

**TEKFEN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH
INTERIM PERIOD
ENDED 30 JUNE 2016
TOGETHER WITH
REVIEW REPORT

(Translated into English from the report
originally issued Turkish)



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**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 2016 and the related condensed consolidated statements of profit or loss, condensed other comprehensive income, condensed changes in equity, and condensed 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 34 Interim Financial Reporting (“TAS 34”). Our responsibility is to express a conclusion on these interim consolidated financial statements 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 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.

Conclusion

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 TAS 34.

İstanbul,
18 August 2016

**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 2016

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

ASSETS	Notes	Reviewed 30 June 2016	Audited 31 December 2015
Current Assets		3.699.699	3.713.282
Cash and cash equivalents	7	1.235.055	1.032.202
Trade receivables	8	774.590	959.646
- Related party receivables		26.502	25.440
- Trade receivables		748.088	934.206
Other receivables		106.813	5.707
- Related party receivables	16	46.375	2.944
- Other receivables	4(c)	60.438	2.763
Inventories	9	753.171	891.446
Receivables from ongoing construction contracts	10	473.614	451.340
Prepaid expenses		66.498	62.672
Assets related with current tax		17.907	43.658
Other current assets		251.130	242.760
		<u>3.678.778</u>	<u>3.689.431</u>
Assets classified as held for sale		20.921	23.851
Non Current Assets		1.949.596	1.912.773
Financial investments		70.778	70.770
Trade receivables	8	127.483	128.607
- Trade receivables		127.483	128.607
Other receivables		3.119	2.957
- Other receivables		3.119	2.957
Investments valued by equity method	11	134.894	147.848
Investment property	12	125.067	88.830
Property, plant and equipment	12	1.399.042	1.379.244
Intangible assets	12	14.803	14.604
Prepaid expenses		9.143	11.273
Deferred tax assets		42.216	41.814
Other non current assets		23.051	26.826
TOTAL ASSETS		<u>5.649.295</u>	<u>5.626.055</u>

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 2016

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

LIABILITIES	Notes	Reviewed 30 June 2016	Audited 31 December 2015
Current Liabilities		3.039.526	2.889.548
Short term financial debts	13	635.424	615.133
Short term portion of long term financial debts		190.982	327.707
Trade payables	8	1.164.043	1.211.747
- Related party payables	16	9.274	490
- Trade payables		1.154.769	1.211.257
Employee benefit payables		46.747	36.496
Other payables		26.051	25.363
Deferred revenue	4(b)	649.387	361.164
Current tax liability		20.077	48.486
Ongoing construction progress payments	10	212.472	162.300
Short term provisions	14	89.826	97.687
- Short term provisions attributable to employee benefits		29.564	32.411
- Other short term provisions		60.262	65.276
Other short term liabilities		4.517	3.465
Non Current Liabilities		382.215	651.372
Long term financial debts	13	252.115	272.070
Trade payables	8	3.128	2.269
Other payables		31.335	18.385
Deferred revenue	4(b)	-	247.921
Long term provisions	14	74.016	61.052
- Long term provisions attributable to employee benefits		73.937	60.977
- Other long term provisions		79	75
Deferred tax liabilities		20.490	48.582
Government incentives and grants		1.131	1.093
EQUITY	5, 17	2.227.554	2.085.135
Equity Attributable To Owners Of The Parent		2.202.608	2.057.358
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 to profit or loss		(675)	(376)
- Gain/(loss) on revaluation and remeasurement		(675)	(376)
Accumulated other comprehensive income or loss that will be reclassified to profit or loss		160.897	160.229
- Currency translation reserve		108.898	108.234
- Gain on revaluation and reclassification		51.999	51.995
Legal reserves		194.145	176.413
Prior years' income		952.298	861.167
Net profit for the period		221.484	185.466
Non-controlling Interests		24.946	27.777
TOTAL EQUITY AND LIABILITIES		5.649.295	5.626.055

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 2016

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

	Notes	Reviewed 1 January - 30 June 2016	Unreviewed 1 April - 30 June 2016	Reviewed 1 January - 30 June 2015	Unreviewed 1 April - 30 June 2015
Revenue		2.438.289	1.064.818	2.040.182	948.990
Cost of revenue (-)		(2.065.294)	(915.016)	(1.827.726)	(851.770)
GROSS PROFIT		372.995	149.802	212.456	97.220
General administrative expenses (-)		(91.473)	(52.994)	(69.569)	(35.400)
Marketing expenses (-)		(66.692)	(26.120)	(68.116)	(29.565)
Research and development expenses (-)		(900)	(900)	-	-
Other operating income	19	158.082	92.681	124.453	38.945
Other operating expenses (-)	19	(151.435)	(96.604)	(171.154)	(63.309)
Share on profit/loss of investments valued using equity method	11	29.338	18.270	29.419	22.880
OPERATING PROFIT		249.915	84.135	57.489	30.771
Investment income		11.867	2.421	13.398	578
Investment expense (-)		(8)	(3)	(822)	(801)
PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		261.774	86.553	70.065	30.548
Financial income	20	93.865	60.294	116.452	43.486
Financial expense (-)	20	(82.614)	(41.958)	(41.409)	(16.757)
PROFIT BEFORE TAXATION		273.025	104.889	145.108	57.277
Tax expense		(48.840)	(30.519)	(29.868)	(26.874)
Tax expense for the period (-)		(77.415)	(61.535)	(29.613)	(18.922)
Deferred tax income/(expense)		28.575	31.016	(255)	(7.952)
PROFIT FOR THE PERIOD		224.185	74.370	115.240	30.403
Distribution of Net Profit For The Period					
Non-controlling interests		2.701	1.764	2.137	1.307
Owners of the parent		221.484	72.606	113.103	29.096
Earnings Per Share	18	0,599	0,196	0,306	0,079

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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 2016

