

**TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE NINE MONTH
INTERIM PERIOD
ENDED 30 SEPTEMBER 2010

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2010

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

| ASSETS | Notes | Unaudited 30 September 2010 | Audited 31 December 2009 |
|---|--------------|--|---|
| Current Assets | | 1.804.863 | 1.709.760 |
| Cash and cash equivalents | | 565.907 | 561.360 |
| Trade receivables | | 448.663 | 334.010 |
| Other receivables | 7 | 9.131 | 12.327 |
| Inventories | 8 | 281.201 | 280.426 |
| Receivables from ongoing construction contracts | 9 | 429.103 | 446.171 |
| Other current assets | | 57.222 | 63.379 |
| | | <u>1.791.227</u> | <u>1.697.673</u> |
| Assets classified as held for sale | | 13.636 | 12.087 |
| Non Current Assets | | 1.044.821 | 1.064.063 |
| Trade receivables | | 40.247 | 38.376 |
| Other receivables | 7 | 10.968 | 13.546 |
| Financial investments | | 76.457 | 51.256 |
| Investments valued by equity method | | 157.506 | 151.264 |
| Investment property | 10 | 106.709 | 96.778 |
| Property, plant and equipment | 10 | 589.262 | 634.700 |
| Intangible assets | 10 | 2.750 | 2.778 |
| Deferred tax assets | | 18.627 | 35.508 |
| Other non current assets | | 42.295 | 39.857 |
| TOTAL ASSETS | | <u>2.849.684</u> | <u>2.773.823</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 SEPTEMBER 2010**

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

| LIABILITIES | Notes | Unaudited 30 September 2010 | Audited 31 December 2009 |
|---|--------------|--|---|
| Current Liabilities | | 1.157.086 | 1.231.268 |
| Financial debts | 14 | 423.860 | 471.680 |
| Trade payables | | 421.767 | 469.170 |
| Other payables | | 28.539 | 28.127 |
| Current tax liability | | 13.478 | 7.415 |
| Ongoing construction progress payments | 9 | 40.964 | 41.128 |
| Provisions | 11 | 23.616 | 18.288 |
| Employee benefits | 13 | 29.353 | 31.561 |
| Other short term liabilities | | 175.509 | 163.899 |
| Non Current Liabilities | | 111.164 | 98.647 |
| Financial debts | 14 | 48.034 | 40.646 |
| Trade payables | | 1.284 | 2.807 |
| Other payables | | 2.010 | 603 |
| Employee benefits | 13 | 31.541 | 29.120 |
| Deferred tax liabilities | | 28.295 | 25.471 |
| SHAREHOLDERS' EQUITY | 5 | 1.581.434 | 1.443.908 |
| Equity Attributable To Owners Of The Parents | | 1.563.184 | 1.424.998 |
| Paid in capital | | 370.000 | 370.000 |
| Capital structure adjustments | | 3.475 | 3.475 |
| Premiums in capital stock | | 301.839 | 301.839 |
| Revaluation growth funds | | 58.709 | 38.059 |
| Currency translation reserve | | 35.375 | 45.765 |
| Restricted profit reserves | | 53.602 | 40.834 |
| Retained earnings | | 592.948 | 555.682 |
| Net profit for the period | | 147.236 | 69.344 |
| Non-controlling Interests | | 18.250 | 18.910 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 2.849.684 | 2.773.823 |

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Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

| Notes | Unaudited 1 January- 30 September 2010 | Unaudited 1 July- 30 September 2010 | Unaudited 1 January- 30 September 2009 | Unaudited 1 July- 30 September 2009 |
|--|---|--|---|--|
| - Revenue | 1.638.585 | 535.241 | 1.801.956 | 598.736 |
| - Cost of revenue (-) | (1.339.669) | (462.881) | (1.597.990) | (520.565) |
| GROSS PROFIT | 298.916 | 72.360 | 203.966 | 78.171 |
| - Marketing, selling and distribution expenses (-) | (68.281) | (21.799) | (55.325) | (18.774) |
| - General administrative expenses (-) | (63.689) | (21.291) | (61.859) | (17.004) |
| - Research and development expenses (-) | (111) | (51) | (332) | (120) |
| - Other operating income | 13.898 | 4.236 | 19.281 | 3.034 |
| - Other operating expenses | (13.813) | (2.637) | (18.498) | (5.421) |
| OPERATING PROFIT | 166.920 | 30.818 | 87.233 | 39.886 |
| - Share on profit / (loss) of investments valued using equity method | 6.489 | 988 | 8.841 | 679 |
| - Financial income | 17 144.445 | 54.499 | 139.132 | 30.291 |
| - Financial expense | 17 (129.946) | (36.229) | (167.735) | (22.930) |
| PROFIT BEFORE TAXATION | 187.908 | 50.076 | 67.471 | 47.926 |
| Tax (expense) / income | (40.767) | (9.411) | (10.944) | (3.868) |
| - Tax expense for the period | (22.642) | (10.702) | (14.541) | (887) |
| - Deferred tax (expense) / income | (18.166) | 929 | 3.106 | (3.132) |
| - Currency translation reserve | 41 | 362 | 491 | 151 |
| NET PROFIT FOR THE PERIOD | 147.141 | 40.665 | 56.527 | 44.058 |
| Distribution of Profit For The Period | | | | |
| Non-controlling Interests | (95) | 17 | (184) | (59) |
| Owners of the parent | 147.236 | 40.648 | 56.711 | 44.117 |
| Earnings Per Share | 16 0,398 | 0,110 | 0,153 | 0,119 |

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

| | Unaudited 1 January- 30 September 2010 | Unaudited 1 July- 30 September 2010 | Unaudited 1 January- 30 September 2009 | Unaudited 1 July- 30 September 2009 |
|--|---|--|---|--|
| NET PROFIT FOR THE PERIOD | 147.141 | 40.665 | 56.527 | 44.058 |
| Other Comprehensive Income / (Expense): | | | | |
| Change in fair value reserve of financial assets | 24.755 | (1.478) | 19.804 | 14.041 |
| Change in currency translation reserve | (10.955) | (35.144) | 8.056 | (11.349) |
| Share on other comprehensive income of investments valued using equity method | (2.867) | 685 | 6.885 | 1.898 |
| Tax (expense) / income based on other comprehensive income | (1.238) | 74 | (990) | (702) |
| COMPREHENSIVE INCOME / (LOSS) AFTER TAX | 9.695 | (35.863) | 33.755 | 3.888 |
| TOTAL COMPREHENSIVE INCOME | 156.836 | 4.802 | 90.282 | 47.946 |
| Distribution of Total Comprehensive Income For The Period | | | | |
| Non-controlling Interests | (660) | (1.198) | (531) | (532) |
| Owners of the parent | 157.496 | 6.000 | 90.813 | 48.478 |

