

**TEKFEN HOLDİNG ANONİM ŐİRKETİ  
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTH  
INTERIM PERIOD  
ENDED 30 JUNE 2017  
TOGETHER WITH  
REVIEW REPORT

(Translated into English from the report  
originally issued Turkish)



Tel : +90 212 365 62 00  
Fax: +90 212 365 62 01  
e-mail: bdo@bdo.com.tr  
www.bdo.com.tr

**BDO Denet Bağımsız Denetim  
ve Danışmanlık Anonim Şirketi**  
Ticaret Sicil No : 254683  
Mersis No : 0291001084600012  
Şirket Merkezi : Eski Büyükdere Cad.  
No:14 Park Plaza  
Kat:4 Maslak 34398  
İstanbul, Turkey

**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 2017 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,  
3 August 2017

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

Erdal Aslan, YMM  
Partner in charge

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**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2017**

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

<b>ASSETS</b>	<b>Notes</b>	<b>Reviewed 30 June 2017</b>	<b>Audited 31 December 2016</b>
<b>Current Assets</b>		<b>6.365.885</b>	<b>4.533.781</b>
Cash and cash equivalents	7	2.950.726	1.483.429
Financial investments		109.677	108.121
Trade receivables	8	1.156.554	1.075.322
- <i>Related party receivables</i>		22.159	20.680
- <i>Trade receivables</i>		1.134.395	1.054.642
Other receivables		39.163	61.083
- <i>Related party receivables</i>		31.469	53.922
- <i>Other receivables</i>		7.694	7.161
Receivables from ongoing construction contracts	10	608.343	391.944
Derivative instruments	21	1.764	2.245
Inventories	9	971.076	968.741
Prepaid expenses		184.916	91.213
- <i>Prepaid expenses</i>		184.916	91.213
Assets related with current tax		35.458	48.324
Other current assets		282.703	279.178
- <i>Other current assets</i>		282.703	279.178
		<b>6.340.380</b>	<b>4.509.600</b>
Assets classified as held for sale		25.505	24.181
<b>Non-Current Assets</b>		<b>2.134.657</b>	<b>2.135.028</b>
Financial investments		176.236	175.435
Trade receivables	8	12.026	152.542
- <i>Trade receivables</i>		12.026	152.542
Other receivables		3.486	3.823
- <i>Other receivables</i>		3.486	3.823
Investments valued by equity method	11	220.342	118.445
Investment property	12	79.280	82.559
Property, plant and equipment	12	1.511.653	1.487.673
Intangible assets	12	18.687	16.678
Prepaid expenses		2.855	6.348
- <i>Prepaid expenses</i>		2.855	6.348
Deferred tax assets		51.185	50.999
Other non-current assets		58.907	40.526
- <i>Other non-current assets</i>		58.907	40.526
<b>TOTAL ASSETS</b>		<b>8.500.542</b>	<b>6.668.809</b>

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

Translated into English from the report originally issued in Turkish.

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2017

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

LIABILITIES	Notes	Reviewed 30 June 2017	Audited 31 December 2016
<b>Current Liabilities</b>		<b>5.439.485</b>	<b>3.896.563</b>
Short-term borrowings	13	956.643	920.641
Short-term portion of long-term borrowings		99.770	88.774
Trade payables	8	1.659.180	1.528.823
- Related party payables		5.256	10.919
- Trade payables		1.653.924	1.517.904
Payables related to employee benefits		67.703	70.449
Other payables		81.627	73.815
- Other payables		81.627	73.815
Payables to ongoing construction contracts	10	588.663	384.782
Derivative instruments	21	39.265	131
Deferred revenue	4(b)	1.842.318	685.253
- Deferred revenue		1.842.318	685.253
Current tax liability		27.783	57.062
Short-term provisions	14	76.036	82.935
- Short-term provisions attributable to employee benefits		66.060	72.905
- Other short-term provisions		9.976	10.030
Other short-term liabilities		497	3.898
- Other short-term liabilities		497	3.898
<b>Non-Current Liabilities</b>		<b>459.801</b>	<b>392.789</b>
Long-term borrowings	13	237.582	251.550
Trade payables	8	82.804	44.033
- Trade payables		82.804	44.033
Other payables		37.530	28.517
- Other payables		37.530	28.517
Government incentives and grants		1.190	1.194
Long-term provisions	14	50.763	40.135
- Long-term provisions attributable to employee benefits		50.686	40.054
- Other long-term provisions		77	81
Deferred tax liabilities		49.932	27.360
<b>TOTAL LIABILITIES</b>		<b>5.899.286</b>	<b>4.289.352</b>
<b>EQUITY</b>		<b>2.601.256</b>	<b>2.379.457</b>
<b>Equity Attributable To Owners Of The Parent</b>	5, 17	<b>2.570.849</b>	<b>2.349.681</b>
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income (loss) that will not be reclassified to profit or loss		(1.535)	1.369
- Gain (loss) on revaluation and remeasurement		(1.535)	1.369
Accumulated other comprehensive income (loss) that will be reclassified to profit or loss		167.178	199.373
- Currency translation reserve		124.468	125.977
- Hedging reserve		(29.829)	1.621
- Gain (loss) on revaluation and reclassification		72.539	71.775
Legal reserves		197.002	194.145
Prior years' income		1.148.163	955.924
Net profit for the period		385.582	324.411
<b>Non-controlling Interests</b>		<b>30.407</b>	<b>29.776</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8.500.542</b>	<b>6.668.809</b>

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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 2017