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

	Reviewed 1 January - 30 June 2016	Unreviewed 1 April - 30 June 2016	Reviewed 1 January - 30 June 2015	Unreviewed 1 April - 30 June 2015
PROFIT FOR THE PERIOD	224.185	74.370	115.240	30.403
OTHER COMPREHENSIVE INCOME/(EXPENSE):				
<u>Items that will not be reclassified to profit or loss</u>	(299)	396	214	(66)
Gain/(Loss) on revaluation of defined retirement benefit plans	(374)	495	268	(82)
Taxes based on other comprehensive income that will not be reclassified to profit or loss	75	(99)	(54)	16
<i>Deferred tax (expense)/income</i>	75	(99)	(54)	16
<u>Items that will be reclassified to profit or loss</u>	(4.864)	(7.211)	(16.094)	1.958
Gain/(loss) on revaluation of available for sale financial investments	4	(6.703)	5.615	786
Currency translation reserve differences	(4.868)	(843)	(21.428)	1.212
Taxes based on other comprehensive income that will be reclassified to profit or loss	-	335	(281)	(40)
<i>Deferred tax (expense)/income</i>	-	335	(281)	(40)
OTHER COMPREHENSIVE (EXPENSE)/INCOME	(5.163)	(6.815)	(15.880)	1.892
TOTAL COMPREHENSIVE INCOME	219.022	67.555	99.360	32.295
Distribution of Total Comprehensive Income For The Period				
Non-controlling interests	(2.831)	(3.338)	(2.435)	2.260
Owners of the parent	221.853	70.893	101.795	30.035

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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 2016

(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	Items to be reclassified to profit or loss	Retained Earnings						
				Gain/(loss) on revaluation and remeasurement	Gain on revaluation and reclassification	Currency translation reserve	Legal reserves	Prior years' income	Net profit for the period	Equity attributable to owners of the parent	Non controlling interests	Total
Opening balance as of 1 January 2015	370.000	3.475	300.984	(658)	50.060	163.474	140.185	875.736	55.909	1.959.165	36.899	1.996.064
<i>Other comprehensive income</i>	-	-	-	214	5.334	(16.856)	-	-	-	(11.308)	(4.572)	(15.880)
<i>Net profit for the period</i>	-	-	-	-	-	-	-	-	113.103	113.103	2.137	115.240
Total comprehensive income	-	-	-	214	5.334	(16.856)	-	-	113.103	101.795	(2.435)	99.360
Other changes	-	-	-	-	-	-	-	4.740	-	4.740	-	4.740
Transfers	-	-	-	-	-	-	36.228	19.681	(55.909)	-	-	-
Dividends	-	-	-	-	-	-	-	(41.049)	-	(41.049)	-	(41.049)
Closing balance as of 30 June 2015	370.000	3.475	300.984	(444)	55.394	146.618	176.413	859.108	113.103	2.024.651	34.464	2.059.115
Opening balance as of 1 January 2016	370.000	3.475	300.984	(376)	51.995	108.234	176.413	861.167	185.466	2.057.358	27.777	2.085.135
<i>Other comprehensive income</i>	-	-	-	(299)	4	664	-	-	-	369	(5.532)	(5.163)
<i>Net profit for the period</i>	-	-	-	-	-	-	-	-	221.484	221.484	2.701	224.185
Total comprehensive income	-	-	-	(299)	4	664	-	-	221.484	221.853	(2.831)	219.022
Other changes	-	-	-	-	-	-	-	(12.937)	-	(12.937)	-	(12.937)
Transfers	-	-	-	-	-	-	17.732	167.734	(185.466)	-	-	-
Dividends	-	-	-	-	-	-	-	(63.666)	-	(63.666)	-	(63.666)
Closing balance as of 30 June 2016	370.000	3.475	300.984	(675)	51.999	108.898	194.145	952.298	221.484	2.202.608	24.946	2.227.554

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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 2016

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

	Notes	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		510.565	278.862
Profit for The Period		224.185	115.240
Adjustments to Reconcile Net Profit		100.612	39.031
- Depreciation and Amortization	12	55.869	52.495
- Impairment / Reversed Provision	9	-	(1.039)
- Provision Adjustments	8, 14	55.530	31.864
- Interest Expense and Income	20	(18.429)	(32.162)
- Group's Share on Profit of Investments in Associates			
Accounted by Equity Method	11	(29.338)	(29.419)
- Dividend Income		(8.972)	(7.768)
- Gain / Loss on Fair Valuation		(3)	1
- Allowance for Taxation		48.840	29.868
- Adjustments for Other Items Causing Cash Flows from Investment or Financing Activities		(963)	-
- Gain / Loss on Sale of Fixed Assets	12	(1.922)	(4.809)
Movements in Working Capital		298.036	153.296
- Changes in Inventories	9	148.597	35.851
- Changes in Trade Receivables	8	180.887	(361.727)
- Changes in Other Assets		(64.845)	51.328
- Changes in Receivables from Ongoing Construction Contracts	10	(22.274)	(32.057)
- Changes in Trade Payables	8	(46.845)	199.557
- Changes in Other Liabilities		52.344	214.342
- Changes in Ongoing Construction Progress Payments	10	50.172	4.650
- Other Changes in Working Capital		-	41.352
Cash Generated by Operating Activities		622.833	307.567
Interest Paid		(19.117)	(9.722)
Interest Received		34.686	43.196
Tax Paid / Return		(80.073)	(18.635)
Provision Paid Related to Employee Benefits	14	(24.609)	(39.573)
Other Provision Paid	14	(23.155)	(3.971)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(103.576)	(108.153)
Proceeds from Sale of Tangible and Intangible Assets	12	2.596	6.793
Acquisition of Tangible and Intangible Assets	12	(79.796)	(130.326)
Acquisition of Investment Properties	12	(37.648)	(776)
Advances and Debts Given		1.006	(2.169)
Cash Flows Related to Sales which Results in the Loss of Control of Subsidiaries.		2.598	-
Dividend Received		7.668	18.325
C. CASH FLOWS FROM FINANCING ACTIVITIES		(202.785)	(97.401)
Proceeds from Borrowings		301.157	391.428
Repayments of Borrowings		(436.599)	(433.067)
Payments of Financial Lease Obligations		(3.677)	(14.713)
Dividend paid	5	(63.666)	(41.049)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		204.204	73.308
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		(1.351)	76.266
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		202.853	149.574
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.032.202	1.047.449
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)		1.235.055	1.197.023

The accompanying notes form an integral part of these condensed consolidated financial statements.
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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 2016

(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 2016, the Group has 13.083 employees (31 December 2015: 13.234) 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 2016:

Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş., a subsidiary of the Company, has acquired the whole shares of Topkapı Vitaminli Yem Sanayii Anonim Şirketi, whose fair value is 35.878, with a consideration of 35.736 on 5 April 2016.