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

| | Other comprehensive income | | | | | | | | | | |
|--|----------------------------|------------------------------|---------------------------|--|---|------------------------------|----------------------------|---------------------------|-------------------|---------------------------|------------------|
| | Revaluation growth funds | | | | | | | | | | |
| | Paid in capital | Capital structure adjustment | Premiums in capital stock | Property, plant and equipment revaluation fund | Fair value reserve of financial investments | Currency translation reserve | Restricted profit reserves | Net profit for the period | Retained earnings | Non controlling interests | Total |
| Opening balances as of 1 January 2009 | 296.775 | 3.475 | 301.839 | 2.055 | 16.627 | 31.302 | 24.490 | 91.032 | 555.877 | 19.251 | 1.342.723 |
| Total comprehensive income | - | - | - | 856 | 24.843 | 8.403 | - | 56.711 | - | (531) | 90.282 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | (43) | (43) |
| Capital increase from retained earnings | 73.225 | - | - | - | - | - | - | - | (73.225) | - | - |
| Transfers to retained earnings | - | - | - | - | - | - | - | (91.032) | 91.032 | - | - |
| Transfers to reserves from retained earnings | - | - | - | - | - | - | 11.687 | - | (11.687) | - | - |
| Payment of dividends | - | - | - | - | - | - | - | - | (1.658) | - | (1.658) |
| Balance as of 30 September 2009 | 370.000 | 3.475 | 301.839 | 2.911 | 41.470 | 39.705 | 36.177 | 56.711 | 560.339 | 18.677 | 1.431.304 |
| Opening balances as of 1 January 2010 | 370.000 | 3.475 | 301.839 | 2.277 | 35.782 | 45.765 | 40.834 | 69.344 | 555.682 | 18.910 | 1.443.908 |
| Total comprehensive income | - | - | - | (1.158) | 21.808 | (10.390) | - | 147.236 | - | (660) | 156.836 |
| Transfers to retained earnings | - | - | - | - | - | - | - | (69.344) | 69.344 | - | - |
| Transfers to reserves from retained earnings | - | - | - | - | - | - | 12.768 | - | (12.768) | - | - |
| Payment of dividends | - | - | - | - | - | - | - | - | (19.310) | - | (19.310) |
| Balance as of 30 September 2010 | 370.000 | 3.475 | 301.839 | 1.119 | 57.590 | 35.375 | 53.602 | 147.236 | 592.948 | 18.250 | 1.581.434 |

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

| | Notes | Unaudited 1 January - 30 September 2010 | Unaudited 1 January - 30 September 2009 |
|---|-------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| ACTIVITIES | | | |
| Net profit for the period | | 147.236 | 56.711 |
| Adjustments to reconcile net profit for the period to cash provided by operating activities: | | | |
| Change in non-controlling interests | | (95) | (227) |
| Depreciation and amortization of tangible and intangible assets | 10 | 53.223 | 62.924 |
| Depreciation of investment property | 10 | 2.567 | 2.463 |
| Changes in provisions | 11,13 | 13.408 | 17.165 |
| Group's share on net assets of investments in associates valued by equity method | | (7.637) | (9.992) |
| Gain on sale of tangible asset (net) | 10 | (3.764) | - |
| Changes in financial investments | | (446) | (1.031) |
| Changes in allowance for impairment on inventory | 8 | 3 | 18 |
| Reversal of unnecessary provisions | 8,11 | (333) | (82.348) |
| Net interest income | 17 | (38.140) | (37.089) |
| Net interest expense | 17 | 26.311 | 37.213 |
| Gains from subsidiaries | | (4.089) | - |
| Allowance for taxation | | 40.766 | 10.944 |
| Changes in expense accruals | | (9.120) | 15.239 |
| Changes in income accruals | | (4.657) | (2.190) |
| Foreign currency translation reserve | | (13.704) | (20.179) |
| Cash generated by operating activities before changes in working capital | | <u>201.529</u> | <u>49.621</u> |
| Changes in working capital | 18 | (105.379) | 117.361 |
| Interest received | | 36.274 | 36.556 |
| Payments | 18 | (50.551) | (67.851) |
| Cash generated by operating activities | | <u>81.873</u> | <u>135.687</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Effect of investments in associates subsidiaries valued by equity method | | (1.472) | (38.481) |
| Acquisition of tangible and intangible assets | 10 | (27.507) | (29.109) |
| Proceeds from sale of tangible and intangible assets | 10 | 10.995 | 3.187 |
| Changes in assets classified as held for sale | 10 | (1.549) | (242) |
| Acquisition of investment property | 10 | (12.899) | (2) |
| Dividend income | | 4.089 | - |
| Cash used in investing activities | | <u>(28.343)</u> | <u>(64.647)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (19.310) | (1.658) |
| Proceeds from borrowings | | 422.076 | 424.248 |
| Repayments of borrowings | | (429.293) | (418.944) |
| Finance lease paid | | (24.323) | (33.435) |
| Cash used in financing activities | | <u>(50.850)</u> | <u>(29.789)</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | | 2.680 | 41.251 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | | |
| | | 561.360 | 506.364 |
| Interest accrual on cash and cash equivalents | | 1.867 | 533 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | <u>565.907</u> | <u>548.148</u> |

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(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 30 September 2010, the Group has 11.888 employees (31 December 2009: 11.366) 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 30 September 2010:

Tekfen Dış Ticaret A.Ş., whose capital is participated by 100% by the Group and whose operations are classified as discontinued in the consolidated financial statements dated 31 December 2009 is merged under Tekfen Endüstri ve Ticaret A.Ş. whose capital is participated by 100% by the Group as of 30 June 2010.

Approval of condensed consolidated financial statements:

After the approval of Board of Directors, the condensed consolidated financial statements are published on 11 November 2010.

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 30 September 2010 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/IFRS 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 2009 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 2009.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

3. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group does not have any new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) that are relevant to its operations and effective for accounting periods beginning on 1 January 2010.

Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

IFRS 3 (revised), “Business Combinations” and consequential amendments to IAS 27, “Consolidated and separate financial statements”, IAS 28, “Investments in associates”, and IAS 31, “Interests in joint ventures”, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

- a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as ‘minority’ interests) either at fair value or at the non-controlling interests’ share of the fair value of the identifiable net assets of the acquire.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.
- d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.

This is not currently applicable to the Group as the group does not have bussiness combinations.

IFRIC 17, “Distributions of non-cash assets to owners”, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, “Transfers of assets from customers”, effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

“Additional exemptions for first-time adopters” (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, “Share-based Payments – Company Cash-settled Share Payment Arrangements” is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2 Share-based Payments, IFRS 5 Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates of these improvements vary standard by standard but most are effective on 1 January 2010.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

The following standards and interpretations have been issued but are not effective on the approval date of the condensed consolidated financial statements:

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. The Group does not expect any impact of the adoption of this new standard on the financial statements.

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 does not expect any impact of the adoption of this new standard on the financial statements.

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. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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, these amendments require that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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. The Group does not expect any impact of the adoption of this amendment on the financial statements.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

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 7 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 1 Presentation of Financial Statements; 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. Early adoption of these amendments are allowed.

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

Due to the strike in the months of April and May in 2009, low sales tonnages in the nine month interim period ended 30 September 2009 and the higher cost of inventories than the sales prices in 2009, the gross profit of the Agriculture segment of the Group is lower than the gross profit of the same segment for the nine month interim period ended 30 September 2010.

The revenue of the Real Estate segment of the Group for the nine month interim period ended 30 September 2009 is higher than the revenue for the nine month interim period ended 30 September 2010 due to the hotel sales revenue in amounting 28.800 in Bodrum Yalıkavak project in 2009.

The Group has reclassified certain “Property” (land and buildings), having total net book value of 5.108 to the “assets classified as held for sale”.

5. SIGNIFICANT CHANGES IN SHAREHOLDERS’EQUITY

Fair Value Reserve of Financial Investments:

The positive change of 23.517 and negative change of 1.709 in the fair values of the Financial Investments which have been traded in the Stock Exchange Market have been directly recognized in equity (30 September 2009 – positive change: 24.843 and negative change: none).

Restricted Profit Reserves:

In accordance with the resolutions taken during the General Meetings of Group Companies as of 30 September 2010, 12.768 of restricted reserves were transferred from retained earnings at the condensed consolidated financial statements (30 September 2009: 11.687).

Dividends Paid:

Upon the decision taken in the Ordinary General Assembly held on 30 April 2010, profit shares of 18.052 and 1.258 were distributed to owners of the Parent and Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed share, respectively.

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6. SEGMENTAL REPORTING

a) Segmental results

| | 1 January-30 September 2010 | | | | | |
|--|-----------------------------|----------------|---------------|----------------|------------------|------------------|
| | Contracting | Agriculture | Real Estate | Other | Eliminations | Total |
| Revenue | 778.081 | 766.877 | 40.836 | 52.791 | - | 1.638.585 |
| Intra-segment sales | 170.461 | 12.364 | 30 | 100 | (182.955) | - |
| Inter-segment sales | 7 | 390 | 191 | 1.870 | (2.458) | - |
| TOTAL REVENUE | 948.549 | 779.631 | 41.057 | 54.761 | (185.413) | 1.638.585 |
| Cost of revenue | (682.420) | (586.844) | (38.428) | (31.977) | - | (1.339.669) |
| GROSS PROFIT | 95.661 | 180.033 | 2.408 | 20.814 | - | 298.916 |
| Marketing, selling and distribution expenses (-) | (288) | (62.045) | - | (5.948) | - | (68.281) |
| General administrative expenses (-) | (36.314) | (11.596) | (610) | (15.169) | - | (63.689) |
| Research and development expenses (-) | - | (111) | - | - | - | (111) |
| Other operating income | 6.501 | 4.345 | 807 | 2.245 | - | 13.898 |
| Other operating expenses (-) | (1.853) | (3.630) | (936) | (7.394) | - | (13.813) |
| OPERATING PROFIT / (LOSS) | 63.707 | 106.996 | 1.669 | (5.452) | - | 166.920 |
| Share on profit / (loss) of investments valued using equity method | - | - | - | 6.489 | - | 6.489 |
| Financial income | 43.751 | 61.028 | 3.571 | 36.095 | - | 144.445 |
| Financial expenses (-) | (65.337) | (51.314) | (2.910) | (10.385) | - | (129.946) |
| PROFIT BEFORE TAXATION | 42.121 | 116.710 | 2.330 | 26.747 | - | 187.908 |
| Tax expense | (9.647) | (23.720) | (560) | (6.840) | - | (40.767) |
| NET PROFIT FOR THE PERIOD | 32.474 | 92.990 | 1.770 | 19.907 | - | 147.141 |

The Group has 44.089 of revenue and 21.570 of operating income from terminal operations classified as agricultural operation in the period of 30 September 2010.

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6. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d)

| | 1 July -30 September 2010 | | | | | |
|--|---------------------------|----------------|---------------|----------------|-----------------|----------------|
| | Contracting | Agriculture | Real Estate | Other | Eliminations | Total |
| Revenue | 262.913 | 240.377 | 15.081 | 16.870 | - | 535.241 |
| Intra-segment sales | 61.323 | 4.413 | 10 | (783) | (64.963) | - |
| Inter-segment sales | 7 | 146 | 70 | 1.424 | (1.647) | - |
| TOTAL REVENUE | 324.243 | 244.936 | 15.161 | 17.511 | (66.610) | 535.241 |
| Cost of revenue | (239.174) | (198.796) | (14.495) | (10.416) | - | (462.881) |
| GROSS PROFIT | 23.739 | 41.581 | 586 | 6.454 | - | 72.360 |
| Marketing, selling and distribution expenses (-) | (142) | (19.771) | - | (1.886) | - | (21.799) |
| General administrative expenses (-) | (12.698) | (3.320) | (191) | (5.082) | - | (21.291) |
| Research and development expenses (-) | - | (51) | - | - | - | (51) |
| Other operating income | 2.354 | 645 | 524 | 713 | - | 4.236 |
| Other operating expenses (-) | (374) | (265) | (160) | (1.838) | - | (2.637) |
| OPERATING PROFIT / (LOSS) | 12.879 | 18.819 | 759 | (1.639) | - | 30.818 |
| Share on profit / (loss) of investments valued using equity method | - | - | - | 988 | - | 988 |
| Financial income | 19.909 | 20.771 | 707 | 13.112 | - | 54.499 |
| Financial expenses (-) | (12.937) | (17.575) | (890) | (4.827) | - | (36.229) |
| PROFIT BEFORE TAXATION | 19.851 | 22.015 | 576 | 7.634 | - | 50.076 |
| Tax expense | (3.161) | (4.185) | (120) | (1.945) | - | (9.411) |
| NET PROFIT FOR THE PERIOD | 16.690 | 17.830 | 456 | 5.689 | - | 40.665 |

The Group has 15.537 of revenue and 7.556 of operating income from terminal operations classified as agricultural operation in the period of 1 July - 30 September 2010.