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

	Notes	Reviewed 1 January- 30 June 2017	Unreviewed 1 April- 30 June 2017	Reviewed 1 January - 30 June 2016	Unreviewed 1 April- 30 June 2016
Revenue		3.344.297	1.707.322	2.438.289	1.064.818
Cost of revenue (-)		(2.845.461)	(1.474.169)	(2.065.294)	(915.016)
<b>GROSS PROFIT</b>		<b>498.836</b>	<b>233.153</b>	<b>372.995</b>	<b>149.802</b>
General administrative expenses (-)		(96.655)	(50.396)	(91.473)	(52.994)
Marketing expenses (-)		(82.721)	(37.250)	(66.692)	(26.120)
Research and development expenses (-)		(87)	(34)	(900)	(900)
Other operating income	19	172.974	82.178	158.082	92.681
Other operating expenses (-)	19	(161.422)	(46.379)	(151.435)	(96.604)
Share on profit (loss) of investments valued using equity method	11	102.479	88.462	29.338	18.270
<b>OPERATING PROFIT</b>		<b>433.404</b>	<b>269.734</b>	<b>249.915</b>	<b>84.135</b>
Investment income		16.486	8.391	11.867	2.421
Investment expense (-)		(14)	(8)	(8)	(3)
<b>PROFIT BEFORE FINANCIAL INCOME (EXPENSES)</b>		<b>449.876</b>	<b>278.117</b>	<b>261.774</b>	<b>86.553</b>
Financial income	20	253.382	56.025	93.865	60.294
Financial expenses (-)	20	(232.398)	(70.197)	(82.614)	(41.958)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION</b>		<b>470.860</b>	<b>263.945</b>	<b>273.025</b>	<b>104.889</b>
<b>Tax Expense from Continuing Operations (-)</b>		<b>(85.724)</b>	<b>(39.590)</b>	<b>(48.840)</b>	<b>(30.519)</b>
Tax expense for the period (-)		(54.835)	(22.309)	(77.415)	(61.535)
Deferred tax (expense) income		(30.889)	(17.281)	28.575	31.016
<b>PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD</b>		<b>385.136</b>	<b>224.355</b>	<b>224.185</b>	<b>74.370</b>
<b>Distribution of Profit (Loss) for the Period</b>					
Non-controlling interests		(446)	491	2.701	1.764
Owners of the parent		385.582	223.864	221.484	72.606
<b>Earnings Per Share</b>	18	1,042	0,605	0,599	0,196

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Translated into English from the report originally issued in Turkish.

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

	Reviewed 1 January- 30 June 2017	Unreviewed 1 April- 30 June 2017	Reviewed 1 January - 30 June 2016	Unreviewed 1 April- 30 June 2016
<b>PROFIT FOR THE PERIOD</b>	<b>385.136</b>	<b>224.355</b>	<b>224.185</b>	<b>74.370</b>
<b>OTHER COMPREHENSIVE INCOME:</b>				
<b><u>Items that will not be reclassified to profit or loss</u></b>	<b>(2.904)</b>	<b>(926)</b>	<b>(299)</b>	<b>396</b>
Profit (loss) on revaluation of defined benefit plans (-)	(3.630)	(1.157)	(374)	495
Taxes based on other comprehensive income that will not be reclassified to profit or loss	726	231	75	(99)
- <i>Deferred tax (expense) income</i>	726	231	75	(99)
<b><u>Items that will be reclassified to profit or loss</u></b>	<b>(31.118)</b>	<b>(38.448)</b>	<b>(4.864)</b>	<b>(7.211)</b>
Currency translation reserve differences	(432)	(9.457)	(4.868)	(843)
Gain on revaluation of available for sale financial assets	804	(6.394)	4	(6.703)
Other comprehensive expenses related to cash flow hedging (-)	(39.313)	(28.647)	-	-
Taxes based on other comprehensive income that will be reclassified to profit or loss	7.823	6.050	-	335
- <i>Deferred tax income</i>	7.823	6.050	-	335
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>	<b>(34.022)</b>	<b>(39.374)</b>	<b>(5.163)</b>	<b>(6.815)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>351.114</b>	<b>184.981</b>	<b>219.022</b>	<b>67.555</b>
<b>Distribution of Total Comprehensive Income</b>				
Non-controlling interests	631	(250)	(2.831)	(3.338)
Owners of the parent	350.483	185.231	221.853	70.893

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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 2017

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

	Paid in capital	Capital structure adjustment	Premiums in capital stock	Items not to be reclassified to profit or loss	Currency translation reserve	Items to be reclassified to profit or loss	Gain on revaluation and reclassification	Legal reserves	Retained Earnings		Equity attributable to owners of the parent	Non-controlling interests	Equity
				Gain (loss) on revaluation and remeasurement		Gains (loss) on hedging			Prior years' income	Net profit for the period			
<b>Reviewed</b>													
<b>Opening balance as of 1 January 2016</b>	370.000	3.475	300.984	(376)	108.234	-	51.995	176.413	861.167	185.466	2.057.358	27.777	2.085.135
Transfers	-	-	-	-	-	-	-	17.732	167.734	(185.466)	-	-	-
Total comprehensive income (loss)	-	-	-	(299)	664	-	4	-	-	221.484	221.853	(2.831)	219.022
- Profit for the period	-	-	-	-	-	-	-	-	-	221.484	221.484	2.701	224.185
- Other comprehensive income (loss)	-	-	-	(299)	664	-	4	-	-	-	369	(5.532)	(5.163)
Dividends	-	-	-	-	-	-	-	-	(63.666)	-	(63.666)	-	(63.666)
Other changes	-	-	-	-	-	-	-	-	(12.937)	-	(12.937)	-	(12.937)
<b>Closing balance as of 30 June 2016</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(675)</b>	<b>108.898</b>	<b>-</b>	<b>51.999</b>	<b>194.145</b>	<b>952.298</b>	<b>221.484</b>	<b>2.202.608</b>	<b>24.946</b>	<b>2.227.554</b>
<b>Reviewed</b>													
<b>Opening balance as of 1 January 2017</b>	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Transfers	-	-	-	-	-	-	-	2.857	321.554	(324.411)	-	-	-
Total comprehensive income (loss)	-	-	-	(2.904)	(1.509)	(31.450)	764	-	-	385.582	350.483	631	351.114
- Profit for the period	-	-	-	-	-	-	-	-	-	385.582	385.582	(446)	385.136
- Other comprehensive income (loss)	-	-	-	(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)
<b>Closing balance as of 30 June 2017</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(1.535)</b>	<b>124.468</b>	<b>(29.829)</b>	<b>72.539</b>	<b>197.002</b>	<b>1.148.163</b>	<b>385.582</b>	<b>2.570.849</b>	<b>30.407</b>	<b>2.601.256</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 2017