All shares of Papfen Limited Liability Company, a subsidiary of the Group, whose net assets had been classified to the account of "Assets classified as held for sale" in the consolidated financial statements as of 31 December 2015 were transferred on 23 May 2016.

A joint venture has been established between Tekfen İnşaat ve Tesisat A.Ş. and Doğu İnşaat ve Ticaret A.Ş. (50%-50%).

Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 18 August 2016.

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 2016 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 2015 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 2015.

Exchange rates used in the consolidation process as of 30 June 2016 are; 1 USD= 2,8936 TL, 1 EUR= 3,2044 TL, 1 MAD= 0,2960 TL, 1 SAR= 0,7716 TL, 1 QAR= 0,7928 TL (Exchange rates as of 31 December 2015 are; 1 USD= 2,9076 TL, 1 EUR= 3,1776 TL, 1 MAD= 0,2951 TL, 1 SAR= 0,7754 TL, 1 QAR= 0,7966 TL).

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2016

(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 TASs affecting the notes and amounts in the consolidated financial statements:

None.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2016, but not affecting the consolidated financial statements of the Group:

- TAS 16 and TAS 38 (amendments), “Clarification of Acceptable Methods of Depreciation and Amortisation”, will be effective for annual periods beginning after 31 December 2015.
- TAS 16 and TAS 41 and TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 (amendments) Agriculture: Bearer Plants”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 11 and TFRS 1(amendments), “Accounting for Acquisition of Interests in Joint operations”, will be effective for annual periods beginning after 31 December 2015.
- Annual Improvements to 2011-2013 Cycle, TFRS 1 will be effective for annual periods beginning after 1 January 2016.
- TAS 1 (amendments), “Disclosure Initiative”, will be effective for annual periods beginning after 1 January 2016.
- Annual Improvements to 2012-2014 Cycle, (TFRS 5, TFRS 7, TAS 34, TAS 19) , will be effective for annual periods beginning after 1 January 2016.
- TAS 27(amendments), “Equity Method in Separate Financial Statements”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 10 and TAS 28 (amendments), “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 10, TFRS 12 and TAS 28 (amendments), “Investment Entities: Applying the Consolidation Exception”, will be effective for annual periods beginning after 1 January 2016.
- TFRS 14, “Regulatory Deferral Accounts”, will be effective for annual periods beginning after 1 January 2016.

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

- TFRS 9, “Financial Instruments”, TFRS 9 and TFRS 7 (amendments), “Mandatory Effective Date of TFRS 9 and Transition Disclosures”, mandatory effective date of TFRS 9 has been postponed and it will not be earlier than 1 January 2018.
- TFRS 15, “Revenue from Contracts with Customers” will be effective for annual periods beginning after 1 January 2018.

4. EVENTS AND TRANSACTIONS MATERIALLY AFFECTING CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(a) New Project

Tekfen İnşaat ve Tesisat A.Ş., a subsidiary of the Group, and Doğu İnşaat ve Ticaret A.Ş. JV (50%-50%) secured 879 Million TL deal as the part of the construction works of Ankara – İzmir High Speed Train Project’s Afyonkarahisar-Uşak (Banaz) Section and Afyonkarahisar Transpassing’s Infrastructure. The period for the completion of the project has been determined as 36 months.

Tekfen İnşaat, secured 1.322.375 (457 Million USD) deal as the part of Trans Anatolian Natural Gas Pipeline (TANAP) Project that involves compressor and metering stations for the engineering, procurement and construction jobs. The duration of the project is 39 months.

(b) Advances Received

Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş., a subsidiary of the Company, recognized the advances taken as cash and notes receivable from the pre-sales of Esenyurt Project amounting to 302.653 under the short term deferred revenue account (31 December 2015: 247.921 long term deferred revenue).

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

(c) Other

As of 30 June 2016, an amount of 48.688, which has arisen from the Group’s framework agreement of a project which is in development phase, has been recognised under other receivables account.

5. SIGNIFICANT CHANGES IN EQUITY

Gain on Revaluation and Reclassification:

The positive change of 4 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 2015: positive change of 5.334).

Legal Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 30 June 2016, 17.732 of legal reserves were transferred from retained earnings in the condensed consolidated financial statements as of 30 June 2016 (30 June 2015: 36.228).

Profit Distribution:

Upon the resolution of Ordinary General Assembly held on 31 March 2016, it was decided to distribute 0,16 TL (2015: 0,11 TL) gross cash dividends per share attributable to the operations of the year of 2015. Profit shares of 60.081 (2015: 40.001) and 3.585 (2015: 1.048) in the aggregate 63.666 (2015: 41.049) was distributed on 13 May 2016 respectively to the owners of the parent and Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed share.

Share Buy-Back:

As explained in the audited notes to the consolidated financial statements of 31 December 2015, the “Buy-Back Plan” which has been prepared in accordance with the article 22 of the Capital Markets Code no. 6362, article 379 of the Turkish Commercial Code, article 5 of the Communiqué on Buy-Backed Shares (Series II, 22.1) and article 10 of the Company’s Article of Association and has been prepared for the purpose of buying back the Company’s shares publicly traded in Borsa İstanbul A.Ş., if deemed necessary, of any price level between TL 0,01 and TL 6 with a limit of 37.000.000 units, that is 10% of the Company’s paid in capital, during the period that will last on 30 September 2016 was submitted for approval of the shareholders in the Ordinary General Assembly that was held on 31 March 2016. As a result of the discussions made in the Ordinary General Assembly, it is decided that the price level between TL 0,01 and TL 6,00 which was proposed by the Company’s Board of Directors is modified to TL 0,01 and TL 7,50.

