

**TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTH
INTERIM PERIOD
ENDED 31 MARCH 2011

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

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

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

ASSETS	Notes	Unaudited 31 March 2011	Audited 31 December 2010
Current Assets		2.101.231	1.956.546
Cash and cash equivalents		845.012	758.554
Trade receivables		435.762	379.062
Other receivables		9.252	8.317
Inventories	7	272.933	303.281
Receivables from ongoing construction contracts	8	462.259	440.280
Other current assets		58.610	50.334
		2.083.828	1.939.828
Assets classified as held for sale		17.403	16.718
Non Current Assets		1.107.004	1.109.335
Trade receivables		59.102	52.478
Other receivables		10.281	8.622
Financial investments		123.837	127.900
Investments valued by equity method		159.261	160.325
Investment property	9	93.656	94.375
Property, plant and equipment	9	597.841	602.059
Intangible assets	9	2.740	2.735
Deferred tax assets		18.072	19.689
Other non current assets		42.214	41.152
TOTAL ASSETS		3.208.235	3.065.881

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

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

LIABILITIES	Notes	Unaudited 31 March 2011	Audited 31 December 2010
Current Liabilities		1.374.367	1.286.804
Financial debts	10	458.809	447.584
Trade payables		525.308	512.151
Other payables		58.557	31.325
Current tax liability		16.012	17.693
Ongoing construction progress payments	8	44.000	37.267
Provisions	11	16.651	19.048
Employee benefits	13	30.838	35.475
Other short term liabilities	14	224.192	186.261
Non Current Liabilities		86.755	96.398
Financial debts	10	14.681	27.700
Trade payables		1.836	1.287
Other payables		2.103	1.617
Employee benefits	13	36.015	34.344
Deferred tax liabilities		32.120	31.450
SHAREHOLDERS' EQUITY	5	1.747.113	1.682.679
Equity Attributable To Owners Of The Parents		1.728.473	1.663.725
Paid in capital		370.000	370.000
Capital structure adjustments		3.475	3.475
Premiums in capital stock		300.984	300.984
Revaluation growth funds		103.784	108.002
Currency translation reserve		49.230	55.279
Restricted profit reserves		68.944	53.390
Retained earnings		755.714	594.015
Net profit for the period		76.342	178.580
Non-controlling Interests		18.640	18.954
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3.208.235	3.065.881

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

	<u>Notes</u>	<u>Unaudited 1 January- 31 March 2011</u>	<u>Unaudited 1 January- 31 March 2010</u>
- Revenue		689.847	602.013
- Cost of revenue (-)		(559.828)	(465.556)
GROSS PROFIT		130.019	136.457
- Marketing, selling and distribution expenses (-)		(28.564)	(26.200)
- General administrative expenses (-)		(24.150)	(23.611)
- Research and development expenses (-)		(40)	(36)
- Other operating income		4.040	4.371
- Other operating expenses		(2.784)	(7.502)
OPERATING PROFIT		78.521	83.479
- Share on profit / loss of investments valued using equity method		623	3.686
- Financial income	17	47.941	36.886
- Financial expense (-)	17	(30.291)	(39.770)
PROFIT BEFORE TAXATION		96.794	84.281
Tax expense		(20.541)	(17.511)
- Tax expense for the period		(17.945)	(4.573)
- Deferred tax expense		(2.573)	(12.951)
- Currency translation reserve		(23)	13
NET PROFIT FOR THE PERIOD		76.253	66.770
Distribution of Profit For The Period			
Non-controlling interests		(89)	(40)
Owners of the parent		76.342	66.810
Earnings Per Share	16	0,206	0,181

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

	Unaudited 1 January- 31 March 2011	Unaudited 1 January- 31 March 2010
NET PROFIT FOR THE PERIOD	76.253	66.770
Other comprehensive (expense) / income:		
Change in fair value reserve of financial assets	(4.062)	50.618
Change in currency translation reserve	(6.274)	7.538
Share on other comprehensive income of investments valued using equity method	(1.686)	(2.417)
Tax income / (expense) based on other comprehensive income	203	(2.531)
COMPREHENSIVE (LOSS) / INCOME AFTER TAX	(11.819)	53.208
TOTAL COMPREHENSIVE INCOME	64.434	119.978
Distribution of Total Comprehensive Income For The Period		
Non-controlling interests	(314)	141
Owners of the parent	64.748	119.837