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

	Notes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		<b>1.667.074</b>	<b>510.565</b>
Profit for the Period		385.136	224.185
Adjustments to Reconcile Net Profit		70.226	100.612
- Depreciation and Amortization	12	63.596	55.869
- Provision Adjustments	8, 14	42.943	55.530
- Dividend Income and Expenses		(8.146)	(8.972)
- Interest Income and Expense Adjustments	20	(3.379)	(18.429)
- Gain/Loss on Fair Valuation		303	(3)
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	11	(102.479)	(29.338)
- Allowance for Taxation		85.724	48.840
- Adjustments for Gain/Loss on Sale of Fixed Assets	12	(8.336)	(1.922)
- Adjustments for Other Items Causing Cash Flows from Investment or Financing Activities		-	(963)
Movements in Working Capital		1.300.749	298.036
- Changes in Financial Investments		(1.556)	-
- Changes in Trade Receivables	8	59.152	183.430
- Changes in Other Assets		4.371	(64.686)
- Changes in Receivables from Ongoing Construction Contracts	10	(216.399)	(22.274)
- Changes in Inventories	9	(4.908)	148.597
- Changes in Prepaid Expenses		(92.039)	(2.702)
- Changes in Trade Payables	8	169.128	(46.845)
- Changes in Payables Related to Employee Benefits		(2.746)	10.251
- Changes in Payables to Ongoing Construction Contracts	10	203.881	50.172
- Changes in Other Liabilities		24.800	1.791
- Changes in Deferred Revenue	4(b)	1.157.065	40.302
Cash Generated by Operating Activities		1.756.111	622.833
Interest Paid		(18.539)	(19.117)
Interest Received		43.703	34.686
Provision Paid Related to Employee Benefits	14	(42.500)	(24.609)
Other Provision Paid	14	(453)	(23.155)
Tax Paid/Return		(71.248)	(80.073)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		<b>(91.559)</b>	<b>(103.576)</b>
Proceeds from Disposal of Subsidiary Resulting in Loss of Control		-	2.598
Acquisition of Non-controlling Interests' Shares		(293)	-
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments		(20.159)	-
Proceeds from Sales of Tangible and Intangible Assets	12	8.531	2.596
Acquisition of Tangible and Intangible Assets	12	(84.018)	(79.796)
Acquisition of Investment Properties	12	(1.575)	(37.648)
Advances and Debts Given		1.829	1.006
Dividend Received		4.126	7.668
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		<b>(137.777)</b>	<b>(202.785)</b>
Proceeds from Borrowings		476.304	301.157
Repayments of Borrowings		(487.625)	(436.599)
Payments of Financial Lease Obligations		(6.164)	(3.677)
Dividend paid	5	(120.292)	(63.666)
<b>CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT</b>			
		<b>1.437.738</b>	<b>204.204</b>
<b>D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS</b>			
		29.559	(1.351)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>			
		<b>1.467.297</b>	<b>202.853</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
		1.483.429	1.032.202
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>			
		<b>2.950.726</b>	<b>1.235.055</b>

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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 2017

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

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 30 June 2017, the Group has 17.027 employees (31 December 2016: 14.295) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

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

#### Changes in the Group's subsidiaries and joint operations as of 30 June 2017:

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

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

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

#### Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 3 August 2017.

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

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

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

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

The Group has preferred to disclose its interim consolidated financial statements as of 30 June 2017 in condensed format in accordance with TAS 34 "Interim Financial Reporting" standard. The descriptions and disclosures which are needed in the financial statements prepared annually complying with TAS are summarized appropriately in accordance with TAS 34 or not mentioned.

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

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

Exchange rates used in the consolidation process as of 30 June 2017 are; 1 USD= 3,5071 TL, 1 EUR= 4,0030 TL, 1 MAD= 0,3607 TL, 1 SAR= 0,9352 TL, 1 QAR= 0,9608 TL (Exchange rates as of 31 December 2016 are; 1 USD= 3,5192 TL, 1 EUR= 3,7099 TL, 1 MAD= 0,3481 TL, 1 SAR= 0,9385 TL, 1 QAR= 0,9642 TL).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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

New and revised standards and interpretations are presented below:

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

None.

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

None.

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

- TFRS 9, "Financial Instruments", will be effective for annual periods beginning after 1 January 2018.
- TFRS 15, "Revenue from Contracts with Customers" will be effective for annual periods beginning after 1 January 2018.

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

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

**(a) New Projects**

Tekfen İnşaat and BP Iraq N.V. have signed a unit-price based contract to provide man power and machinery for installation of Rumalia Oil Field Water Separation & Salt Separation Units. Duration of the project is 3 years. It is expected that the total amount of the works to be done according to the contract will reach approximately 347.203 (99 Million USD) by the end of the project period. The Company has given a letter of guarantee to the employer on behalf of Tekfen İnşaat in the amount of the contract price.

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

**(b) Advances Received**

Tekfen Emlak recognized the advances taken as cash and notes receivable from the pre-sales of Esenyurt Project amounting to 112.273 under deferred revenue account (31 December 2016: 330.599).

The Group received cash advances from Al Khor Expressway project that was signed with Ministry of Municipality and Environment of the State of Qatar on 13 October 2016. Balance of the advances is amounting to 1.351.847 (1.406.929.000 Qatari Riyal) and is recognized under deferred revenue account as of 30 June 2017 (31 December 2016: None).

**(c) Other**

Construction process concerning HEP İstanbul housing project of Real Estate group has been completed. Deliveries of the project started on 23 January 2017 and as of 30 June 2017, sales of 666 independent sections has been completed. These sales have been recognized in the consolidated statement of profit and loss for the period ended 30 June 2017.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

#### 5. SIGNIFICANT CHANGES IN EQUITY

##### Gain on Revaluation and Reclassification:

The positive change of 764 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 2016: positive change of 4).

##### Legal Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 30 June 2017, 2.857 of legal reserves were transferred from prior years’ income in the condensed consolidated financial statements as of 30 June 2017 (30 June 2016: 17.732).

##### Profit Distribution:

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

##### Hedging Reserve

The negative change of 31.450 (30 June 2016: None) in the fair values of the effective derivative instruments which the Group uses for cash flow hedging has been recognized in equity.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

#### 6. SEGMENTAL REPORTING

##### a) Segmental results:

	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)
<b>GROSS PROFIT</b>	<b>154.798</b>	<b>310.603</b>	<b>19.996</b>	<b>13.439</b>	<b>498.836</b>
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
<b>OPERATING PROFIT (LOSS)</b>	<b>204.844</b>	<b>226.639</b>	<b>13.296</b>	<b>(11.375)</b>	<b>433.404</b>
Investment income	1.045	7.669	-	7.772	16.486
Investment expense (-)	-	(1)	-	(13)	(14)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>	<b>205.889</b>	<b>234.307</b>	<b>13.296</b>	<b>(3.616)</b>	<b>449.876</b>
Financial income	21.293	97.206	1.233	133.650	253.382
Financial expenses (-)	(14.995)	(102.987)	(445)	(113.971)	(232.398)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>212.187</b>	<b>228.526</b>	<b>14.084</b>	<b>16.063</b>	<b>470.860</b>
Tax expense from continuing operations (-)	(52.327)	(20.801)	(2.708)	(9.888)	(85.724)
<b>PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>159.860</b>	<b>207.725</b>	<b>11.376</b>	<b>6.175</b>	<b>385.136</b>

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.