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6. SEGMENTAL REPORTING

a) Segmental results

	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)
GROSS PROFIT	129.457	232.279	1.318	9.941	372.995
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 / loss of investments valued using equity method	27.689	1.649	-	-	29.338
OPERATING PROFIT / (LOSS)	93.353	172.704	(6.536)	(9.606)	249.915
Investment income	895	1.567	-	9.405	11.867
Investment expense (-)	-	-	-	(8)	(8)
PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)	94.248	174.271	(6.536)	(209)	261.774
Financial income	2.527	26.590	1.349	63.399	93.865
Financial expense (-)	(15.803)	(28.226)	(1.894)	(36.691)	(82.614)
PROFIT / (LOSS) BEFORE TAXATION	80.972	172.635	(7.081)	26.499	273.025
Tax income/(expense)	(31.460)	(8.199)	1.485	(10.666)	(48.840)
PROFIT / (LOSS) FOR THE PERIOD	49.512	164.436	(5.596)	15.833	224.185

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.

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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)
GROSS PROFIT	62.765	81.544	727	4.766	149.802
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 / loss of investments valued using equity method	17.302	967	1	-	18.270
OPERATING PROFIT/(LOSS)	44.905	49.751	(4.012)	(6.509)	84.135
Investment income	524	933	-	964	2.421
Investment expense (-)	-	-	-	(3)	(3)
PROFIT/(LOSS) BEFORE FINANCIAL INCOME/(EXPENSE)	45.429	50.684	(4.012)	(5.548)	86.553
Financial income	(919)	22.625	706	37.882	60.294
Financial expense (-)	(7.747)	(17.984)	(1.477)	(14.750)	(41.958)
PROFIT/(LOSS) BEFORE TAXATION	36.763	55.325	(4.783)	17.584	104.889
Tax income/(expense)	(21.373)	(2.578)	1.006	(7.574)	(30.519)
PROFIT/(LOSS) FOR THE PERIOD	15.390	52.747	(3.777)	10.010	74.370

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.

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6. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January - 30 June 2015				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.017.057	978.169	13.843	31.113	2.040.182
Cost of revenue (-)	(966.250)	(827.190)	(12.333)	(21.953)	(1.827.726)
GROSS PROFIT	50.807	150.979	1.510	9.160	212.456
General administrative expenses (-)	(37.202)	(14.645)	(2.093)	(15.629)	(69.569)
Marketing expenses (-)	(690)	(62.667)	(2.662)	(2.097)	(68.116)
Research and development expenses (-)	-	-	-	-	-
Other operating income	85.724	36.578	677	1.474	124.453
Other operating expenses (-)	(78.461)	(91.546)	(99)	(1.048)	(171.154)
Share on profit / loss of investments valued using equity method	29.085	338	(4)	-	29.419
OPERATING PROFIT / (LOSS)	49.263	19.037	(2.671)	(8.140)	57.489
Investment income	5.276	526	58	7.538	13.398
Investment expense (-)	(788)	(14)	(19)	(1)	(822)
PROFIT/(LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)	53.751	19.549	(2.632)	(603)	70.065
Financial income	5.089	49.461	1.379	60.523	116.452
Financial expense (-)	(28.855)	(3.439)	(68)	(9.047)	(41.409)
PROFIT/(LOSS) BEFORE TAXATION	29.985	65.571	(1.321)	50.873	145.108
Tax income/(expense)	(13.115)	(2.062)	248	(14.939)	(29.868)
PROFIT/(LOSS) FOR THE PERIOD	16.870	63.509	(1.073)	35.934	115.240

The Group has 52.932 of revenue and 27.140 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 30 June 2015.

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6. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d)

	1 April - 30 June 2015				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	532.542	392.138	6.674	17.636	948.990
Cost of revenue (-)	(496.917)	(335.944)	(6.086)	(12.823)	(851.770)
GROSS PROFIT	35.625	56.194	588	4.813	97.220
General administrative expenses (-)	(17.692)	(8.670)	(1.060)	(7.978)	(35.400)
Marketing expenses (-)	(402)	(27.345)	(1.564)	(254)	(29.565)
Research and development expenses (-)	-	-	-	-	-
Other operating income	21.881	16.478	154	432	38.945
Other operating expenses (-)	(35.408)	(27.466)	(3)	(432)	(63.309)
Share on profit / loss of investments valued using equity method	22.503	377	-	-	22.880
OPERATING PROFIT/(LOSS)	26.507	9.568	(1.885)	(3.419)	30.771
Investment income	358	99	18	103	578
Investment expense (-)	(788)	(14)	-	1	(801)
PROFIT/(LOSS) BEFORE FINANCIAL INCOME/(EXPENSE)	26.077	9.653	(1.867)	(3.315)	30.548
Financial income	702	13.866	1.031	27.887	43.486
Financial expense (-)	(9.930)	(3.305)	(68)	(3.454)	(16.757)
PROFIT/(LOSS) BEFORE TAXATION	16.849	20.214	(904)	21.118	57.277
Tax income/(expense)	(14.246)	(5.305)	198	(7.521)	(26.874)
PROFIT/(LOSS) FOR THE PERIOD	2.603	14.909	(706)	13.597	30.403

The Group has 25.561 of revenue and 12.988 of operating income from terminal operations classified as agricultural operation for the period of 1 April – 30 June 2015.

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6. SEGMENTAL REPORTING (cont'd)

b) As of 30 June 2016 and 31 December 2015 segmental assets and liabilities are as follows:

Balance sheet	30 June 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.127.417	2.016.990	425.856	1.079.032	5.649.295
Current and non current liabilities	1.980.614	951.683	418.944	70.500	3.421.741
Equity attributable to owners of the parent	(116.920)	887.674	7.822	1.424.032	2.202.608
Non-controlling interests	24.691	198	-	57	24.946

Balance sheet	31 December 2015				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.315.058	1.840.059	326.462	1.144.476	5.626.055
Current and non current liabilities	2.249.302	900.899	315.331	75.388	3.540.920
Equity attributable to owners of the parent	(139.328)	732.900	13.708	1.450.078	2.057.358
Non-controlling interests	27.550	170	-	57	27.777

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6. SEGMENTAL REPORTING (cont'd)

c) Segmental information related to property, plant and equipment, intangible assets, investment property, and revenue for the six month interim periods ended 30 June 2016 and 2015 is as follows:

	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

(*) Fixed assets purchases through financial lease (2016: None, 2015: 4.634) and borrowings costs (2016: capitalized 892, 2015: capitalized 20.095) are also included.