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

	Other comprehensive income										Total
	Revaluation growth funds										
	Paid in capital	Capital structure adjustments	Premiums in capital stock	Property, plant and equipment revaluation fund	Fair value reserve of financial investments	Currency translation reserve	Restricted profit reserves	Retained earnings	Net profit for the period	Non controlling interests	
Opening balances as of 1 January 2010	370.000	3.475	300.984	2.277	35.782	45.765	40.834	556.537	69.344	18.910	1.443.908
Total comprehensive income	-	-	-	(1.158)	46.828	7.357	-	-	66.810	141	119.978
Transfers to retained earnings	-	-	-	-	-	-	-	69.344	(69.344)	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	3.377	(3.377)	-	-	-
Balance as of 31 March 2010	370.000	3.475	300.984	1.119	82.610	53.122	44.211	622.504	66.810	19.051	1.563.886
Opening balances as of 1 January 2011	370.000	3.475	300.984	975	107.027	55.279	53.390	594.015	178.580	18.954	1.682.679
Total comprehensive income	-	-	-	-	(5.545)	(6.049)	-	-	76.342	(314)	64.434
Transfers to revaluation growth funds from retained ea	-	-	-	1.327	-	-	-	(1.327)	-	-	-
Transfers to retained earnings	-	-	-	-	-	-	-	178.580	(178.580)	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	15.554	(15.554)	-	-	-
Balance as of 31 March 2011	370.000	3.475	300.984	2.302	101.482	49.230	68.944	755.714	76.342	18.640	1.747.113

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

<u>Notes</u>	<u>Unaudited 1 January - 31 March 2011</u>	<u>Unaudited 1 January - 31 March 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	76.342	66.810
Adjustments to reconcile net profit for the period to cash provided by operating activities:		
Change in non-controlling interests	(89)	(40)
Depreciation and amortization	9 16.878	21.443
Loss / (Gain) on sale of tangible asset (net)	1	(86)
Provision for retirement pay provision and premiums	13 5.182	3.241
Provision for litigation	11 413	474
Impairment provision for inventory	7 -	2
Other employee benefits	13 2.765	1.229
Reversal of unnecessary provisions	11 (229)	(32)
Income accruals	(481)	1.121
Expense accruals	7.707	(8.092)
Group's share on net assets of investments in associates accounted by equity method	(623)	(4.834)
Changes in available for sale investments	-	(269)
Changes in assets classified as held for sale	-	(8.702)
Interest income	(16.121)	(11.234)
Interest expense	4.913	9.344
Dividend income	(223)	-
Allowance for taxation	20.541	17.512
Translation reserve (net)	(6.771)	19.379
Cash generated by operating activities before movements in working capital	110.205	107.266
Movements in working capital		
Changes in trade and other receivables	(69.676)	(57.523)
Changes in due from related parties	4.239	(5.635)
Changes in inventories	7 30.888	54.205
Changes in receivables from ongoing construction contracts	8 (21.979)	20.200
Changes in other current / non-current assets	(9.338)	9.150
Changes in trade and other payables	23.688	(203)
Changes in due to related parties	10.029	4.311
Changes in ongoing construction progress payments	8 6.733	(4.731)
Changes in provisions and other short term liabilities	39.400	(1.128)
Interest received	13.984	18.646
Interest paid	14.666	8.504
Tax paid	(4.654)	(9.344)
Penalty of litigation paid	(19.627)	(8.710)
Retirement pay provision and premiums paid	11 (4.056)	(46)
	13 (11.105)	(9.029)
Cash generated by operating activities	99.413	107.287

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011**

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

	Notes	Unaudited 1 January - 31 March 2011	Unaudited 1 January - 31 March 2010
CASH FLOWS FROM INVESTING ACTIVITIES			
Effect of investments in associates valued by equity method		-	(1.544)
Acquisition of tangible and intangible assets and investmet property	9	(6.306)	(21.217)
Proceeds from sale of tangible and intangible assets	9	338	2.020
Dividend income		223	-
Cash (used in) / generated by investing activities		<u>(5.745)</u>	<u>(20.741)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		111.195	241.409
Repayments of borrowings		(118.765)	(236.904)
Finance lease paid		<u>(1.095)</u>	<u>(3.134)</u>
Cash used in financing activities		(8.665)	1.371
CHANGE IN CASH AND CASH EQUIVALENTS		85.003	87.917
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		758.554	561.360
Interest accrual on cash and cash equivalents		1.455	2.730
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>845.012</u></u>	<u><u>652.007</u></u>

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 31 March 2011, the Group has 13.759 employees (31 December 2010: 13.079) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Aydınlık Sokak, Tekfen Sitesi A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

The Company shares are being publicly traded in Istanbul Stock Exchange Market since 23 November 2007.