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6. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d)

| | 1 January-30 September 2009 | | | | | |
|--|-----------------------------|----------------|---------------|---------------|------------------|------------------|
| | Contracting | Agriculture | Real Estate | Other | Eliminations | Total |
| Revenue | 1.006.307 | 693.230 | 52.700 | 49.719 | - | 1.801.956 |
| Intra-segment sales | 105.435 | 3.045 | 16 | (636) | (107.860) | - |
| Inter-segment sales | 517 | 637 | 220 | 2.475 | (3.849) | - |
| TOTAL REVENUE | 1.112.259 | 696.912 | 52.936 | 51.558 | (111.709) | 1.801.956 |
| Cost of revenue | (905.866) | (616.379) | (43.375) | (32.370) | - | (1.597.990) |
| GROSS PROFIT | 100.441 | 76.851 | 9.325 | 17.349 | - | 203.966 |
| Marketing, selling and distribution expenses (-) | (110) | (49.986) | - | (5.229) | - | (55.325) |
| General administrative expenses (-) | (35.026) | (12.809) | (333) | (13.691) | - | (61.859) |
| Research and development expenses (-) | - | (332) | - | - | - | (332) |
| Other operating income | 6.677 | 9.940 | 259 | 2.405 | - | 19.281 |
| Other operating expenses (-) | (9.532) | (7.136) | (988) | (842) | - | (18.498) |
| OPERATING PROFIT / (LOSS) | 62.450 | 16.528 | 8.263 | (8) | - | 87.233 |
| Share on profit / (loss) of investments valued using equity method | - | - | - | 8.841 | - | 8.841 |
| Financial income | 38.201 | 54.316 | 4.516 | 42.099 | - | 139.132 |
| Financial expenses (-) | (65.922) | (68.199) | (5.487) | (28.127) | - | (167.735) |
| PROFIT BEFORE TAXATION | 34.729 | 2.645 | 7.292 | 22.805 | - | 67.471 |
| Tax (expense) / income | (4.888) | 1.535 | (1.265) | (6.326) | - | (10.944) |
| NET PROFIT FOR THE PERIOD | 29.841 | 4.180 | 6.027 | 16.479 | - | 56.527 |

The Group has 38.953 of revenue and 16.366 of operating income from terminal operations classified as agricultural operation in the period of 30 September 2009.

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6. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

| | 1 July -30 September 2009 | | | | | |
|--|---------------------------|----------------|--------------|---------------|-----------------|----------------|
| | Contracting | Agriculture | Real Estate | Other | Eliminations | Total |
| Revenue | 359.201 | 218.852 | 4.535 | 16.148 | - | 598.736 |
| Intra-segment sales | 30.836 | 796 | 5 | (869) | (30.768) | - |
| Inter-segment sales | 39 | 202 | 75 | 1.650 | (1.966) | - |
| TOTAL REVENUE | 390.076 | 219.850 | 4.615 | 16.929 | (32.734) | 598.736 |
| Cost of revenue | (328.934) | (177.753) | (3.729) | (10.149) | - | (520.565) |
| GROSS PROFIT | 30.267 | 41.099 | 806 | 5.999 | - | 78.171 |
| Marketing, selling and distribution expenses (-) | (50) | (17.030) | - | (1.694) | - | (18.774) |
| General administrative expenses (-) | (8.304) | (3.701) | (55) | (4.944) | - | (17.004) |
| Research and development expenses (-) | - | (120) | - | - | - | (120) |
| Other operating income | 933 | 2.269 | (316) | 148 | - | 3.034 |
| Other operating expenses (-) | (1.933) | (3.508) | (78) | 98 | - | (5.421) |
| OPERATING PROFIT / (LOSS) | 20.913 | 19.009 | 357 | (393) | - | 39.886 |
| Share on profit / (loss) of investments valued using equity method | - | - | - | 679 | - | 679 |
| Financial income | 6.062 | 12.698 | 1.605 | 9.926 | - | 30.291 |
| Financial expenses (-) | (6.252) | (13.450) | (1.270) | (1.958) | - | (22.930) |
| PROFIT BEFORE TAXATION | 20.723 | 18.257 | 692 | 8.254 | - | 47.926 |
| Tax (expense) / income | 2.168 | (3.603) | (44) | (2.389) | - | (3.868) |
| NET PROFIT FOR THE PERIOD | 22.891 | 14.654 | 648 | 5.865 | - | 44.058 |

The Group has 14.757 of revenue and 6.921 of operating income from terminal operations classified as agricultural operation in the period of 1 July - 30 September 2009.