(**) Depreciation expense of 5.147 is added to the cost of inventory (30 June 2015: 1.329 deducted from the cost of inventory).

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6. SEGMENTAL REPORTING (cont'd)

c) Segmental information related to property, plant and equipment, intangible assets, investment property, and revenue for the six month interim periods ended 30 June 2016 and 2015 is as follows (cont'd):

	1 January - 30 June 2015				
	<u>Contracting</u>	<u>Agriculture</u>	<u>Real Estate</u>	<u>Other</u>	<u>Total</u>
Capital expenditures	9.646	144.663	669	853	155.831
Depreciation and amortization expense for the period	37.023	12.996	332	2.144	52.495
Intra-segment revenue	37.095	11.763	20	113	48.991
Inter-segment revenue	34	560	495	3.935	5.024

	1 April - 30 June 2015				
	<u>Contracting</u>	<u>Agriculture</u>	<u>Real Estate</u>	<u>Other</u>	<u>Total</u>
Capital expenditures	4.468	69.054	226	738	74.486
Depreciation and amortization expense for the period	20.659	6.132	173	1.026	27.990
Intra-segment revenue	23.186	6.148	10	56	29.400
Inter-segment revenue	2	217	238	2.064	2.521

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6. SEGMENTAL REPORTING (cont’d)

d) Geographical segmental information is as follows:

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 30 June 2016)	1.465.654	488.834	(1.844)	525.633	2.416	(42.404)	2.438.289
Total assets (30 June 2016)	7.615.319	1.957.447	605.246	732.181	71.504	(5.332.402)	5.649.295
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
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 30 June 2015)	1.234.367	511.569	(5.468)	351.736	1.993	(54.015)	2.040.182
Total assets (31 December 2015)	7.267.411	2.060.440	619.287	816.103	62.431	(5.199.617)	5.626.055
Capital expenditures (1 January - 30 June 2015)	153.294	384	-	2.153	-	-	155.831
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 April - 30 June 2015)	534.398	258.393	496	186.576	1.048	(31.921)	948.990
Capital expenditures (1 April - 30 June 2015)	72.817	202	-	1.467	-	-	74.486

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7. CASH AND CASH EQUIVALENTS

Time deposits with maturity of three months or less constitute the part of the cash and cash equivalents amounting to 1.074.254 (31 December 2015: 928.939). 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 2016	31 December 2015
Short term trade receivables		
Receivables from Contracting group operations	540.042	769.005
Receivables from Agriculture group operations	155.429	75.369
Receivables from Real Estate group operations	43.128	31.767
Receivables from Other group operations	5.414	5.383
Provision for doubtful receivables	(28.819)	(26.068)
Retention receivables (Note: 10)	25.805	66.403
Due from related parties	26.502	25.440
Other	7.089	12.347
	<u>774.590</u>	<u>959.646</u>
Long term trade receivables		
Retention receivables (Note: 10)	127.483	105.715
Receivables from Real Estate group operations	-	22.892
	<u>127.483</u>	<u>128.607</u>

Postdated cheques amounting to 118.601 (31 December 2015: 47.695), notes receivables amounting to 38.821 (31 December 2015: 52.995), negative foreign currency differences amounting to 74 (31 December 2015: positive foreign currency differences amounting to 385), and due date differences amounting to 5 (31 December 2015: 1) are included in short and long term trade receivables.

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 102 days (31 December 2015: 116 days), for domestic projects is 51 days (31 December 2015: 39 days), for Agriculture group is 41 days (31 December 2015: 40 days), for Real Estate group for short term trade receivables are 210 days (31 December 2015: short term trade receivables is 166 days, long term trade receivables are 447 days) and for other segment is approximately 29 days (31 December 2015: 39 days).

The amount of overdue receivables included in short and long term trade receivables from non-related parties is 198.918 (31 December 2015: 345.282). 9.149 (31 December 2015: 45.074) and 186.153 (31 December 2015: 290.473) of these receivables are overdue by 1-3 months and by 3-12 months, respectively. Provision for these total overdue trade receivables amounts to 26.995 (31 December 2015: 25.396).

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

	2016	2015
Provision as at 1 January	(26.068)	(56.292)
Charge for the period	(2.521)	(892)
Collected	36	4
Currency translation effect	(266)	(5.895)
Provision as at 30 June	<u>(28.819)</u>	<u>(63.075)</u>

Doubtful receivable charge for the period has been charged to general administrative expenses.

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8. TRADE RECEIVABLES AND PAYABLES (cont’d)

b) Trade Payables:

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

	30 June 2016	31 December 2015
Short term trade payables		
Trade payables from Contracting group operations	485.672	612.964
Trade payables from Agriculture group operations	557.585	473.736
Trade payables from Real Estate group operations	11.292	6.879
Payables from Other group operations	11.392	11.192
Due to related parties	9.274	490
Retention payables (Note: 10)	88.717	106.423
Other trade payables	111	63
	<u>1.164.043</u>	<u>1.211.747</u>
	30 June 2016	31 December 2015
Long term trade payables		
Retention payables (Note: 10)	2.792	1.830
Trade payables from Contracting group operations	336	439
	<u>3.128</u>	<u>2.269</u>

Notes payables amounting to 349 (31 December 2015: 5.960), and foreign currency differences amounting to 86.668 (31 December 2015: 76.825) are included in short and long term trade payables, there are not any postdated cheques in the current period (31 December 2015: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 96% (31 December 2015: 92%) of trade payables as at balance sheet date and average payable period for these import purchases is 125 days (31 December 2015: 179 days) whereas average payable period for domestic purchases is 30 days (31 December 2015: 30 days). For Contracting group, import purchases through letter of credit constitute 9% (31 December 2015: 5%) of trade payables as at balance sheet date. The average payable period for these import purchases is 95 days (31 December 2015: 91 days) whereas the average payable period for other purchases is 122 days (31 December 2015: 158 days). The average payable period for Real Estate group is 33 days (31 December 2015: 33 days). For the other operations of the Group, the average payable period is 57 days (31 December 2015: 46 days).