Changes in the subsidiaries of the Company as of 31 March 2011:

Kuwait and Georgia branches, which were consolidated in the consolidated financial statements as of 31 December 2010, are not included in consolidation process as of 31 March 2011 due to the completion of operations.

Approval of condensed consolidated financial statements:

After the approval of Board of Directors, the condensed consolidated financial statements are published on 12 May 2011.

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 accordance with the prevailing accounting principles in their registered countries.

The Capital Markets Board (“CMB”) has established principles, procedures and basis on the preparation of financial reports by enterprises and the representation of the reports with Communiqué Series XI, No: 29 “Communiqué on Capital Market Financial Reporting Standards”. This Communiqué is applicable for the first interim financial statements to be prepared after 1 January 2008 and with this Communiqué, the Communiqué Series XI, No:25 “Communiqué on Capital Market Accounting Standards” has been repealed. In accordance with this Communiqué, the companies are supposed to prepare their financial statements in accordance with the International Financial Reporting Standards (“IAS/IFRS”) accepted by the European Union. Nevertheless, until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the Turkish Accounting Standards Board (“TASB”), IAS/IFRS will be in use. Under such circumstances Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”), which are the standards published by TASB, not contradicting with IAS/IFRS, will be predicated on.

As the differences between the International Financial Reporting Standards (“IAS/IFRS”) as endorsed by the European Union and the Turkish Accounting/Financial Reporting Standards (“TAS/TFRS”) have not been declared as of the date of this report, the accompanying condensed consolidated financial statements and condensed notes are prepared in accordance with IAS/IFRS as declared in the Communiqué Serial: XI, No: 29 with the required formats announced by the CMB on 17 April 2008 and 9 January 2009.

CMB allows the publicly-traded companies to present the financial statements in full set or condensed presentation in accordance with IAS 34 “ Interim Financial Reporting” standard. The Group has preferred to disclose its interim consolidated financial statements as of 31 March 2011 in condensed format.

Based on the notification, the descriptions and disclosures which are needed in the financial statements annually are summarized appropriately in accordance with IAS 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 2010 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 estimates which are mentioned in the consolidated financial statements as of 31 December 2010.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

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

The exchange rate announced by the Central Bank of the Republic of Turkey as of 31 March 2011 is; 1 USD= 1,5483 TRY, 1 EUR= 2,1816 TRY, 1 MAD= 0,19382 TRY, 1 SAR= 0,4141 TRY, 1 QAR= 0,42419 TRY (The exchange rate announced by the Central Bank of the Republic of Turkey as of 31 December 2010 is; 1 USD= 1,5460 TRY, 1 EUR= 2,0491 TRY, 1 MAD= 0,18464 TRY, 1 SAR= 0,41349 TRY, 1 QAR= 0,42356 TRY).

3. ADOPTION OF NEW AND REVISED STANDARDS

(a) New and revised standards affecting the Group's presentation and disclosure

None noted.

(b) New and revised standards affecting the financial performance and / or financial position of the Group

None noted.

(c) Standards that are effective in 2011 with no impact on the Group's consolidated financial statements, revisions and interpretations to existing standards

IAS 24 (2009) Related Party Disclosures: In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011.

IAS 32 (Amendments) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements; The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

IFRS 1 (Amendments) First-time Adoption of IFRS – Additional Exemptions: Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

IFRIC 14 (Amendments) Pre-payment of a Minimum Funding Requirement: Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

Annual Improvements, May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 6 main standards/interpretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 7 Financial Instruments: Disclosures; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011.