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6. SEGMENTAL REPORTING (cont'd)

b) As of 30 September 2010 and 31 December 2009 segmental assets and liabilities are as follows:

| | 30 September 2010 | | | | |
|--|-------------------|-------------|-------------|-----------|-----------|
| | Contracting | Agriculture | Real Estate | Other | Total |
| Balance sheet | | | | | |
| Total Assets | 1.237.530 | 870.674 | 26.149 | 715.331 | 2.849.684 |
| Current and Non-current Liabilities | 908.895 | 283.638 | 11.059 | 64.658 | 1.268.250 |
| Equity Attributable To Owners Of The Parents | 245.936 | 127.619 | 544 | 1.189.085 | 1.563.184 |
| Non-controlling Interests | 14.487 | 3.641 | 158 | (36) | 18.250 |

| | 31 December 2009 | | | | |
|--|------------------|-------------|-------------|-----------|-----------|
| | Contracting | Agriculture | Real Estate | Other | Total |
| Balance sheet | | | | | |
| Total Assets | 1.290.396 | 738.377 | 31.713 | 713.337 | 2.773.823 |
| Current and Non-current Liabilities | 977.831 | 249.247 | 18.063 | 84.774 | 1.329.915 |
| Equity Attributable To Owners Of The Parents | 229.253 | 29.784 | (40) | 1.166.001 | 1.424.998 |
| Non-controlling Interests | 15.207 | 3.631 | 192 | (120) | 18.910 |

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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 periods ended 30 September 2010 and 30 September 2009 are as follows:

| | 1 January-30 September 2010 | | | | |
|---|-----------------------------|-------------|--------|--------|--------|
| | Real | | | | |
| | Contracting | Agriculture | Estate | Other | Total |
| Capital expenditures (*) | 19.801 | 7.179 | 184 | 13.242 | 40.406 |
| Depreciation and amortization expense for the period (**) | 40.883 | 11.066 | 320 | 3.594 | 55.863 |
| | 1 July - 30 September 2010 | | | | |
| | Real | | | | |
| | Contracting | Agriculture | Estate | Other | Total |
| Capital expenditures (*) | 2.230 | 1.937 | 18 | 131 | 4.316 |
| Depreciation and amortization expense for the period | 12.957 | 3.682 | 104 | 1.112 | 17.855 |
| | 1 January-30 September 2009 | | | | |
| | Real | | | | |
| | Contracting | Agriculture | Estate | Other | Total |
| Capital expenditures (*) | 12.902 | 14.741 | 646 | 822 | 29.111 |
| Depreciation and amortization expense for the period (**) | 48.304 | 13.683 | 282 | 3.265 | 65.534 |
| | 1 July - 30 September 2009 | | | | |
| | Real | | | | |
| | Contracting | Agriculture | Estate | Other | Total |
| Capital expenditures (*) | 4.396 | 11.751 | 437 | 255 | 16.839 |
| Depreciation and amortization expense for the period | 14.506 | 4.491 | 94 | 827 | 19.918 |

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

(**) Depreciation expense of 73 is capitalized within the cost of inventory (30 September 2009: 147).

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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 September 2010) | 996.128 | 221.889 | 81.656 | 458.071 | 71.915 | (191.074) | 1.638.585 |
| Total assets (30 September 2010) | 3.307.639 | 567.523 | 177.366 | 570.735 | 201.378 | (1.974.957) | 2.849.684 |
| Capital expenditures (1 January - 30 September 2010)(*) | 30.796 | 1.037 | 150 | 8.288 | 135 | - | 40.406 |
| | Turkey | CIS | Northern Africa | Middle Eastern Countries | Other | Eliminations | Total |
| Revenue (1 July-30 September 2010) | 322.506 | 85.522 | 27.211 | 138.764 | 28.799 | (67.561) | 535.241 |
| Capital expenditures (1 July - 30 September 2010)(*) | 2.365 | 752 | 70 | 1.123 | 6 | - | 4.316 |
| | Turkey | CIS | Northern Africa | Middle Eastern Countries | Other | Eliminations | Total |
| Revenue (1 January-30 September 2009) | 1.022.080 | 148.561 | 183.692 | 476.238 | 83.094 | (111.709) | 1.801.956 |
| Total assets (31 December 2009) | 3.033.514 | 470.045 | 193.667 | 512.610 | 333.427 | (1.769.440) | 2.773.823 |
| Capital expenditures (1 January - 30 September 2009)(*) | 20.741 | 1.050 | 1.323 | 5.848 | 149 | - | 29.111 |
| | Turkey | CIS | Northern Africa | Middle Eastern Countries | Other | Eliminations | Total |
| Revenue (1 July-30 September 2009) | 299.052 | 81.383 | 45.403 | 173.250 | 32.382 | (32.734) | 598.736 |
| Capital expenditures (1 July - 30 September 2009)(*) | 12.859 | 702 | (1) | 3.243 | 36 | - | 16.839 |

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

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7. OTHER RECEIVABLES

| | 30 September 2010 | 31 December 2009 |
|--|----------------------|---------------------|
| <u>Other short term receivables</u> | | |
| Other receivables | 4.144 | 4.700 |
| Income accruals | 2.057 | 2.601 |
| Deposits and guarantees given | 561 | 2.062 |
| Finance lease receivables | - | 1.748 |
| Credit card receivables with maturity longer than three months | 2.369 | 1.216 |
| Other doubtful receivables | 571 | 571 |
| Other doubtful receivable provision (-) | (571) | (571) |
| | <u>9.131</u> | <u>12.327</u> |
| | | |
| | 30 September 2010 | 31 December 2009 |
| <u>Other long term receivables</u> | | |
| Finance lease receivables | - | 7.867 |
| Deposits and guarantees given | 9.848 | 4.643 |
| Blocked deposits | 1.120 | 1.036 |
| | <u>10.968</u> | <u>13.546</u> |
| | | |
| | 30 September 2010 | 31 December 2009 |
| Gross rent receivables | - | 9.962 |
| Less (unearned interest income) | - | (347) |
| | <u>-</u> | <u>9.615</u> |

The real estate attributable to financial lease receivable of the Group presented on the consolidated financial statements as of 31 December 2009 is sold for 9.672 during the period.

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8. INVENTORIES

| | 30 September 2010 | 31 December 2009 |
|--|----------------------|---------------------|
| Raw materials | 30.212 | 22.769 |
| Work in progress | 32.158 | 23.757 |
| Finished goods | 45.788 | 22.418 |
| Trading goods | 21.374 | 80.317 |
| Goods in transit | 39.769 | 25.924 |
| Inventory at construction sites | 89.040 | 83.177 |
| Other inventories | 23.695 | 22.926 |
| Allowance for impairment on inventory (-) | (835) | (862) |
| | <u>281.201</u> | <u>280.426</u> |
| | | |
| <u>Movement of allowance for impairment on inventory</u> | <u>2010</u> | <u>2009</u> |
| Provision as of 1 January | (862) | (78.116) |
| Charge for the period | (3) | (18) |
| Currency translation effect | 30 | (4) |
| Provision released | - | 78.120 |
| Provision as of 30 September | <u>(835)</u> | <u>(18)</u> |

Impairment on inventory is accounted in the cost of revenue.