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9. INVENTORIES

	30 June 2016	31 December 2015
Raw materials	96.313	116.391
Work in progress	110.823	177.366
Finished goods	30.720	83.766
Trading goods	20.850	62.246
Goods in transit	40.222	82.028
Inventory from real estate projects	278.354	214.030
Inventory at construction sites	118.121	120.434
Other inventories	57.768	35.185
Allowance for impairment on inventory (-)	-	-
	<u>753.171</u>	<u>891.446</u>

During the six month interim period ended 30 June 2016, borrowing costs capitalized in inventory amount to 5.175 (31 December 2015: 8.343).

<u>Movement of allowance for impairment of inventory</u>	2016	2015
Provision as of 1 January	-	(1.039)
Provision released	-	1.039
Provision as of 30 June	<u>-</u>	<u>-</u>

The Group does not have any inventories whose net realizable value is less than its current cost. Accordingly, there is not any provision for allowance for impairment on inventory (30 June 2015: None).

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10. CONSTRUCTION CONTRACTS

	30 June 2016	31 December 2015
Cost incurred on uncompleted contracts	10.650.398	11.281.208
Recognised gain less losses (net)	672.202	290.938
	<u>11.322.600</u>	<u>11.572.146</u>
Less: Billings to date (-)	(11.061.458)	(11.283.106)
	<u>261.142</u>	<u>289.040</u>

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

	30 June 2016	31 December 2015
From customers under construction contracts	473.614	451.340
To customers under construction contracts	(212.472)	(162.300)
	<u>261.142</u>	<u>289.040</u>
	30 June 2016	31 December 2015
<u>Receivables from uncompleted contracts</u>		
Contracts undersigned abroad	455.061	435.212
Contracts undersigned in Turkey	18.553	16.128
	<u>473.614</u>	<u>451.340</u>
<u>Payables to uncompleted contracts</u>		
Contracts undersigned abroad	(38.758)	(57.493)
Contracts undersigned in Turkey	(173.714)	(104.807)
	<u>(212.472)</u>	<u>(162.300)</u>
	<u>261.142</u>	<u>289.040</u>

The Group has 29.762 of advances given to subcontractors and other suppliers for construction projects classified in short term prepaid expenses (31 December 2015: 35.497). Also, the Group has 321.995 of advances received for contracting projects classified in short term deferred revenue (31 December 2015: 347.417).

As of 30 June 2016, the Group has 91.509 of retention payables to subcontractors (31 December 2015: 108.253). Also, the amount of retention receivables is 153.288 (31 December 2015: 172.118) (Note: 8).

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11. INVESTMENTS VALUED BY EQUITY METHOD

Joint Ventures	Location of foundation and operation	30 June 2016		31 December 2015		Power to appoint	Industry
		%	Amount	%	Amount		
H-T Fidecilik	Turkey	50%	9.323	50%	7.548	50%	Agriculture
Azfen	Azerbaijan	40%	64.128	40%	78.465	40%	Construction
Black Sea Gübre	Turkey	30%	680	30%	807	30%	Fertilizer Trade
Florya Gayrimenkul	Turkey	50%	60.763	50%	61.028	50%	Real Estate
			<u>134.894</u>		<u>147.848</u>		

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

	2016	2015
Opening balance as at 1 January	147.848	149.307
Group's share on profit/loss	29.338	29.419
Dividends received	(44.355)	(10.557)
Capital increases	-	900
Currency translation effect	2.329	(13.254)
Profit eliminations	(266)	(79)
Closing balance as at 30 June	<u>134.894</u>	<u>155.736</u>

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

H-T Fidecilik	1.776	381
Azfen	27.689	29.085
Black Sea Gübre	(127)	(43)
Florya Gayrimenkul	-	(4)
Shares on profit / loss of joint ventures consolidated by equity method	<u>29.338</u>	<u>29.419</u>

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

Information related to financial position:

30 June 2016	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	41	65.156	32.677	94	97.968
Other current assets	35.905	474.101	20.950	46.740	577.696
Non current assets	17.038	76.648	88	90.273	184.047
Total Assets	52.984	615.905	53.715	137.107	859.711
Short term financial debts	21.961	-	-	-	21.961
Other short term liabilities	11.084	455.585	51.418	13.123	531.210
Long term financial debts	70	-	-	-	70
Other long term liabilities	1.222	-	32	2.458	3.712
Total Liabilities	34.337	455.585	51.450	15.581	556.953
Net Assets	18.647	160.320	2.265	121.526	302.758
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's Share on Net Assets	9.323	64.128	680	60.763	134.894

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

Information related to financial position (cont'd):

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

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

Information related to profit or loss statement:

<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	50,00%	40,00%	30,00%	50,00%	
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/(loss)	3.052	55.779	24	-	58.855
Financial income	-	-	252	-	252
Financial expense (-)	(602)	-	(267)	1	(868)
Tax income/(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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11. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

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

1 January - 30 June 2015	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	20.469	754.076	58.473	-	833.018
Depreciation and amortization expense	749	10.172	58	-	10.979
Operating profit/(loss)	1.583	64.530	(1.414)	-	64.699
Financial income	2	30.833	2.378	-	33.213
Financial expense (-)	(743)	-	(1.089)	(1)	(1.833)
Tax expense (-)	(81)	(22.650)	(18)	(6)	(22.755)
Profit/(Loss) for the Period	762	72.713	(144)	(8)	73.323
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's Share on Profit/(Loss) for the Period	381	29.085	(43)	(4)	29.419
1 April - 30 June 2015	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Revenue	10.645	380.597	58.473	-	449.715
Depreciation and amortization expense	374	6.349	29	-	6.752
Operating profit	1.242	44.479	(303)	-	45.418
Financial income	1	29.843	1.015	-	30.859
Financial expense (-)	(450)	-	(647)	-	(1.097)
Tax income/(expense)	(68)	(18.064)	(17)	1	(18.148)
Profit/(Loss) for the Period	726	56.257	47	(1)	57.029
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's Share on Profit/(Loss) for the Period	363	22.503	14	-	22.880

