171.339	37,87%	140.129
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.

(\*\*)23.102.644 (6,24%) shares at 1 TRY par value of publicly traded shares are under the control of founding shareholder families (31 December 2013: 14.892.694 share; 4,03%).

### 18. EARNINGS PER SHARE

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
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 / (loss) for the period attributable to owners of the parent (thousands TL)	183.950	41.568	5.893	(141.257)
Earnings / (loss) per share from operations (TL)	0,497	0,112	0,016	(0,382)

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 19. OTHER OPERATING INCOME AND EXPENSES

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
<b>Other Operating Income</b>				
Foreign exchange gains of working capital	71.939	35.520	39.241	19.667
Discount income	1.631	727	4.625	2.047
Due date difference income	7.595	4.168	4.530	1.630
Indemnity income	588	173	1.818	654
Scrap sale income	1.432	189	1.443	1.189
Rent income	1.634	817	1.336	465
Project management income	87	-	498	105
Government grants and incentives income	417	373	120	94
Reversal of litigation provision (Note: 14)	212	-	22	22
Other income	3.199	2.203	4.394	1.060
	<b>88.734</b>	<b>44.170</b>	<b>58.027</b>	<b>26.933</b>
<b>Other Operating Expenses</b>				
Foreign exchange losses of working capital	(76.219)	(30.811)	(59.313)	(38.180)
Grants and contributions	(360)	(154)	(15.562)	(15.068)
Due date difference expense	(1.524)	(760)	(1.917)	(1.917)
Discount expense	(5.873)	(2.421)	(1.136)	(860)
Litigation provision (Note: 14)	(408)	(388)	(284)	(284)
Additional tax expense	(30)	(14)	(56)	(38)
Damages subject to litigation	(13)	(13)	-	-
Other expenses	(4.402)	(1.921)	(5.751)	(1.814)
	<b>(88.829)</b>	<b>(36.482)</b>	<b>(84.019)</b>	<b>(58.161)</b>

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 20. FINANCIAL INCOME AND FINANCIAL EXPENSE

#### Financial Income:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Foreign exchange gains	56.642	15.843	35.619	23.934
Interest income	46.110	23.757	31.922	14.959
Other finance income	9	6	6	4
	<u>102.761</u>	<u>39.606</u>	<u>67.547</u>	<u>38.897</u>

#### Financial Expense:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Foreign exchange losses	(64.750)	(25.582)	(23.773)	(12.690)
Interest expense	(20.555)	(10.706)	(13.088)	(6.532)
Other finance expenses	(2.320)	(1.644)	(2.693)	(2.065)
Less: Financial expenses included in costs of property, plant and equipment and inventories	7.610	(3.304)	484	484
	<u>(80.015)</u>	<u>(41.236)</u>	<u>(39.070)</u>	<u>(20.803)</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

#### 21. FOREIGN CURRENCY POSITION

30 June 2014	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	121.128	32.174	16.113	3	6.202
2. Monetary Financial Assets	326.826	141.191	4.287	6	14.602
3. Other	91.815	34.528	5.764	38	1.691
4. CURRENT ASSETS	539.769	207.893	26.164	47	22.495
5. Trade Receivables	10.207	3.622	464	-	1.174
6. Monetary Financial Assets	341	-	17	-	292
7. Other	3.028	-	1.047	-	-
8. NON CURRENT ASSETS	13.576	3.622	1.528	-	1.466
9. TOTAL ASSETS	553.345	211.515	27.692	47	23.961
10. Trade Payables	209.298	29.083	26.409	129	70.702
11. Financial Liabilities	40.176	8.437	5.121	-	7.451
12. Monetary Other Liabilities	69.620	2.575	2.809	-	56.029
12b. Non Monetary Other Liabilities	2.771	1.271	25	-	-
13. CURRENT LIABILITIES	321.865	41.366	34.364	129	134.182
14. Trade Payables	10.540	-	395	-	9.398
15. Financial Liabilities	174.886	1.477	59.390	-	-
16. Monetary Other Liabilities	18.609	729	-	-	17.061
17. NON CURRENT LIABILITIES	204.035	2.206	59.785	-	26.459
18. TOTAL LIABILITIES	525.900	43.572	94.149	129	160.641
19. Net foreign currency assets / liabilities position	27.445	167.943	(66.457)	(82)	(136.680)
20. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(64.627)	134.686	(73.243)	(120)	(138.371)

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 SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014**

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

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

31 December 2013	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	130.707	43.778	10.353	-	6.870
2. Monetary Financial Assets	374.626	171.720	1.476	6	3.769
3. Other	90.020	25.533	11.216	31	2.480
<b>4. CURRENT ASSETS</b>	<b>595.353</b>	<b>241.031</b>	<b>23.045</b>	<b>37</b>	<b>13.119</b>
5. Trade Receivables	41.194	1.912	12.242	-	1.165
6. Monetary Financial Assets	4.215	-	-	-	4.215
7. Other	75.505	19.607	11.462	-	-
<b>8. NON CURRENT ASSETS</b>	<b>120.914</b>	<b>21.519</b>	<b>23.704</b>	<b>-</b>	<b>5.380</b>
<b>9. TOTAL ASSETS</b>	<b>716.267</b>	<b>262.550</b>	<b>46.749</b>	<b>37</b>	<b>18.499</b>
10. Trade Payables	632.858	197.885	38.225	101	97.910
11. Financial Liabilities	185.510	41.125	5.908	-	80.388
12. Monetary Other Liabilities	132.074	22.256	7.054	-	63.859
12b. Non Monetary Other Liabilities	9	4	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>950.451</b>	<b>261.270</b>	<b>51.187</b>	<b>101</b>	<b>242.157</b>
14. Trade Payables	8.632	-	192	-	8.068
15. Financial Liabilities	117.027	2.096	38.329	-	-
16. Monetary Other Liabilities	12.999	464	-	-	12.009
<b>17. NON CURRENT LIABILITIES</b>	<b>138.658</b>	<b>2.560</b>	<b>38.521</b>	<b>-</b>	<b>20.077</b>
<b>18. TOTAL LIABILITIES</b>	<b>1.089.109</b>	<b>263.830</b>	<b>89.708</b>	<b>101</b>	<b>262.234</b>
19. Net foreign currency assets / liabilities position	(372.842)	(1.280)	(42.959)	(64)	(243.735)
20. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(538.358)	(46.416)	(65.637)	(95)	(246.215)

Translated into English from the report originally issued in Turkish.

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

### 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 six month interim period end for a 5% change in foreign currency rates. This sensitivity analysis excludes the foreign currency denominated items presented on the balance sheet of the Group companies whose functional currency is other than TL. Positive number indicates an increase in profit or loss.

	30 June 2014	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	17.831	(17.831)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(9.609)	9.609
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(6.850)	6.850
TOTAL	1.372	(1.372)
	31 December 2013	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	(137)	137
	If Euro changes 5% against TL	
Euro net assets / liabilities	(6.307)	6.307
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(12.198)	12.198
TOTAL	(18.642)	18.642

### 22. SUBSEQUENT EVENTS

Upon the resolution of the Extraordinary General Assembly held on 18 July 2014, it is decided to increase the capital of Toros Tarım from 446.450 to 700.000 with a payment of 253.550 in cash.

On 11 August 2014, the Group signed a preliminary sales contract indicating that sales and transfer of shares will occur only if parties' specified conditions are fulfilled in order to sell all shares of its subsidiary, Papfen Limited Liability Company, which is consolidated with the full consolidation method and whose amount of total net assets as of the balance sheet date is 7.118.