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 2017

(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 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)
<b>GROSS PROFIT</b>	<b>92.465</b>	<b>117.185</b>	<b>16.480</b>	<b>7.023</b>	<b>233.153</b>
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
<b>OPERATING PROFIT (LOSS)</b>	<b>158.006</b>	<b>102.653</b>	<b>12.888</b>	<b>(3.813)</b>	<b>269.734</b>
Investment income	667	1	-	7.723	8.391
Investment expense (-)	-	(1)	-	(7)	(8)
<b>PROFIT BEFORE FINANCIAL INCOME (EXPENSE)</b>	<b>158.673</b>	<b>102.653</b>	<b>12.888</b>	<b>3.903</b>	<b>278.117</b>
Financial income	10.309	18.247	495	26.974	56.025
Financial expense (-)	(3.165)	(27.478)	(138)	(39.416)	(70.197)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>165.817</b>	<b>93.422</b>	<b>13.245</b>	<b>(8.539)</b>	<b>263.945</b>
Tax expense from continuing operations (-)	(35.084)	(880)	(2.602)	(1.024)	(39.590)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>130.733</b>	<b>92.542</b>	<b>10.643</b>	<b>(9.563)</b>	<b>224.355</b>

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.

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 2017

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

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

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

	1 January - 30 June 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.317.927	1.091.430	14.487	14.445	2.438.289
Cost of revenue (-)	(1.188.470)	(859.151)	(13.169)	(4.504)	(2.065.294)
<b>GROSS PROFIT</b>	<b>129.457</b>	<b>232.279</b>	<b>1.318</b>	<b>9.941</b>	<b>372.995</b>
General administrative expenses (-)	(55.634)	(13.299)	(5.391)	(17.149)	(91.473)
Marketing expenses (-)	(973)	(63.005)	(2.708)	(6)	(66.692)
Research and development expenses (-)	-	-	-	(900)	(900)
Other operating income	86.182	70.186	250	1.464	158.082
Other operating expenses (-)	(93.368)	(55.106)	(5)	(2.956)	(151.435)
Share on profit of investments valued using equity method	27.689	1.649	-	-	29.338
<b>OPERATING PROFIT (LOSS)</b>	<b>93.353</b>	<b>172.704</b>	<b>(6.536)</b>	<b>(9.606)</b>	<b>249.915</b>
Investment income	895	1.567	-	9.405	11.867
Investment expense (-)	-	-	-	(8)	(8)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>	<b>94.248</b>	<b>174.271</b>	<b>(6.536)</b>	<b>(209)</b>	<b>261.774</b>
Financial income	2.527	26.590	1.349	63.399	93.865
Financial expenses (-)	(15.803)	(28.226)	(1.894)	(36.691)	(82.614)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>80.972</b>	<b>172.635</b>	<b>(7.081)</b>	<b>26.499</b>	<b>273.025</b>
Tax (expense) income from continuing operations	(31.460)	(8.199)	1.485	(10.666)	(48.840)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>49.512</b>	<b>164.436</b>	<b>(5.596)</b>	<b>15.833</b>	<b>224.185</b>

The Group has 68.012 of revenue and 41.937 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 30 June 2016.

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 2017

(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 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	689.974	360.074	7.622	7.148	1.064.818
Cost of revenue (-)	(627.209)	(278.530)	(6.895)	(2.382)	(915.016)
<b>GROSS PROFIT</b>	<b>62.765</b>	<b>81.544</b>	<b>727</b>	<b>4.766</b>	<b>149.802</b>
General administrative expenses (-)	(32.973)	(7.334)	(3.919)	(8.768)	(52.994)
Marketing expenses (-)	(410)	(24.688)	(1.022)	-	(26.120)
Research and development expenses (-)	-	-	-	(900)	(900)
Other operating income	57.526	34.117	201	837	92.681
Other operating expenses (-)	(59.305)	(34.855)	-	(2.444)	(96.604)
Share on profit of investments valued using equity method	17.302	967	1	-	18.270
<b>OPERATING PROFIT (LOSS)</b>	<b>44.905</b>	<b>49.751</b>	<b>(4.012)</b>	<b>(6.509)</b>	<b>84.135</b>
Investment income	524	933	-	964	2.421
Investment expense (-)	-	-	-	(3)	(3)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)</b>	<b>45.429</b>	<b>50.684</b>	<b>(4.012)</b>	<b>(5.548)</b>	<b>86.553</b>
Financial income	(919)	22.625	706	37.882	60.294
Financial expense (-)	(7.747)	(17.984)	(1.477)	(14.750)	(41.958)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>36.763</b>	<b>55.325</b>	<b>(4.783)</b>	<b>17.584</b>	<b>104.889</b>
Tax (expense) income from continuing operations	(21.373)	(2.578)	1.006	(7.574)	(30.519)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>15.390</b>	<b>52.747</b>	<b>(3.777)</b>	<b>10.010</b>	<b>74.370</b>

The Group has 32.043 of revenue and 18.991 of operating income from terminal operations classified as agricultural operation for the period of 1 April – 30 June 2016.

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 2017

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

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

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

Balance sheet	30 June 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	4.435.171	2.470.826	449.614	1.144.931	8.500.542
Current and non-current liabilities	4.098.565	1.238.049	472.427	90.245	5.899.286
Equity attributable to owners of the parent	(4.293)	1.015.157	24.049	1.535.936	2.570.849
Non-controlling interests	30.176	219	-	12	30.407

  

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

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 2017

(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, investment property, and revenue:

	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
	1 January - 30 June 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	7.370	72.908	37.455	603	118.336
Depreciation and amortization expense for the period (**)	31.260	22.126	367	2.116	55.869
Intra-segment revenue	19.202	16.789	22	143	36.156
Inter-segment revenue	-	417	780	5.051	6.248
	1 April - 30 June 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	4.638	39.258	37.316	547	81.759
Depreciation and amortization expense for the period (**)	14.326	8.348	185	1.042	23.901
Intra-segment revenue	12.139	7.620	11	70	19.840
Inter-segment revenue	-	281	406	2.579	3.266

(\*) Borrowings costs are also included (2017: None, 2016: capitalized 892).