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

	Property, Plant and Equipment	Intangible Assets	Investment Property
Cost Value			
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
Accumulated Depreciation and Amortization			
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
Cost Value			
Opening balance as of 1 January 2015	2.628.497	23.402	107.579
Currency translation effect	133.100	2.597	(631)
Additions	153.406	1.649	776
Disposals	(30.092)	-	-
Transfers	(12.980)	-	12.825
Closing balance as of 30 June 2015	2.871.931	27.648	120.549
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2015	(1.442.738)	(18.688)	(29.245)
Currency translation effect	(102.815)	(2.202)	-
Charge for the period	(48.935)	(835)	(1.396)
Disposals	28.108	-	-
Transfers	(326)	(21)	502
Closing balance as of 30 June 2015	(1.566.706)	(21.746)	(30.139)
Carrying value as of 30 June 2015	1.305.225	5.902	90.410

Property, plant and equipment include fixed assets with carrying value of 28.589 purchased through financial lease (30 June 2015: 121.993). 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 2015: 4.634). For the period ended as of 30 June 2016, additional capitalized borrowing costs amounting to 892 (30 June 2015: 20.095 additional capitalized borrowing costs) are included in property, plant and equipment. The rate used to determine the amount of borrowing costs eligible for capitalization is 18,74% (30 June 2015:18,60%).

The fair value of the Group's investment property has been arrived based on a valuation carried out by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair market value of the investment properties as of 30 June 2016 is 555.501 (30 June 2015: 452.210) according to the valuation carried out by independent expert.

13. SHORT AND LONG TERM FINANCIAL DEBTS

The Company's bank loans are reclassified as long term whose maturities passed 30 June 2017 according to their opening dates. Annual weighted average interest rate of the existing short term loans is 3,31% for US Dollars, 2,38% for EUR and 14,53% for TL (31 December 2015: 2,87% for US Dollars, 2,44% for EUR and 10,38% 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 2,80% for EUR (31 December 2015: USD None, EUR 2,90%).

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

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) bank loan from Unicredit Bank Austria AG in August, 2013 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan will last 7 years, including no principal payment within the first two years and ten equal payments in five years where duration of repayments for Deutsche Bank AG loan will last 6,5 years with ten 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 2016. As of 30 June 2016, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after first principle payments is 160.390 (EUR 50.053 thousand) and 160.505 (EUR 50.089 thousand) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG as of six month period ended 30 June 2016 is 17.820 (EUR 5.561 thousand)) and 15.984 (EUR 4.988 thousand)) respectively. In the subsequent period, the amount of payment loan is realized to 17.833 (5.565 thousands EUR) where there is not any new loan use.

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

	30 June 2016	31 December 2015
Short term provisions	89.826	97.687
Long term provisions	74.016	61.052
Total provisions	<u>163.842</u>	<u>158.739</u>
Employment termination benefits provision	77.731	65.510
Unused vacation pay liability provision	18.394	13.594
Premium provision	7.376	14.284
Total provisions attributable to employee benefits	<u>103.501</u>	<u>93.388</u>
Provision for litigation	51.929	64.904
Other liability provisions	8.412	447
Other provisions	<u>60.341</u>	<u>65.351</u>
Total provisions	<u>163.842</u>	<u>158.739</u>

	Employment Termination Benefits Provision	Unused Vacation Pay Liability Provision	Premium Provision	Total Provisions Attributable to Employee Benefits
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>
Opening balance as of 1 January 2015	53.970	15.526	13.818	83.314
Currency translation effect	2.660	1.081	719	4.460
Charge for the period	11.169	5.147	6.951	23.267
Interest expense	437	-	-	437
Provision paid during the period	(19.130)	(6.009)	(14.434)	(39.573)
Provision released	(159)	(616)	-	(775)
Actuarial gain	(416)	-	-	(416)
Closing balance as of 30 June 2015	<u>48.531</u>	<u>15.129</u>	<u>7.054</u>	<u>70.714</u>

The amount payable to employee calculated by one month salary is limited to a maximum 4.297,21 TL (31 December 2015: 4.092,53TL) as of 30 June 2016.

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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 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>
Opening balance as of 1 January 2015	23.152	4.375	27.527
Currency translation effect	1.407	415	1.822
Charge for the period	8.618	121	8.739
Provision paid during the period	(407)	(3.564)	(3.971)
Provision released	(6)	(686)	(692)
Closing balance as of 30 June 2015	<u>32.764</u>	<u>661</u>	<u>33.425</u>

Litigations:

As of 30 June 2016, lawsuit filed against the Group is totally 101.019 (31 December 2015: 122.083) and it has been decided to accrue 51.929 (31 December 2015: 64.904) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group.

Libya Arbitration Claim

As explained in detail in the audited notes to the consolidated financial statements of 31 December 2015, the Group resolved to proceed with an International Arbitration claim for recovery of assets in Libya. In line with this decision, on 16 June 2015, a plea of commercial arbitration was placed with the International Court of Arbitration of the International Chamber of Commerce (ICC) against the contracting management for the project, Libyan Man-Made River Authority (MMRA), and Libyan State via offering "Request for Arbitration". Additionally, an additional plea of commercial arbitration was placed with ICC against Libyan State in the context of Treaty on Bilateral Investment Protection signed between Libyan and Turkish States. Letters of guarantees given related to Libya project to various institutions amount to 336.

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15. COMMITMENTS AND OBLIGATIONS

The guarantee, pledge and mortgage ("GPM") position tables of the Group as of 30 June 2016 and 31 December 2015 are as follows:

30 June 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	4.460.922	1.244.543	68.116	641.441
-Guarantee	4.456.422	1.244.543	68.116	636.941
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	118.987	-	-	118.987
-Guarantee	118.987	-	-	118.987
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 30 June 2016	4.579.909	1.244.543	68.116	760.428
31 December 2015	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	5.696.722	1.664.489	59.691	667.380
-Guarantee	5.692.222	1.664.489	59.691	662.880
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	96.609	-	-	96.609
-Guarantee	96.609	-	-	96.609
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2015	5.793.331	1.664.489	59.691	763.989

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

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16. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Dividend receivables amounting to 40.888 gained from related parties whose Ordinary General Assemblies were held on 30 June 2016 or before is recognized under other receivables from related parties account.