The standards, interpretations and amendments disclosed here, have no material effect on financial performance and financial position of the Group.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

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

(d) **New standards, new interpretations and amendments to standards that have been issued but are not effective and have not been early adopted by the Group**

IFRS 1 (Amendments) First-time Adoption of IFRS – Additional Exemptions; On 20 December 2010, IFRS 1 is amended to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs; provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

IFRS 7 Financial Instruments: Disclosures; In October 2010, disclosures is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 Financial Instruments: Classification and Measurement; In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 Income Taxes; In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

4. EVENTS AND TRANSACTIONS AFFECTING CONDENSED CONSOLIDATED FINANCIAL STATEMENTS BY LEVEL OF SIGNIFICANCE

Tekfen-TML Partnership, a joint venture of which 67% is owned by the Group, has ceased its operations in Libya for an indefinite period of time due to recent and unfavorable developments in the current period. As of 31 March 2011, the accompanying condensed consolidated financial statements include total assets of 191.622 (USD 123.763 thousand), total debt of 49.110 (USD 31.719 thousand), resulting a net asset of 142.512 (USD 92.044 thousand). In addition, the amount of letters of guarantees given related to such projects to various companies/institutions amounts to 54.468 (USD 35.179 thousand).

Tekfen İnşaat ve Tesisat A.Ş. signed two contracts worth a total of 975.419 (USD 630 million) in Morocco. The statement details that Tekfen İnşaat will establish a pipe line for the state-owned company Office Cherifien des Phosphates in a 712.218 (USD 460 million) deal. Tekfen İnşaat also signed a 263.211 (USD 170 million) contract to construct two DAP facilities projects. Construction of DAP facility projects are planning to be completed in 2012.

Tekfen İnşaat ve Tesisat A.Ş. agrees with Qatar authorities to construct a 9 km long highway called “Ceremonial National Day Road”. The deal is 116.123 (USD 75 million) and it is expected to be completed within 10 months.

Tekfen İnşaat ve Tesisat A.Ş. signed a contract with Turkmenistan authorities regarding the development of southern Yoloten gas field in this country as a subcontractor. The size of the entire project is 404.726 (USD 261,4 million).

At the ordinary general meeting of Toros Tarım Sanayi ve Ticaret A.Ş., whose capital is directly participated by 99,98% by the Company, held on 31 March 2011, it is decided that cash dividend amounting to 135.000 is distributed to shareholders. The Company’s share in cash dividend is 134.972 and it is eliminated within the condensed consolidated financial statements.

5. SIGNIFICANT CHANGES IN SHAREHOLDERS’ EQUITY

Fair Value Reserve of Financial Investments:

The negative change of 5.545 in the fair values of the Financial Investments which have been traded in the Stock Exchange Market have been directly recognized in equity (31 March 2010 – positive change: 48.087 and negative change: 1.259).

Restricted Profit Reserves:

In accordance with the resolutions taken during the General Meetings of Group Companies as of 31 March 2011, 15.554 of restricted reserves were transferred from retained earnings at the condensed consolidated financial statements (31 March 2010: 3.377).

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2011

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

6. SEGMENTAL REPORTING

a) Segmental results

	1 January-31 March 2011					
	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
Revenue	288.589	371.221	9.509	20.528	-	689.847
Intra-segment sales	25.742	3.606	1	39	(29.388)	-
Inter-segment sales	8	221	72	1.334	(1.635)	-
TOTAL REVENUE	314.339	375.048	9.582	21.901	(31.023)	689.847
Cost of revenue	(275.803)	(261.320)	(8.148)	(14.557)	-	(559.828)
GROSS PROFIT	12.786	109.901	1.361	5.971	-	130.019
Marketing, selling and distribution expenses (-)	(128)	(26.276)	(98)	(2.062)	-	(28.564)
General administrative expenses (-)	(12.443)	(5.178)	(758)	(5.771)	-	(24.150)
Research and development expenses (-)	-	(40)	-	-	-	(40)
Other operating income	960	1.651	1.087	342	-	4.040
Other operating expenses (-)	(376)	(1.398)	(603)	(407)	-	(2.784)
OPERATING PROFIT / (LOSS)	799	78.660	989	(1.927)	-	78.521
Share on profit / (loss) of investments valued using equity method	-	-	-	623	-	623
Financial income	17.698	18.741	659	10.843	-	47.941
Financial expenses (-)	(15.750)	(10.641)	(275)	(3.625)	-	(30.291)
PROFIT BEFORE TAXATION	2.747	86.760	1.373	5.914	-	96.794
Tax expense	(1.133)	(16.980)	(154)	(2.274)	-	(20.541)
NET PROFIT FOR THE PERIOD	1.614	69.780	1.219	3.640	-	76.253

The Group has 13.485 of revenue and 5.700 of operating income from terminal operations classified as agricultural operation in the period of 1 January - 31 March 2011.