(\*\*) Depreciation expense of 1.083 is added to the cost of inventory (30 June 2016: 5.147 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 2017

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

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

d) Geographical segmental information is as follows:

	Turkey	CIS	Northern Africa	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 (30 June 2017)	9.231.742	2.553.882	41.189	2.286.838	106.799	(5.719.908)	8.500.542
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
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 30 June 2016)	1.465.654	488.834	(1.844)	525.633	2.416	(42.404)	2.438.289
Total Assets (31 December 2016)	9.041.938	2.484.914	52.655	727.912	99.883	(5.738.493)	6.668.809
Capital Expenditures (1 January - 30 June 2016) (*)	117.286	935	-	115	-	-	118.336
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 April - 30 June 2016)	560.650	240.106	18	285.852	1.298	(23.106)	1.064.818
Capital Expenditures (1 April - 30 June 2016) (*)	81.209	435	-	115	-	-	81.759

(\*) Borrowings costs are also included (2017: None, 2016: capitalized 892).

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 2017

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

### 7. CASH AND CASH EQUIVALENTS

Time deposits with maturity of three months or less constitute the part of the cash and cash equivalents amounting to 2.764.968 (31 December 2016: 1.305.930). Demand deposits and other cash equivalents with maturity of three months or less constitute the rest of the cash and cash equivalents.

### 8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

	30 June 2017	31 December 2016
<b>Short-term trade receivables</b>		
Receivables from Contracting group operations	730.797	842.204
Receivables from Agriculture group operations	185.104	92.569
Receivables from Real Estate group operations	16.298	36.933
Receivables from Other group operations	7.579	7.566
Provision for doubtful receivables	(30.982)	(30.850)
Retention receivables (Note: 10)	218.947	98.056
Due from related parties	22.159	20.680
Other	6.652	8.164
	<u>1.156.554</u>	<u>1.075.322</u>
<b>Long-term trade receivables</b>		
Retention receivables (Note: 10)	6.902	143.163
Receivables from Real Estate group operations	5.124	9.379
	<u>12.026</u>	<u>152.542</u>

Postdated cheques amounting to 119.511 (31 December 2016: 59.339), notes receivables amounting to 16.960 (31 December 2016: 42.269), negative foreign currency differences amounting to 672 (31 December 2016: positive foreign currency differences amounting to 155) are included in short and long-term trade receivables. There aren't any due date differences included in short and long-term trade receivables (31 December 2016: 110).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 125 days (31 December 2016: 123 days), for domestic projects is 33 days (31 December 2016: 47 days), for Agriculture group is 42 days (31 December 2016: 40 days), for Real Estate group for short-term trade receivables are 194 days, long-term trade receivables are 662 days (31 December 2016: short-term trade receivables is 84 days, long-term trade receivables are 647 days) and for other segment is approximately 28 days (31 December 2016: 30 days).

The amount of overdue receivables included in short and long-term trade receivables from non-related parties is 489.383 (31 December 2016: 437.068). 34.806 (31 December 2016: 1.115) and 113.259 (31 December 2016: 406.105) of these receivables are overdue by 1-3 months and by 3-12 months, respectively. Provision for these total overdue trade receivables amounts to 30.836 (31 December 2016: 30.711).

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

	2017	2016
Provision as of 1 January	(30.850)	(26.068)
Charge for the period	(752)	(2.521)
Collected	793	36
Write off of bad debt	6	-
Currency translation effect	(179)	(266)
Provision as of 30 June	<u>(30.982)</u>	<u>(28.819)</u>

Doubtful receivable charge for the period has been charged to general administrative expenses (2016: Doubtful receivable charge for the period has been charged to general administrative expenses).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(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 2017	31 December 2016
<b>Short-term trade payables</b>		
Trade payables from Contracting group operations	846.753	718.254
Trade payables from Agriculture group operations	713.742	677.546
Trade payables from Real Estate group operations	10.197	27.315
Payables from Other group operations	7.468	14.300
Due to related parties	5.256	10.919
Retention payables (Note: 10)	75.624	80.457
Other trade payables	140	32
	<u>1.659.180</u>	<u>1.528.823</u>
<b>Long-term trade payables</b>		
Payables from Agriculture group operations	53.960	30.684
Retention payables (Note: 10)	28.097	12.979
Trade payables from Contracting group operations	747	370
	<u>82.804</u>	<u>44.033</u>

Foreign currency differences amounting to 169.220 (31 December 2016: 176.147) are included in short and long-term trade payables. There are not any notes payable (31 December 2016: 533) and postdated cheques in the current period (31 December 2016: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 96% (31 December 2016: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 225 days (31 December 2016: 219 days) whereas average payable period for domestic purchases is 30 days (31 December 2016: 30 days). For Contracting group, import purchases through letter of credit constitute 11% (31 December 2016: 7%) of trade payables as at balance sheet date. The average payable period for these import purchases is 89 days (31 December 2016: 88 days) whereas the average payable period for other purchases is 100 days (31 December 2016: 122 days). The average payable period for Real Estate group is 34 days (31 December 2016: 31 days). For the other operations of the Group, the average payable period is 60 days (31 December 2016: 59 days).

#### 9. INVENTORIES

	30 June 2017	31 December 2016
Raw materials	100.638	103.605
Work in progress	167.096	171.762
Finished goods	45.127	26.635
Trading goods	47.030	41.922
Goods in transit	45.589	35.846
Inventory from real estate projects	335.244	432.253
Inventory at construction sites	189.123	115.721
Other inventories	41.229	40.997
	<u>971.076</u>	<u>968.741</u>

For the six month interim period ended 30 June 2017, borrowing costs deducted from inventory amount to 3.656 (31 December 2016: Borrowing costs capitalized 15.901).