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9. CONSTRUCTION CONTRACTS

| | 30 September 2010 | 31 December 2009 |
|--|----------------------|---------------------|
| Cost incurred on uncompleted contracts | 3.048.625 | 3.371.865 |
| Recognised gain less losses (net) | 257.515 | 378.472 |
| | <u>3.306.140</u> | <u>3.750.337</u> |
| Less: Billings to date (-) | (2.918.001) | (3.345.294) |
| | <u>388.139</u> | <u>405.043</u> |

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

| | 30 September 2010 | 31 December 2009 |
|---|----------------------|---------------------|
| From customers under construction contracts | 429.103 | 446.171 |
| To customers under construction contracts | (40.964) | (41.128) |
| | <u>388.139</u> | <u>405.043</u> |

| | 30 September 2010 | 31 December 2009 |
|---|----------------------|---------------------|
| <u>Receivables from uncompleted contracts</u> | | |
| Contracts undersigned abroad | 414.708 | 439.992 |
| Contracts undersigned in Turkey | 14.395 | 6.179 |
| | <u>429.103</u> | <u>446.171</u> |
| <u>Payables from uncompleted contracts</u> | | |
| Contracts undersigned abroad | (40.964) | (31.595) |
| Contracts undersigned in Turkey | - | (9.533) |
| | <u>(40.964)</u> | <u>(41.128)</u> |
| | <u>388.139</u> | <u>405.043</u> |

As of 30 September 2010, total retention receivables amount to 38.610 (31 December 2009: 32.704).

The Group has 129.082 of advances received for contracting projects that is accounted in other short term liabilities (31 December 2009: 136.071).

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

| | Property, plant and equipment | Intangible assets | Investment property |
|--|----------------------------------|-------------------|------------------------|
| <u>Cost Value</u> | | | |
| Opening balance as of 1 January 2010 | 1.689.996 | 11.716 | 119.792 |
| Currency translation effect | (29.423) | (365) | (401) |
| Additions | 26.688 | 819 | 12.899 |
| Diposals | (17.555) | (331) | - |
| Transfers | (6.070) | 543 | - |
| Closing balance as of 30 September 2010 | <u>1.663.636</u> | <u>12.382</u> | <u>132.290</u> |
| <u>Accumulated Depreciation and Amortization</u> | | | |
| Opening balance as of 1 January 2010 | (1.055.296) | (8.938) | (23.014) |
| Currency translation effect | 22.213 | 237 | - |
| Charge for the period | (52.088) | (1.208) | (2.567) |
| Disposals | 10.378 | 277 | - |
| Transfers | 419 | - | - |
| Closing balance as of 30 September 2010 | <u>(1.074.374)</u> | <u>(9.632)</u> | <u>(25.581)</u> |
| Carrying value as of 30 September 2010 | <u>589.262</u> | <u>2.750</u> | <u>106.709</u> |
| <u>Cost Value</u> | | | |
| Opening balance as of 1 January 2009 | 1.691.762 | 11.077 | 119.803 |
| Currency translation effect | (12.705) | (96) | (70) |
| Additions | 28.622 | 487 | 2 |
| Diposals | (8.472) | - | - |
| Transfers | (15.921) | - | - |
| Closing balance as of 30 September 2009 | <u>1.683.286</u> | <u>11.468</u> | <u>119.735</u> |
| <u>Accumulated Depreciation and Amortization</u> | | | |
| Opening balance as of 1 January 2010 | (1.000.810) | (7.253) | (19.797) |
| Currency translation effect | 14.496 | 149 | - |
| Charge for the period | (61.515) | (1.556) | (2.463) |
| Disposals | 5.285 | - | - |
| Closing balance as of 30 September 2009 | <u>(1.042.544)</u> | <u>(8.660)</u> | <u>(22.260)</u> |
| Carrying value as of 30 September 2009 | <u>640.742</u> | <u>2.808</u> | <u>97.475</u> |

Property, plant and equipment includes fixed assets with carrying value of 90.670 purchased through financial lease (30 September 2009: 127.847).

The mortgages on buildings is completely annulled during the period (30 September 2009: 3.205).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

| Provisions | 30 September 2010 | 31 December 2009 |
|--------------------------|----------------------|---------------------|
| Provision for litigation | 15.318 | 15.260 |
| Other provisions | 8.298 | 3.028 |
| | <u>23.616</u> | <u>18.288</u> |

Movement of provision for litigation is as follows:

| | 2010 | 2009 |
|------------------------------|---------------|---------------|
| Provision as of 1 January | 15.260 | 20.767 |
| Provision paid (-) | (115) | (4.909) |
| Charge for the period | 514 | 5.358 |
| Provision released | (333) | (4.228) |
| Currency translation effect | (8) | (919) |
| Provision as of 30 September | <u>15.318</u> | <u>16.069</u> |

Litigations:

Upon the consultation of legal advisors, as of 30 September 2010, the management has decided to accrue 15.318 (31 December 2009: 15.260) 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 25.361 (31 December 2009: 52.958) of lawsuit filed against the Group. The Group's subsidiary, Tekfen İnşaat ve Tesisat A.Ş. has won a legal case as a defendant amounting to 24.670 without any resource allocation.

As explained in detail in the notes of the audited consolidated financial statements as of 31 December 2009, 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.

12. COMMITMENTS AND OBLIGATIONS

The guarantee, pledge and mortgage position tables of the Group as of 30 September 2010 and 31 December 2009 are as follows:

| | 30 September 2010 | 31 December 2009 |
|--|----------------------|---------------------|
| A. GPM given on behalf of its own legal entity | 147.142 | 146.361 |
| B. GPM given on behalf of subsidiaries that are included in full consolidation | 1.290.067 | 1.334.668 |
| C. GPM given in order to guarantee third parties' debts for the routine trade operations | - | - |
| 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 | <u>1.437.209</u> | <u>1.481.029</u> |

Since there are no other GPM given, the ratio to total equity is not presented.