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6. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d)

	1 January-31 March 2010					
	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
Revenue	233.755	341.924	10.404	15.930	-	602.013
Intra-segment sales	61.315	4.102	9	32	(65.458)	-
Inter-segment sales	-	124	61	596	(781)	-
TOTAL REVENUE	295.070	346.150	10.474	16.558	(66.239)	602.013
Cost of revenue	(195.959)	(250.297)	(9.740)	(9.560)	-	(465.556)
GROSS PROFIT	37.796	91.627	664	6.370	-	136.457
Marketing, selling and distribution expenses (-)	(106)	(24.329)	-	(1.765)	-	(26.200)
General administrative expenses (-)	(13.552)	(4.629)	(216)	(5.214)	-	(23.611)
Research and development expenses (-)	-	(36)	-	-	-	(36)
Other operating income	1.534	1.929	90	818	-	4.371
Other operating expenses (-)	(675)	(1.102)	(386)	(5.339)	-	(7.502)
OPERATING PROFIT / (LOSS)	24.997	63.460	152	(5.130)	-	83.479
Share on profit / (loss) of investments valued using equity method	-	-	-	3.686	-	3.686
Financial income	9.047	16.349	976	10.514	-	36.886
Financial expenses (-)	(21.117)	(12.821)	(587)	(5.245)	-	(39.770)
PROFIT BEFORE TAXATION	12.927	66.988	541	3.825	-	84.281
Tax expense	(2.449)	(13.119)	(178)	(1.765)	-	(17.511)
NET PROFIT FOR THE PERIOD	10.478	53.869	363	2.060	-	66.770

The Group has 12.969 of revenue and 5.672 of operating income from terminal operations classified as agricultural operation in the period of 1 January-31 March 2010.

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6. SEGMENTAL REPORTING (cont'd)

b) As of 31 March 2011 and 31 December 2010 segmental assets and liabilities are as follow:

Balance sheet	31 March 2011				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	1.344.178	1.037.923	40.434	785.700	3.208.235
Current and non-current liabilities	994.620	362.351	23.764	80.387	1.461.122
Equity attributable to owners of the parent	258.162	218.931	2.709	1.248.671	1.728.473
Non-controlling interests	14.954	3.599	134	(47)	18.640

Balance sheet	31 December 2010				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	1.307.118	939.089	34.769	784.905	3.065.881
Current and non-current liabilities	950.569	330.960	19.267	82.406	1.383.202
Equity attributable to owners of the parent	269.853	150.731	1.551	1.241.590	1.663.725
Non-controlling interests	15.293	3.609	134	(82)	18.954

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6. SEGMENTAL REPORTING (cont'd)

c) Segmental information related to property, plant and equipment, intangible assets and investment property for the three month interim periods ended 31 March 2011 and 2010 are as follows:

	1 January-31 March 2011				Total
	Contracting	Agriculture	Real Estate	Other	
Capital expenditures (*)	10.520	532	10	226	11.288
Depreciation and amortization expense for the period (**)	12.199	3.326	111	1.242	16.878

	1 January-31 March 2010				Total
	Contracting	Agriculture	Real Estate	Other	
Capital expenditures (*)	4.246	3.931	21	13.019	21.217
Depreciation and amortization expense for the period (**)	15.008	5.061	107	1.267	21.443

(*) Fixed assets purchases through financial lease are also included.

(**) Depreciation expense of 541 is capitalized within the cost of inventory (31 March 2010: 476).

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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-31 March 2011)	443.905	71.793	35.253	167.730	2.189	(31.023)	689.847
Total assets (31 March 2011)	3.803.349	677.558	265.658	597.999	133.759	(2.270.088)	3.208.235
Capital expenditures (1 January - 31 March 2011)(*)	5.556	1.005	72	4.655	-	-	11.288
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 March 2010)	413.482	68.827	25.059	134.692	26.192	(66.239)	602.013
Total assets (31 December 2010)	3.583.874	626.455	216.646	601.675	156.764	(2.119.533)	3.065.881
Capital expenditures (1 January - 31 March 2010)(*)	18.636	50	44	2.306	181	-	21.217

(*) Fixed assets purchases through financial lease are also included.