The Group does not have any inventories whose net realizable value is less than its current cost. Accordingly, there is not any provision for allowance for impairment on inventory (30 June 2016: None).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

#### 10. CONSTRUCTION CONTRACTS

	30 June 2017	31 December 2016
Cost incurred on ongoing contracts	12.416.241	13.884.066
Recognised gain less losses (net)	846.401	784.831
	<u>13.262.642</u>	<u>14.668.897</u>
Less: Billings to date (-)	(13.242.962)	(14.661.735)
	<u>19.680</u>	<u>7.162</u>

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

	30 June 2017	31 December 2016
Receivables from ongoing construction contracts	608.343	391.944
Payables to ongoing construction contracts	(588.663)	(384.782)
	<u>19.680</u>	<u>7.162</u>

	30 June 2017	31 December 2016
<u>Receivables from ongoing construction contracts</u>		
Contracts undersigned abroad	384.125	340.773
Contracts undersigned in Turkey	<u>224.218</u>	<u>51.171</u>
	<u>608.343</u>	<u>391.944</u>
<u>Payables to ongoing construction contracts</u>		
Contracts undersigned abroad	(218.571)	(20.511)
Contracts undersigned in Turkey	<u>(370.092)</u>	<u>(364.271)</u>
	<u>(588.663)</u>	<u>(384.782)</u>
	<u>19.680</u>	<u>7.162</u>

The Group has 153.041 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2016: 48.437). Also, the Group has 1.678.422 of advances received for contracting projects classified in deferred revenue (31 December 2016: 302.765).

As of 30 June 2017, the Group has 103.721 of retention payables to subcontractors (31 December 2016: 93.436). Also, the amount of retention receivables is 225.849 (31 December 2016: 241.219) (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 2017

(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 2017		31 December 2016		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
H-T Fidecilik	Turkey	50%	11.617	50%	10.039	50%	Agriculture
Azfen	Azerbaijan	40%	149.007	40%	47.608	40%	Construction
Black Sea Gübre	Turkey	30%	960	30%	1.034	30%	Fertilizer Trade
Florya Gayrimenkul	Turkey	50%	58.758	50%	59.764	50%	Real Estate
			<u>220.342</u>		<u>118.445</u>		

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

	2017	2016
Opening balance as of 1 January	118.445	147.848
Group's share on profit	102.479	29.338
Dividends received	-	(44.355)
Currency translation effect	422	2.329
Profit eliminations	(1.004)	(266)
Closing balance as of 30 June	<u>220.342</u>	<u>134.894</u>

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

H-T Fidecilik	1.578	1.776
Azfen	100.977	27.689
Black Sea Gübre	(74)	(127)
Florya Gayrimenkul	(2)	-
Shares on profit of joint ventures consolidated by equity method	<u>102.479</u>	<u>29.338</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(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 2017	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	57	497.336	2.331	62	499.786
Other current assets	44.650	279.315	30.654	58.818	413.437
Non-current assets	21.129	70.752	18	118.193	210.092
<b>Total Assets</b>	<b>65.836</b>	<b>847.403</b>	<b>33.003</b>	<b>177.073</b>	<b>1.123.315</b>
Short-term borrowings	28.836	-	-	-	28.836
Other short-term liabilities	11.563	474.885	29.745	57.093	573.286
Long-term borrowings	229	-	-	-	229
Other long-term liabilities	1.974	-	57	2.464	4.495
<b>Total Liabilities</b>	<b>42.602</b>	<b>474.885</b>	<b>29.802</b>	<b>59.557</b>	<b>606.846</b>
<b>Net Assets</b>	<b>23.234</b>	<b>372.518</b>	<b>3.201</b>	<b>117.516</b>	<b>516.469</b>
Group's Ownership Rate	50%	40%	30%	50%	
<b>Group's Share on Net Assets</b>	<b>11.617</b>	<b>149.007</b>	<b>960</b>	<b>58.758</b>	<b>220.342</b>
31 December 2016	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	58	103.072	8.000	83	111.213
Other current assets	41.183	732.506	663	57.652	832.004
Non-current assets	18.326	123.338	31	114.585	256.280
<b>Total Assets</b>	<b>59.567</b>	<b>958.916</b>	<b>8.694</b>	<b>172.320</b>	<b>1.199.497</b>
Short-term borrowings	21.107	-	-	-	21.107
Other short-term liabilities	16.919	839.895	5.237	50.335	912.386
Long-term borrowings	244	-	-	-	244
Other long-term liabilities	1.220	-	10	2.458	3.688
<b>Total Liabilities</b>	<b>39.490</b>	<b>839.895</b>	<b>5.247</b>	<b>52.793</b>	<b>937.425</b>
<b>Net Assets</b>	<b>20.077</b>	<b>119.021</b>	<b>3.447</b>	<b>119.527</b>	<b>262.072</b>
Group's Ownership Rate	50%	40%	30%	50%	
<b>Group's Share on Net Assets</b>	<b>10.039</b>	<b>47.608</b>	<b>1.034</b>	<b>59.764</b>	<b>118.445</b>

Translated into English from the report originally issued in Turkish.



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

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

1 January - 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	50,00%	40,00%	30,00%	50,00%	
Group's Share on Profit (Loss) for the Period	1.034	87.555	(128)	1	88.462

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.)

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

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

<u>1 January - 30 June 2016</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	27.867	834.768	63.563	-	926.198
Depreciation and amortization expense	833	11.475	62	-	12.370
Operating profit (loss)	5.266	88.257	(9)	-	93.514
Financial income	1	-	340	-	341
Financial expense (-)	(1.108)	-	(702)	-	(1.810)
Tax expense (-)	(607)	(19.034)	(52)	-	(19.693)
Profit (Loss) for the Period	<u>3.552</u>	<u>69.223</u>	<u>(423)</u>	<u>-</u>	<u>72.352</u>
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	<u>1.776</u>	<u>27.689</u>	<u>(127)</u>	<u>-</u>	<u>29.338</u>
<u>1 April - 30 June 2016</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	16.097	484.330	52.131	-	552.558
Depreciation and amortization expense	426	5.978	31	-	6.435
Operating profit	3.052	55.779	24	-	58.855
Financial income	-	-	252	-	252
Financial expense (-)	(602)	-	(267)	1	(868)
Tax expense (-)	(494)	(12.523)	(44)	-	(13.061)
Profit (Loss) for the Period	<u>1.956</u>	<u>43.256</u>	<u>(35)</u>	<u>1</u>	<u>45.178</u>
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's Share on Profit (Loss) for the Period	<u>978</u>	<u>17.302</u>	<u>(11)</u>	<u>1</u>	<u>18.270</u>