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13. EMPLOYEE BENEFITS

| | 30 September 2010 | 31 December 2009 |
|---|----------------------|---------------------|
| Short term employee benefits: | | |
| Retirement pay provision | 253 | 2.880 |
| Unused vacation pay liability provision | 11.023 | 9.638 |
| Premium provision | 6.013 | 7.468 |
| Other employee benefits provisions | 12.064 | 11.575 |
| | <u>29.353</u> | <u>31.561</u> |
| Long term employee benefits: | | |
| Retirement pay provision | 31.541 | 29.120 |

The amount payable to employee calculated by one month salary is limited to a maximum TRY 2.517 (31 December 2009: TRY 2.427) as of 30 September 2010.

| | 30 September 2010 | 31 December 2009 |
|-------------------------------------|----------------------|---------------------|
| Short term retirement pay provision | 253 | 2.880 |
| Long term retirement pay provision | 31.541 | 29.120 |
| | <u>31.794</u> | <u>32.000</u> |

| | Retirement Pay Provision | Premium Provision |
|---|-----------------------------|----------------------|
| Opening balance as of 1 January 2010 | 32.000 | 7.468 |
| Currency translation effect | (729) | (130) |
| Service expense | 5.708 | 6.185 |
| Interest expense | 1.001 | - |
| Provision paid (-) | (6.186) | (7.510) |
| Closing balance as of 30 September 2010 | <u>31.794</u> | <u>6.013</u> |
| Opening balance as of 1 January 2009 | 36.149 | 6.575 |
| Currency translation effect | (560) | (138) |
| Service expense | 7.004 | 3.956 |
| Interest expense | 847 | - |
| Provision paid (-) | (10.044) | (5.043) |
| Closing balance as of 30 September 2009 | <u>33.396</u> | <u>5.350</u> |

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

14. FINANCIAL DEBTS

The Company’s short term financial debts, utilized to finance its working capital flow are reclassified as long term whose maturities passed 30 September 2011 according to their opening dates. Annual weighted average interest rate of loans borrowed during the period in term of US Dollars is 3,13% (31 December 2009: 4,24%).

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.

4 office floor located at Tekfen Tower Building which is 4.180 square meters have been purchased from Eurobank Tekfen A.Ş., an investment that is accounted by equity method with respect to the agreement between the Company and Eurobank Tekfen A.Ş. dated 16 March 2007. It is recorded at a value of 12.886 as of 18 January 2010.

Group has a total deposit of 431.963 in Eurobank Tekfen A.Ş. as of 30 September 2010 (31 December 2009: 380.895) classified in cash and cash equivalents. 24.978 (30 September 2009: 29.863) of interest income is earned within the nine month interim period ended 30 September 2010.

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- 30 September 2010 | 1 July- 30 September 2010 | 1 January- 30 September 2009 | 1 July- 30 September 2009 |
|---|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| 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 TRY) | 147.236 | 40.648 | 56.711 | 44.117 |
| Earnings per share from operations (TRY) | 0,398 | 0,110 | 0,153 | 0,119 |

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

17. FINANCIAL INCOME AND FINANCIAL EXPENSE

Financial Income:

| | 1 January- 30 September 2010 | 1 July- 30 September 2010 | 1 January- 30 September 2009 | 1 July- 30 September 2009 |
|------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| Interest income | 38.140 | 13.238 | 36.431 | 12.448 |
| Foreign exchange gains | 100.586 | 41.075 | 94.529 | 17.214 |
| Other | 5.719 | 186 | 8.172 | 629 |
| | <u>144.445</u> | <u>54.499</u> | <u>139.132</u> | <u>30.291</u> |

Financial Expense:

| | 1 January- 30 September 2010 | 1 July- 30 September 2010 | 1 January- 30 September 2009 | 1 July- 30 September 2009 |
|-------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| Finance expense | (26.311) | (10.099) | (41.794) | (12.062) |
| Foreign exchange losses | (103.635) | (26.130) | (125.941) | (10.868) |
| | <u>(129.946)</u> | <u>(36.229)</u> | <u>(167.735)</u> | <u>(22.930)</u> |

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18. ADDITIONAL INFORMATION REGARDING STATEMENT OF CASH FLOWS

Details regarding the information presented on the condensed consolidated statements of cash flows for the nine month interim periods ended 30 September 2010 and 2009:

Changes in working capital

| | 1 January- 30 September 2010 | 1 January- 30 September 2009 |
|--|------------------------------------|------------------------------------|
| Changes in trade receivables | (103.022) | (9.631) |
| Changes in due from related parties | (11.631) | (7.691) |
| Changes in inventories | (675) | 234.932 |
| Changes in receivables from ongoing construction contracts | 17.068 | 38.438 |
| Changes in other receivables | 7.853 | 1.782 |
| Changes in other current assets | 6.157 | 19.704 |
| Changes in long term trade receivables | (1.871) | (21.949) |
| Changes in other long term receivables | 2.578 | (2.685) |
| Changes in other long term assets | (2.438) | 19.949 |
| Changes in trade payables | (43.279) | (106.271) |
| Changes in due to related parties | (4.124) | 318 |
| Changes in other payables | 9.532 | 5.140 |
| Changes in ongoing construction progress payments | (164) | 26.664 |
| Changes in provisions | 5.271 | 41 |
| Changes in employee benefits | 1.872 | (4.936) |
| Changes in other short term liabilities | 11.610 | (76.283) |
| Changes in long term trade payables | (1.523) | 128 |
| Changes in other long term liabilities | 1.407 | (289) |
| Cash generated by / (used in) operating activities | <u>(105.379)</u> | <u>117.361</u> |

Payments

| | 1 January- 30 September 2010 | 1 January- 30 September 2009 |
|-------------------------------|------------------------------------|------------------------------------|
| Interest paid | (20.162) | (35.409) |
| Tax paid | (16.578) | (12.446) |
| Penalty of litigation paid | (115) | (4.909) |
| Premiums paid | (7.510) | (5.043) |
| Retirement pay provision paid | (6.186) | (10.044) |
| | <u>(50.551)</u> | <u>(67.851)</u> |

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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