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7. INVENTORIES

	31 March 2011	31 December 2010
Raw materials	35.322	32.737
Work in progress	30.533	39.092
Finished goods	6.348	31.216
Trading goods	17.801	37.599
Goods in transit	75.759	45.822
Inventory at construction sites	81.791	92.581
Other inventories	26.225	25.079
Allowance for impairment on inventory (-)	(846)	(845)
	<u>272.933</u>	<u>303.281</u>
<u>Movement of allowance for impairment on inventory</u>	<u>2011</u>	<u>2010</u>
Provision as of 1 January	(845)	(862)
Charge for the period	-	(2)
Currency translation effect	(1)	(9)
Provision as of 31 March	<u>(846)</u>	<u>(873)</u>

Impairment on inventory is accounted in the cost of revenue.

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8. CONSTRUCTION CONTRACTS

	31 March 2011	31 December 2010
Cost incurred on uncompleted contracts	3.483.265	3.783.441
Recognised gain less losses (net)	427.727	453.895
	<u>3.910.992</u>	<u>4.237.336</u>
Less: Billings to date (-)	(3.492.733)	(3.834.323)
	<u>418.259</u>	<u>403.013</u>

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

	31 March 2011	31 December 2010
From customers under construction contracts	462.259	440.280
To customers under construction contracts	(44.000)	(37.267)
	<u>418.259</u>	<u>403.013</u>

As of 31 March 2011, total retention receivables amount to 61.082 (31 December 2010: 52.009).

	31 March 2011	31 December 2010
<u>Receivables from uncompleted contracts</u>		
Contracts undersigned abroad	450.880	434.212
Contracts undersigned in Turkey	11.379	6.068
	<u>462.259</u>	<u>440.280</u>
<u>Payables from uncompleted contracts</u>		
Contracts undersigned abroad	(41.054)	(30.117)
Contracts undersigned in Turkey	(2.946)	(7.150)
	<u>(44.000)</u>	<u>(37.267)</u>
	<u>418.259</u>	<u>403.013</u>

The Group has 161.715 of advances received for contracting projects that is accounted in other short term liabilities (31 December 2010: 121.853) (Note: 14).

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9. 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 2011	1.731.013	13.104	114.939
Currency translation effect	5.103	24	23
Additions	11.018	270	-
Diposals	(4.019)	-	-
Closing balance as of 31 March 2011	1.743.115	13.398	114.962
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2011	(1.128.954)	(10.369)	(20.564)
Currency translation effect	(3.592)	(20)	-
Charge for the period	(16.408)	(269)	(742)
Disposals	3.680	-	-
Closing balance as of 31 March 2011	(1.145.274)	(10.658)	(21.306)
Carrying value as of 31 March 2011	597.841	2.740	93.656
Cost Value			
Opening balance as of 1 January 2010	1.696.418	11.716	114.843
Currency translation effect	2.983	76	(111)
Additions	7.963	368	12.886
Diposals	(2.584)	-	-
Transfers	(9.669)	-	-
Closing balance as of 31 March 2010	1.695.111	12.160	127.618
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2010	(1.060.068)	(8.938)	(19.715)
Currency translation effect	(1.045)	(53)	-
Charge for the period	(20.490)	(580)	(849)
Disposals	650	-	-
Transfers	408	-	-
Closing balance as of 31 March 2010	(1.080.545)	(9.571)	(20.564)
Carrying value as of 31 March 2010	614.566	2.589	107.054

Property, plant and equipment includes fixed assets with carrying value of 77.271 purchased through financial lease (31 March 2010: 117.400).

The amount of mortgage on tangible assets is 750 (31 March 2010: 3.955).

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10. FINANCIAL DEBTS

The Company’s short term financial debts, utilized to finance its working capital flow are reclassified as long term whose maturities passed 31 March 2012 according to their opening dates. Annual weighted average interest rate of the existing short term loans in term of US Dollars is 2,98% (31 December 2010: 2,90%).

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 March 2011	31 December 2010
<u>Provisions</u>		
Provision for litigation	12.009	15.875
Other provisions	4.642	3.173
	<u>16.651</u>	<u>19.048</u>

Movement of provision for litigation is as follows:

	2011	2010
Provision as of 1 January	15.875	15.260
Provision paid (-)	(4.056)	(46)
Charge for the period	413	474
Provision released	(229)	(32)
Currency translation effect	6	(5)
Provision as of 31 March	<u>12.009</u>	<u>15.651</u>

Litigations:

Upon the consultation of legal advisors, as of 31 March 2011, the management has decided to accrue 12.009 (31 December 2010: 15.875) of provision for lawsuits that might have high probability of potential outflow from the Group. Based on the legal advice of lawyers, the Group foresees no significant risks regarding 29.027 (31 December 2010: 25.149) of lawsuit filed against the Group.