Payables amounting to 7.028 of the Group, to Blacksea Gübre Ticaret A.Ş., which is consolidated with equity method, have been classified to the account of trade payables to related parties (31 December 2015: None).

Transactions with related parties are distinct and measurable.

17. EQUITY

Capital / Capital Structure Adjustment

The capital structure as of 30 June 2016 and 31 December 2015 is as follows:

Shareholders	(%)	30 June 2016	(%)	31 December 2015
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Akçağlılar family	10,87%	40.216	10,87%	40.216
Other (*)	4,21%	15.593	4,21%	15.593
Publicly traded (**)	46,31%	171.339	46,31%	171.339
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustment		3.475		3.475
Restated capital		<u>373.475</u>		<u>373.475</u>

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

(**) 24.983.368 (6,75 %) shares at 1 TL par value of publicly traded shares are under the control of founding shareholder families as of 30 June 2016 (31 December 2015: 24.983.368 share; 6,75 %).

18. EARNINGS PER SHARE

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
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)	221.484	72.606	113.103	29.096
Earnings per share from operations (TL)	0,599	0,196	0,306	0,079

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

19. OTHER OPERATING INCOME AND EXPENSES

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
<u>Other operating income</u>				
Foreign exchange income from operations	131.164	81.329	105.280	30.159
Due date difference income	14.366	6.027	9.901	4.764
Discount income	2.419	929	1.485	(897)
Rent income	2.091	1.044	1.899	1.017
Reversal of litigation provision (Note: 14)	499	(147)	6	-
Scrap sale income	944	433	903	461
Reversal of other provisions (Note: 14)	-	-	686	686
Indemnity income	1.617	1.466	369	22
Government grants and incentives income	97	77	144	116
Other income	4.885	1.523	3.780	2.617
	<u>158.082</u>	<u>92.681</u>	<u>124.453</u>	<u>38.945</u>
	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
<u>Other operating expenses (-)</u>				
Foreign exchange losses from operations	(134.706)	(88.652)	(154.793)	(49.880)
Discount expense	(2.537)	(86)	(1.886)	(1.312)
Litigation provision (Note: 14)	(3.250)	(472)	(8.618)	(8.556)
Due date difference expense	(3.689)	(3.235)	(2.418)	(1.692)
Grants and contributions	(1.777)	(1.614)	(79)	(23)
Additional tax expense	(34)	(16)	(40)	(17)
Damages subject to litigation	-	-	(56)	(26)
Other expenses	(5.442)	(2.529)	(3.264)	(1.803)
	<u>(151.435)</u>	<u>(96.604)</u>	<u>(171.154)</u>	<u>(63.309)</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2016

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

20. FINANCIAL INCOME AND FINANCIAL EXPENSE

Financial income

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Interest income	35.114	17.183	44.379	24.328
Foreign exchange gains	58.349	44.771	68.883	19.068
Currency translation reserve gains	381	(1.676)	3.175	75
Other finance income	21	16	15	15
	<u>93.865</u>	<u>60.294</u>	<u>116.452</u>	<u>43.486</u>

Financial expense (-)

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Foreign exchange losses	(63.251)	(32.288)	(30.588)	(23.170)
Interest expense	(19.460)	(9.983)	(18.259)	(9.277)
Other finance expenses	(4.079)	(2.371)	(1.057)	(865)
Currency translation reserve losses	(1.891)	(928)	(16.485)	(2.642)
Less: Financial expenses included in costs of property, plant and equipment and inventories	6.067	3.612	24.980	19.197
	<u>(82.614)</u>	<u>(41.958)</u>	<u>(41.409)</u>	<u>(16.757)</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2016

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

21. FOREIGN CURRENCY POSITION

30 June 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	62.341	9.525	2.863	-	25.605
2. Monetary Financial Assets	679.566	226.519	3.366	11	13.282
3. Other	13.086	592	583	265	8.480
4. CURRENT ASSETS	754.993	236.636	6.812	276	47.367
5. Trade Receivables	35.018	11.973	114	2	-
6. Monetary Financial Assets	475	-	-	-	475
7. Other	13.824	101	4.223	-	-
8. NON CURRENT ASSETS	49.317	12.074	4.337	2	475
9. TOTAL ASSETS	804.310	248.710	11.149	278	47.842
10. Trade Payables	824.908	190.716	9.592	354	240.946
11. Financial Liabilities	84.105	614	23.107	-	8.284
12. Monetary Other Liabilities	55.557	1.247	3.954	-	39.278
12b. Non Monetary Other Liabilities	3.622	1.212	36	-	-
13. CURRENT LIABILITIES	968.192	193.789	36.689	354	288.508
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	250.187	195	77.900	-	-
16. Monetary Other Liabilities	44.978	885	4	-	42.404
16b. Non Monetary Other Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	295.165	1.080	77.904	-	42.404
18. TOTAL LIABILITIES	1.263.357	194.869	114.593	354	330.912
19. Net foreign currency assets / liabilities position	(459.047)	53.841	(103.444)	(76)	(283.070)
20. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(482.335)	54.360	(108.214)	(341)	(291.550)

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 2016

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

21. FOREIGN CURRENCY POSITION (cont’d)

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

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 2016

(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. Positive number indicates an increase in profit or loss.

	30 June 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	7.790	(7.790)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(16.574)	16.574
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(14.168)	14.168
TOTAL	(22.952)	22.952
	31 December 2015	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	(2.755)	2.755
	If Euro changes 5% against TL	
Euro net assets / liabilities	(17.191)	17.191
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(13.292)	13.292
TOTAL	(33.238)	33.238

22. SUBSEQUENT EVENTS

Tekfen İnşaat, a subsidiary of the Group, secured 271.998 (94 Million USD) deal as part of the shell and core construction works for the new headquarter building of Ministry of Taxes of the Republic of Azerbaijan.

Upon resolution of the Board of Directors dated 18 August 2016, it is decided to establish a company titled Tekfen Girişim A.Ş. in order to make investments in venture firms with a potential of growth and in need of resources, which are or will be established either in Turkey or abroad, and to establish necessary partnerships for abroad-in the United States of America.