

**TEKFEN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE NINE MONTH
INTERIM PERIOD
ENDED 30 SEPTEMBER 2020

(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 30 SEPTEMBER 2020**

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

| ASSETS | Notes | Unreviewed 30 September 2020 | Audited 31 December 2019 |
|---|--------------|---|---|
| Current Assets | | 9.206.766 | 9.217.274 |
| Cash and cash equivalents | 7 | 2.944.223 | 4.094.625 |
| Financial investments | | 4.685 | 12.782 |
| Trade receivables | 8 | 1.356.651 | 1.953.336 |
| - Related party receivables | | 23.345 | 22.402 |
| - Trade receivables | | 1.333.306 | 1.930.934 |
| Other receivables | | 98.759 | 62.273 |
| - Related party receivables | | 6.150 | 14.256 |
| - Other receivables | | 92.609 | 48.017 |
| Contract assets arising from ongoing construction works | 9 | 1.947.142 | 692.101 |
| Derivative instruments | 21 | 26.496 | 211 |
| Inventories | 10 | 1.910.878 | 1.448.934 |
| Prepaid expenses | | 476.877 | 348.616 |
| - Prepaid expenses | | 476.877 | 348.616 |
| Assets related to current tax | | 78.453 | 157.615 |
| Other current assets | | 326.482 | 420.465 |
| - Other current assets | | 326.482 | 420.465 |
| | | 9.170.646 | 9.190.958 |
| Assets classified as held for sale | | 36.120 | 26.316 |
| Non-Current Assets | | 5.410.180 | 3.445.874 |
| Financial investments | 4 | 1.537.271 | 393.868 |
| Trade receivables | 8 | 637.155 | 313.979 |
| - Trade receivables | | 637.155 | 313.979 |
| Other receivables | | 12.570 | 8.885 |
| - Other receivables | | 12.570 | 8.885 |
| Investments valued by equity method | 11 | 147.148 | 103.597 |
| Investment property | 12 | 141.757 | 125.358 |
| Property, plant and equipment | 12 | 2.562.818 | 2.135.206 |
| Right-of-use assets | 12 | 61.995 | 55.182 |
| Intangible assets | 12 | 135.303 | 106.459 |
| - Goodwill | | 92.106 | 61.424 |
| - Other intangible assets | | 43.197 | 45.035 |
| Prepaid expenses | | 26.620 | 25.561 |
| - Prepaid expenses | | 26.620 | 25.561 |
| Deferred tax assets | | 126.288 | 155.943 |
| Other non-current assets | | 21.255 | 21.836 |
| - Other non-current assets | | 21.255 | 21.836 |
| TOTAL ASSETS | | 14.616.946 | 12.663.148 |

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

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2020

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

| LIABILITIES | Notes | Unreviewed 30 September 2020 | Audited 31 December 2019 |
|--|--------------|---|---|
| Current Liabilities | | 7.677.233 | 6.645.129 |
| Short-term borrowings | 13 | 1.682.742 | 407.897 |
| Short-term portion of long-term borrowings | | 91.718 | 212.591 |
| Trade payables | 8 | 4.086.421 | 3.330.480 |
| - Related party payables | | 21.846 | 24.883 |
| - Trade payables | | 4.064.575 | 3.305.597 |
| Payables related to employee benefits | | 69.074 | 77.995 |
| Other payables | 4,5 | 142.945 | 82.068 |
| - Related party payables | | 42.043 | 108 |
| - Other payables | | 100.902 | 81.960 |
| Contract liabilities arising from ongoing construction works | 9 | 571.328 | 1.006.076 |
| Derivative instruments | 21 | - | 29.939 |
| Deferred revenue | | 557.830 | 690.709 |
| - Deferred revenue | | 557.830 | 690.709 |
| Current tax liability | | 106.726 | 447.074 |
| Short-term provisions | 14 | 357.991 | 357.635 |
| - Short-term provisions attributable to employee benefits | | 134.878 | 160.971 |
| - Other short-term provisions | | 223.113 | 196.664 |
| Other short-term liabilities | | 10.458 | 2.665 |
| - Other short-term liabilities | | 10.458 | 2.665 |
| Non-Current Liabilities | | 714.171 | 521.149 |
| Long-term borrowings | 13 | 341.137 | 215.458 |
| Trade payables | 8 | 73.692 | 77.448 |
| - Trade payables | | 73.692 | 77.448 |
| Other payables | | 62.098 | 78.482 |
| - Other payables | | 62.098 | 78.482 |
| Government incentives and grants | | 1.132 | 1.132 |
| Deferred revenue | | 241 | 332 |
| - Deferred revenue | | 241 | 332 |
| Long-term provisions | 14 | 103.762 | 72.118 |
| - Long-term provisions attributable to employee benefits | | 103.705 | 72.066 |
| - Other long-term provisions | | 57 | 52 |
| Deferred tax liabilities | | 132.109 | 76.179 |
| TOTAL LIABILITIES | | 8.391.404 | 7.166.278 |
| EQUITY | | 6.225.542 | 5.496.870 |
| Equity Attributable To Owners Of The Parent | 5, 17 | 6.137.205 | 5.428.680 |
| Paid in capital | | 370.000 | 370.000 |
| Capital structure adjustment | | 3.475 | 3.475 |
| Premiums in capital stock | | 300.984 | 300.984 |
| Accumulated other comprehensive income (loss) that will not be reclassified to profit or loss | | 319.849 | 90.022 |
| - Gain on investments in equity instruments | | 317.396 | 87.717 |
| - Gain on revaluation and remeasurement | | 2.453 | 2.305 |
| Accumulated other comprehensive income that will be reclassified to profit or loss | | 1.251.915 | 465.041 |
| - Currency translation reserve | | 1.231.252 | 488.224 |
| - Hedging reserve | | 20.663 | (23.183) |
| Legal reserves | | 382.514 | 278.423 |
| Prior years' income | | 3.377.807 | 2.499.985 |
| Net profit for the period | | 130.661 | 1.420.750 |
| Non-controlling Interests | | 88.337 | 68.190 |
| TOTAL LIABILITIES AND EQUITY | | 14.616.946 | 12.663.148 |