As explained in detail in the notes of the audited consolidated financial statements as of 31 December 2010, the uncertainty about the outcome of the legal process of the closure of Samsun Gübre facility with the written petition dated 6 November 2007 of Samsun Municipality is still ongoing.

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13. EMPLOYEE BENEFITS

	31 March 2011	31 December 2010
Short term employee benefits:		
Retirement pay provision	1.346	1.667
Unused vacation pay liability provision	11.104	9.018
Premium provision	2.213	9.294
Wages and other employee benefits	16.175	15.496
	<u>30.838</u>	<u>35.475</u>
Long term employee benefits:		
Retirement pay provision	36.015	34.344

The amount payable to employee calculated by one month salary is limited to a maximum TRY 2.623 (31 December 2010: TRY 2.623) as of 31 March 2011.

	31 March 2011	31 December 2010
Short term retirement pay provision	1.346	1.667
Long term retirement pay provision	36.015	34.344
	<u>37.361</u>	<u>36.011</u>

	Retirement Pay Provision	Premium Provision
Opening balance as of 1 January 2011	36.011	9.294
Currency translation effect	221	(29)
Service expense	3.013	1.835
Interest expense	334	-
Provision paid (-)	(2.218)	(8.887)
Closing balance as of 31 March 2011	<u>37.361</u>	<u>2.213</u>
Opening balance as of 1 January 2010	32.000	7.468
Currency translation effect	(167)	(67)
Service expense	1.517	1.476
Interest expense	248	-
Provision paid (-)	(2.005)	(7.024)
Closing balance as of 31 March 2010	<u>31.593</u>	<u>1.853</u>

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14. OTHER SHORT TERM LIABILITIES

	31 March 2011	31 December 2010
<u>Other Short Term Liabilities</u>		
Advances received for construction projects (Note: 8)	161.715	121.853
Order advances received	55.426	55.652
Income relating to future months	3.474	5.358
VAT calculated	3.520	3.170
Other	57	228
	<u>224.192</u>	<u>186.261</u>

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Group has a total deposit of 274.817 in Eurobank Tekfen A.Ş. as of 31 March 2011 (31 December 2010: 354.780) classified in cash and cash equivalents. 5.164 (31 March 2010: 4.650) of interest income is earned within the three month interim period ended 31 March 2011.

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

16. EARNINGS PER SHARE

	1 January- 31 March 2011	1 January- 31 March 2010
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the parent (thousands TRY)	76.342	66.810
Earnings per share from operations (TRY)	0,206	0,181

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17. FINANCIAL INCOME AND FINANCIAL EXPENSE

Financial Income:

	1 January- 31 March 2011	1 January- 31 March 2010
Interest income	16.121	11.234
Foreign exchange gains	30.191	23.676
Other	1.629	1.976
	<u>47.941</u>	<u>36.886</u>

Financial Expense:

	1 January- 31 March 2011	1 January- 31 March 2010
Finance expense	(7.478)	(9.068)
Foreign exchange losses	(22.813)	(30.702)
	<u>(30.291)</u>	<u>(39.770)</u>

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18. FOREIGN CURRENCY POSITION

31 March 2011	Equivalent of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	82.263	26.492	15.236	12	7.976
2. Monetary Financial Assets	194.217	85.632	5.326	10	49.989
3. Other	90.439	49.557	3.404	115	5.998
4. CURRENT ASSETS	366.919	161.681	23.966	137	63.963
5. Trade Receivables	1.620	-	440	-	660
6. Monetary Financial Assets	5.166	771	-	-	3.972
7. Other	94	61	-	-	-
8. NON CURRENT ASSETS	6.880	832	440	-	4.632
9. TOTAL ASSETS	373.799	162.513	24.406	137	68.595
10. Trade Payables	317.477	154.347	15.441	802	42.823
11. Financial Liabilities	77.551	40.718	6.167	-	1.053
12. Monetary Other Liabilities	136.302	38.444	3.959	-	68.142
12b. Non Monetary Other Liabilities	260	140	20	-	-
13. CURRENT LIABILITIES	531.590	233.649	25.587	802	112.018
14. Trade Payables	494	47	-	-	421
15. Financial Liabilities	1.847	732	327	-	-
16. Monetary Other Liabilities	6.708	487	-	-	5.954
17. NON CURRENT LIABILITIES	9.049	1.266	327	-	6.375
18. TOTAL LIABILITIES	540.639	234.915	25.914	802	118.393
19. Net foreign currency assets/(liabilities) position	(166.840)	(72.402)	(1.508)	(665)	(49.798)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(257.113)	(121.880)	(4.892)	(780)	(55.796)
21. Export	13.153	8.377	-	-	300
22. Import	221.701	113.287	7.061	526	32.697