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

	Property, Plant and Equipment	Intangible Assets	Investment Property
<b>Cost Value</b>			
Opening balance as of 1 January 2017	3.298.646	46.920	112.711
Currency translation effect	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	3.384.140	50.073	109.514
<b>Accumulated Depreciation and Amortization</b>			
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	(1.872.487)	(31.386)	(30.234)
Carrying value as of 30 June 2017	1.511.653	18.687	79.280
<b>Cost Value</b>			
Opening balance as of 1 January 2016	2.945.143	38.663	120.392
Currency translation effect	(4.190)	(103)	23
Additions	79.462	1.226	37.648
Disposals	(14.814)	-	-
Closing balance as of 30 June 2016	3.005.601	39.786	158.063
<b>Accumulated Depreciation and Amortization</b>			
Opening balance as of 1 January 2016	(1.565.899)	(24.059)	(31.562)
Currency translation effect	3.767	91	-
Charge for the period	(58.567)	(1.015)	(1.434)
Disposals	14.140	-	-
Closing balance as of 30 June 2016	(1.606.559)	(24.983)	(32.996)
Carrying value as of 30 June 2016	1.399.042	14.803	125.067

Property, plant and equipment include fixed assets with carrying value of 9.550 purchased through financial lease (30 June 2016: 28.589). 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 2016: None). For the period ended as of 30 June 2017, there are no additional capitalized borrowing costs (30 June 2016: 892 additional capitalized borrowing costs, capitalization rate 18,74% are included in property, plant and equipment).

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair market value of the investment properties as of 30 June 2017 is 450.202 (30 June 2016: 555.501) according to the valuation carried out by independent expert.

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

The Company's bank loans are reclassified as long-term whose maturities passed 30 June 2018 according to their opening dates. Annual weighted average interest rate of the existing short-term loans is 3,95% for US Dollars, 1,25% for EUR and 12,92% for TL (31 December 2016: 3,70% for US Dollars, 2,14% for EUR and 12,75% for TL). There is not any long term loan in terms of US Dollars, weighted average interest rate of the existing long-term loans is 2,68% for EUR (31 December 2016: USD None, EUR 2,76%).

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

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) bank 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 criteris obliged due to the agreement as of 30 June 2017. As of 30 June 2017, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 155.837 (38.930 Thousand EUR) and 176.324 (44.048 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the period ended 30 June 2017 is 22.261 (5.561 Thousand EUR) and 22.633 (5.654 Thousand EUR) respectively.

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

	30 June 2017	31 December 2016
Short-term provisions	76.036	82.935
Long-term provisions	50.763	40.135
Total provisions	<u>126.799</u>	<u>123.070</u>
Employment termination benefits provision	85.644	80.537
Unused vacation pay liability provision	23.595	18.453
Premium provision	7.507	13.969
Total provisions attributable to employee benefits	<u>116.746</u>	<u>112.959</u>
Provision for litigation	9.945	9.998
Other liability provisions	108	113
Other provisions	<u>10.053</u>	<u>10.111</u>
Total provisions	<u><u>126.799</u></u>	<u><u>123.070</u></u>

	Employment Termination Benefits Provision	Unused Vacation Pay Liability Provision	Premium Provision	Total Provisions Attributable to Employee Benefits
Opening balance as of 1 January 2017	80.537	18.453	13.969	112.959
Currency translation effect	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>
Opening balance as of 1 January 2016	65.510	13.594	14.284	93.388
Currency translation effect	(219)	(81)	(367)	(667)
Charge for the period	21.020	8.186	6.339	35.545
Interest expense	870	-	-	870
Provision paid during the period	(9.596)	(3.111)	(11.902)	(24.609)
Provision released	(222)	(194)	(978)	(1.394)
Actuarial loss	368	-	-	368
Closing balance as of 30 June 2016	<u>77.731</u>	<u>18.394</u>	<u>7.376</u>	<u>103.501</u>

The amount payable to employee calculated by one month salary is limited to a maximum 4.732,48 TL (31 December 2016: 4.426,16 TL) as of 30 June 2017.

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

	Provision for Litigation	Other Liability Provisions	Total Other Provisions
Opening balance as of 1 January 2017	9.998	113	10.111
Currency translation effect	(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>
Opening balance as of 1 January 2016	64.904	447	65.351
Currency translation effect	185	(64)	121
Charge for the period	10.494	8.029	18.523
Provision paid during the period	(23.155)	-	(23.155)
Provision released	(499)	-	(499)
Closing balance as of 30 June 2016	<u>51.929</u>	<u>8.412</u>	<u>60.341</u>

#### Litigations:

As of 30 June 2017, except Libya counterclaim, lawsuit filed against the Group is totally 125.609 (31 December 2016: 106.822) and it has been decided to accrue 9.945 (31 December 2016: 9.998) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group.

#### *Libya Arbitration Claim*

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

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

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

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(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 2017 and 31 December 2016 are as follows:

30 June 2017	Equivalent of Thousands TL	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TL)</i>
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	9.380.803	1.752.561	70.853	2.950.772
-Guarantee	9.376.303	1.752.561	70.853	2.946.272
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	130.571	-	-	130.571
-Guarantee	130.571	-	-	130.571
-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 2017</b>	9.511.374	1.752.561	70.853	3.081.343
31 December 2016	Equivalent of Thousands TL	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TL)</i>
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	8.763.286	1.554.919	67.676	3.040.146
-Guarantee	8.758.786	1.554.919	67.676	3.035.646
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	125.662	-	-	125.662
-Guarantee	125.662	-	-	125.662
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
<b>Total as of 31 December 2016</b>	8.888.948	1.554.919	67.676	3.165.808

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 2017

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

#### 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 2017 and 31 December 2016 is as follows:

Shareholders	(%)	30 June 2017	(%)	31 December 2016
Berker family	22,28%	82.422	22,28%	82.422
Gökyiğit family	22,78%	84.272	22,78%	84.272
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,97%	7.279	4,61%	17.043
Publicly traded	46,33%	171.416	43,69%	161.652
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 2017	1 April- 30 June 2017	1 January - 30 June 2016	1 April- 30 June 2016
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)	385.582	223.864	221.484	72.606
Earnings per share from continuing operations (TL)	1,042	0,605	0,599	0,196