19. FOREIGN CURRENCY POSITION

| 30 September 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 | 102.224 | 24.743 | 22.973 | 10 | 20.914 |
| 2. Monetary Financial Assets | 185.670 | 116.594 | 5.326 | 7 | 5.932 |
| 3. Other | 48.404 | 29.207 | 703 | 54 | 4.506 |
| 4. CURRENT ASSETS | 336.298 | 170.544 | 29.002 | 71 | 31.352 |
| 5. Trade Receivables | 2.115 | - | 519 | - | 1.090 |
| 6. Monetary Financial Assets | 5.730 | 771 | 16 | - | 4.580 |
| 7. Other | 89 | 61 | - | - | - |
| 8. NON CURRENT ASSETS | 7.934 | 832 | 535 | - | 5.670 |
| 9. TOTAL ASSETS | 344.232 | 171.376 | 29.537 | 71 | 37.022 |
| 10. Trade Payables | 248.880 | 125.918 | 19.514 | 927 | 25.474 |
| 11. Financial Liabilities | 75.036 | 43.622 | 5.695 | - | 482 |
| 12. Monetary Other Liabilities | 43.790 | 463 | 3.297 | - | 36.605 |
| 12b. Non Monetary Other Liabilities | 16.871 | 10.967 | 484 | - | - |
| 13. CURRENT LIABILITIES | 384.577 | 180.970 | 28.990 | 927 | 62.561 |
| 14. Trade Payables | 397 | - | - | - | 397 |
| 15. Financial Liabilities | 1.334 | 787 | 97 | - | - |
| 16. Monetary Other Liabilities | 9.493 | 247 | - | - | 9.135 |
| 17. NON CURRENT LIABILITIES | 11.224 | 1.034 | 97 | - | 9.532 |
| 18. TOTAL LIABILITIES | 395.801 | 182.004 | 29.087 | 927 | 72.093 |
| 19. Net foreign currency assets/(liabilities) position | (51.569) | (10.628) | 450 | (856) | (35.071) |
| 20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16) | (83.191) | (28.929) | 231 | (910) | (39.577) |
| 21. Export | 68.448 | 45.569 | 272 | - | - |
| 22. Import | 487.438 | 295.547 | 15.973 | 2.473 | 503 |

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

19. FOREIGN CURRENCY POSITION (cont’d)

| 31 December 2009 | Equivalent of Thousands of TRY | Thousands of US Dollars | Thousands of EUR | Thousands of GBP | Other (Equivalent of Thousands of TRY) |
|--|-----------------------------------|----------------------------|------------------|------------------|---|
| 1. Trade Receivables | 92.226 | 10.014 | 28.508 | 2 | 15.558 |
| 2. Monetary Financial Assets | 187.388 | 103.311 | 9.145 | 418 | 11.079 |
| 3. Other | 17.269 | 4.621 | 4.031 | 94 | 1.378 |
| 4. CURRENT ASSETS | 296.883 | 117.946 | 41.684 | 514 | 28.015 |
| 5. Trade Receivables | 6.566 | 2.953 | 605 | - | 812 |
| 6. Monetary Financial Assets | 11.934 | - | 17 | - | 11.898 |
| 7. Other | 92 | 61 | - | - | - |
| 8. NON CURRENT ASSETS | 18.592 | 3.014 | 622 | - | 12.710 |
| 9. TOTAL ASSETS | 315.475 | 120.960 | 42.306 | 514 | 40.725 |
| 10. Trade Payables | 232.424 | 125.432 | 7.568 | 801 | 25.297 |
| 11. Financial Liabilities | 88.385 | 54.608 | 2.545 | - | 664 |
| 12. Monetary Other Liabilities | 49.785 | 1.351 | 5.996 | - | 33.799 |
| 12b. Non Monetary Other Liabilities | 25.715 | 12.153 | 80 | - | 7.243 |
| 13. CURRENT LIABILITIES | 396.309 | 193.544 | 16.189 | 801 | 67.003 |
| 14. Trade Payables | 1.987 | - | - | - | 1.987 |
| 15. Financial Liabilities | 959 | 423 | 149 | - | - |
| 16. Monetary Other Liabilities | 7.724 | 394 | - | - | 7.131 |
| 17. NON CURRENT LIABILITIES | 10.670 | 817 | 149 | - | 9.118 |
| 18. TOTAL LIABILITIES | 406.979 | 194.361 | 16.338 | 801 | 76.121 |
| 19. Net foreign currency assets/(liabilities) position | (91.504) | (73.401) | 25.968 | (287) | (35.396) |
| 20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16) | (83.150) | (65.930) | 22.017 | (381) | (29.532) |
| 21. Export | 77.991 | 50.032 | 315 | - | - |
| 22. Import | 708.305 | 363.449 | 51.360 | 7.626 | - |

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19. 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 nine 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.

| | 30 September 2010 | |
|---|--|------------------------------------|
| | Profit / Loss | |
| | Appreciation of foreign currencies | Depreciation of foreign currencies |
| | If US Dollars 10% appreciated vs TRY | |
| US Dollars net assets / liabilities | (1.543) | 1.543 |
| | If Euro 10% appreciated vs TRY | |
| Euro net assets / liabilities | 89 | (89) |
| | If Other foreign currencies 10% appreciated vs TRY | |
| Other foreign currency net assets / liabilities | (3.703) | 3.703 |
| TOTAL | (5.157) | 5.157 |
| | 31 December 2009 | |
| | Profit / Loss | |
| | Appreciation of foreign currencies | Depreciation of foreign currencies |
| | If US Dollars 10% appreciated vs TRY | |
| US Dollars net assets / liabilities | (11.052) | 11.052 |
| | If Euro 10% appreciated vs TRY | |
| Euro net assets / liabilities | 5.610 | (5.610) |
| | If Other foreign currencies 10% appreciated vs TRY | |
| Other foreign currency net assets / liabilities | (3.708) | 3.708 |
| TOTAL | (9.150) | 9.150 |

20. EVENTS AFTER BALANCE SHEET DATE

As of 11.11.2010, there is a negative change of 4.729 in the fair value of Akmerkez Gayrimenkul Yatırım Ortaklığı, whose shares are publicly traded.

Due to the Board of Directors resolution of Toros Tarım A.Ş, a subsidiary of the Group, dated 02.11.2010, A type highway establishments in Şambayadı, Seyhan and D type highway establishment in İncirlik are decided to be transferred by the amount of 10,8 Million TRY (7,5 Million USD) upon the approval of the General Directorate of Highways.

Tekfen İnşaat ve Tesizat A.Ş, a subsidiary of the Group, has been notified by Office Chérifien des Phosphates S.A.'nın (OCP), the Moroccan state phosphate producer, that it has won the tender for the engineering, procurement, construction, commissioning and turnkey delivery of a pipeline to carry phosphate clay from Khouribga to Jorf Lasfar. It is expected that the contract will be signed soon and that the contract value will be approximately 668 Million TRY (460 Million USD). An announcement will be made when the contract is signed.

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