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18. FOREIGN CURRENCY POSITION (cont’d)

31 December 2010	Equivalent of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	134.701	25.215	20.197	-	54.334
2. Monetary Financial Assets	212.036	101.692	5.473	143	43.264
3. Other	54.236	29.679	1.821	27	4.556
4. CURRENT ASSETS	400.973	156.586	27.491	170	102.154
5. Trade Receivables	1.537	-	459	-	596
6. Monetary Financial Assets	4.888	-	17	-	4.853
7. Other	94	61	-	-	-
8. NON CURRENT ASSETS	6.519	61	476	-	5.449
9. TOTAL ASSETS	407.492	156.647	27.967	170	107.603
10. Trade Payables	352.894	151.879	18.684	1.252	76.814
11. Financial Liabilities	69.547	37.174	5.581	-	640
12. Monetary Other Liabilities	73.271	2.480	3.658	-	61.941
12b. Non Monetary Other Liabilities	4.384	2.783	40	-	-
13. CURRENT LIABILITIES	500.096	194.316	27.963	1.252	139.395
14. Trade Payables	405	47	-	-	332
15. Financial Liabilities	1.383	787	81	-	-
16. Monetary Other Liabilities	8.312	247	-	-	7.930
17. NON CURRENT LIABILITIES	10.100	1.081	81	-	8.262
18. TOTAL LIABILITIES	510.196	195.397	28.044	1.252	147.657
19. Net foreign currency assets/(liabilities) position	(102.704)	(38.750)	(77)	(1.082)	(40.054)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(152.650)	(65.707)	(1.858)	(1.109)	(44.610)
21. Export	93.577	61.513	273	-	-
22. Import	779.961	404.254	27.719	2.538	112.320

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18. 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 10% increase and decrease in the US Dollars and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the three month interim period end for a 10% change in foreign currency rates. This sensitivity analysis excludes the foreign currency denominated items presented on the balance sheet of the Group companies whose functional currency is other than TRY. A positive number indicates an increase in profit or loss.

	31 March 2011	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 10% appreciated vs TRY	
US Dollars net assets / liabilities	(11.210)	11.210
	If Euro 10% appreciated vs TRY	
Euro net assets / liabilities	(329)	329
	If Other foreign currencies 10% appreciated vs TRY	
Other foreign currency net assets / liabilities	(5.145)	5.145
TOTAL	(16.684)	16.684
	31 December 2010	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 10% appreciated vs TRY	
US Dollars net assets / liabilities	(5.991)	5.991
	If Euro 10% appreciated vs TRY	
Euro net assets / liabilities	(16)	16
	If Other foreign currencies 10% appreciated vs TRY	
Other foreign currency net assets / liabilities	(4.263)	4.263
TOTAL	(10.270)	10.270

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

19. EVENTS AFTER BALANCE SHEET DATE

Due to the Board of Directors resolution dated 7 April 2011, the Company decided to make cash payment of 43.866 for capital increase of Eurobank Tekfen A.Ş., which is the Company's investment consolidated by equity method. In addition, during the capital increase process, the Company made payments of 80 for pre-emptive rights, those were not used by small shareholders; as a result of that, the capital ratio is increased to 29,2583% (31 December 2010: 29,2437%).

Tekfen Participations S.A., whose capital is indirectly participated by 100% by the Company, is merged on 27 April 2011 under Tekfen International Finance and Investment S.A., whose capital is indirectly participated by 100% by the Company.

At the ordinary general meeting of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş., that is publicly traded financial investment of the Company, held on 3 May 2011 it is decided that non-cash dividend is distributed to the Company amounting to 2.542.

At the ordinary general meeting of the Company held on 6 May 2011, it is decided that cash dividend amounting to TRY 0,14 per share is distributed to shareholders. The total amount of cash dividends distributed to shareholders is 52.914 and the amount of cash dividends distributed to holders of redeemed shares is 3.694.