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

#### 19. OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January - 30 June 2016	1 April- 30 June 2016
<b>Other operating income</b>				
Foreign exchange income from operations	139.654	61.806	131.164	81.329
Due date difference income	14.093	6.521	14.366	6.027
Discount income	7.426	5.440	2.419	929
Indemnity income	3.061	3.003	1.617	1.466
Government grants and incentives income	2.164	1.862	97	77
Rental income	2.137	1.049	2.091	1.044
Scrap sales income	586	206	944	433
Reversal of litigation provision (Note: 14)	41	41	499	(147)
Other income	3.812	2.250	4.885	1.523
	<u>172.974</u>	<u>82.178</u>	<u>158.082</u>	<u>92.681</u>
	1 January- 30 June 2017	1 April- 30 June 2017	1 January - 30 June 2016	1 April- 30 June 2016
<b>Other operating expenses (-)</b>				
Foreign exchange losses from operations	(140.113)	(35.833)	(134.706)	(88.652)
Due date difference expenses	(9.727)	(8.991)	(3.689)	(3.235)
Discount expenses	(2.265)	(790)	(2.537)	(86)
Grants and contributions	(901)	(104)	(1.777)	(1.614)
Litigation provision (Note: 14)	(444)	(322)	(3.250)	(472)
Damages subject to litigation	(97)	-	-	-
Additional tax expense	(37)	(17)	(34)	(16)
Other expenses	(7.838)	(322)	(5.442)	(2.529)
	<u>(161.422)</u>	<u>(46.379)</u>	<u>(151.435)</u>	<u>(96.604)</u>

#### 20. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January - 30 June 2016	1 April- 30 June 2016
<b>Financial income</b>				
Foreign exchange gains	201.045	29.720	58.349	44.771
Interest income	52.337	26.882	35.114	17.183
Currency translation reserve gains	-	(495)	381	(1.676)
Other finance income	-	(82)	21	16
	<u>253.382</u>	<u>56.025</u>	<u>93.865</u>	<u>60.294</u>
	1 January- 30 June 2017	1 April- 30 June 2017	1 January - 30 June 2016	1 April- 30 June 2016
<b>Financial expenses (-)</b>				
Foreign exchange losses	(207.630)	(60.877)	(63.251)	(32.288)
Interest expenses	(35.953)	(17.900)	(19.460)	(9.983)
Currency translation reserve losses	(2.265)	1.713	(1.891)	(928)
Other finance expenses	(4.012)	(2.465)	(4.079)	(2.371)
Less: Financial expenses included in costs of property, plant and equipment and inventories	17.462	9.332	6.067	3.612
	<u>(232.398)</u>	<u>(70.197)</u>	<u>(82.614)</u>	<u>(41.958)</u>



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

#### 21. DERIVATIVE INSTRUMENTS

	30 June 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	1.764	39.265	2.245	131
Current	1.764	39.265	2.245	131
Non-current	-	-	-	-
	<u>1.764</u>	<u>39.265</u>	<u>2.245</u>	<u>131</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 2017	31 December 2016
Forward foreign exchange contracts	605.414	51.082
	<u>605.414</u>	<u>51.082</u>

As of 30 June 2017, the fair value of the Toros Tarım’s currency derivatives is estimated to be 1.764 assets and 39.265 liabilities which is negative 37.501 (31 December 2016: assets 2.245, liabilities 131, positive 2.114). 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 2016: 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 negative 29.829 has been deferred in equity (31 December 2016: positive 1.621). Expenses amounting to 294 of ineffective part have been recognized in profit or loss (30 June 2016: None). Gains amounting to 98 and expenses amounting to 512 concerning matured derivative contracts during the period have been recognized in profit or loss (30 June 2016: None).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

#### 22. FOREIGN CURRENCY POSITION

30 June 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	114.752	13.115	2.399	1	59.149
2. Monetary Financial Assets	1.216.940	242.114	90.142	12	6.929
3. Other	53.140	826	551	195	47.152
4. CURRENT ASSETS	1.384.832	256.055	93.092	208	113.230
5. Trade Receivables	154	-	-	-	154
6. Monetary Financial Assets	582	-	-	-	582
7. Other	11.644	9	2.901	-	-
8. NON-CURRENT ASSETS	12.380	9	2.901	-	736
9. TOTAL ASSETS	1.397.212	256.064	95.993	208	113.966
10. Trade Payables	1.244.029	207.070	32.017	8	389.613
11. Financial Liabilities	97.886	195	24.194	-	354
12. Monetary Other Liabilities	91.127	1.167	3.609	-	72.587
12b. Non-Monetary Other Liabilities	15.954	4.540	8	-	-
13. CURRENT LIABILITIES	1.448.996	212.972	59.828	8	462.554
14. Trade Payables	337	-	-	-	337
15. Financial Liabilities	237.258	-	59.270	-	-
16. Monetary Other Liabilities	25.892	995	4	-	22.386
17. NON-CURRENT LIABILITIES	263.487	995	59.274	-	22.723
18. TOTAL LIABILITIES	1.712.483	213.967	119.102	8	485.277
19. Off-balance Sheet Derivative Instruments Net Position (19a-19b)	534.457	152.393	-	-	-
19a. Derivative Assets	534.457	152.393	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	219.186	194.490	(23.109)	200	(371.311)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	(364.101)	45.802	(26.553)	5	(418.463)
22. Fair Value of Derivative Instruments Held for Hedging	(37.501)	(10.693)	-	-	-

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 2017

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

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

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

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 2017

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

#### 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 2017	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	34.105	(34.105)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(4.625)	4.625
	If other foreign currencies changes 5% against TL	
Other foreign currency assets / liabilities	(18.521)	18.521
TOTAL	10.959	(10.959)
	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	22.590	(22.590)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.618)	15.618
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(17.488)	17.488
TOTAL	(10.516)	10.516

#### 23. SUBSEQUENT EVENTS

Tekfen İnşaat secured approximately 701.036 (729.600.000 Qatari Riyal) deal from The Public Works Authority of the State of Qatar (Ashghal) for construction job of East Industrial Road. The duration of the project is 27 months.

Upon resolution of the Board of Directors, it is decided to establish a company titled Tekfen Tarımsal Araştırma, Üretim ve Pazarlama A.Ş. which will be wholly owned by the Company.