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

| | Notes | Unreviewed 1 January- 30 September 2020 | Unreviewed 1 July- 30 September 2020 | Unreviewed 1 January - 30 September 2019 | Unreviewed 1 July- 30 September 2019 |
|--|-------|--|---|---|---|
| Revenue | 6 | 8.373.588 | 2.693.241 | 11.296.815 | 2.990.932 |
| Cost of revenue (-) | | (7.656.310) | (2.575.464) | (9.149.254) | (2.476.368) |
| GROSS PROFIT | | 717.278 | 117.777 | 2.147.561 | 514.564 |
| General administrative expenses (-) | | (339.831) | (109.145) | (324.863) | (118.265) |
| Marketing expenses (-) | | (250.300) | (85.019) | (240.299) | (63.314) |
| Research and development expenses (-) | | (17.504) | (2.798) | (3.891) | (1.045) |
| Other operating income | 19 | 502.000 | 139.594 | 422.573 | 113.216 |
| Other operating expenses (-) | 19 | (725.535) | (221.689) | (402.603) | (122.913) |
| Share on profit of investments valued by equity method | 11 | 38.275 | 17.475 | 8.136 | 882 |
| OPERATING PROFIT (LOSS) | | (75.617) | (143.805) | 1.606.614 | 323.125 |
| Investment income | | 34.067 | 1.023 | 24.579 | 10.570 |
| Investment expense (-) | | (15) | 168 | (4.968) | (14) |
| PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE) | | (41.565) | (142.614) | 1.626.225 | 333.681 |
| Financial income | 20 | 635.605 | 301.805 | 558.037 | 140.064 |
| Financial expenses (-) | 20 | (261.896) | (86.534) | (390.372) | (140.480) |
| PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION | | 332.144 | 72.657 | 1.793.890 | 333.265 |
| Tax Expense from Continuing Operations (-) | | (204.184) | (86.119) | (357.541) | (76.277) |
| Tax expense for the period (-) | | (149.898) | (54.729) | (189.477) | (39.370) |
| Deferred tax expense (-) | | (54.286) | (31.390) | (168.064) | (36.907) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS | | 127.960 | (13.462) | 1.436.349 | 256.988 |
| Distribution of Profit (Loss) for the Period | | | | | |
| Non-controlling interests | | (2.701) | 1.125 | (3.939) | (1.414) |
| Owners of the parent | 18 | 130.661 | (14.587) | 1.440.288 | 258.402 |
| Earnings Per Share | 18 | 0,353 | (0,039) | 3,893 | 0,698 |

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

| | Unreviewed 1 January- 30 September 2020 | Unreviewed 1 July- 30 September 2020 | Unreviewed 1 January - 30 September 2019 | Unreviewed 1 July- 30 September 2019 |
|---|--|---|---|---|
| PROFIT (LOSS) FOR THE PERIOD | 127.960 | (13.462) | 1.436.349 | 256.988 |
| OTHER COMPREHENSIVE INCOME: | | | | |
| <u>Items that will not be reclassified to profit or loss</u> | 229.827 | 179.631 | 16.112 | 3.927 |
| Gain on investments in equity instruments | 241.767 | 191.461 | 13.074 | 708 |
| Gain (loss) on revaluation of defined benefit plans | 185 | (2.821) | 4.615 | 4.069 |
| Taxes based on other comprehensive income that will not be reclassified to profit or loss | (12.125) | (9.009) | (1.577) | (850) |
| - <i>Deferred tax expense (-)</i> | <i>(12.125)</i> | <i>(9.009)</i> | <i>(1.577)</i> | <i>(850)</i> |
| <u>Items that will be reclassified to profit or loss</u> | 809.722 | 362.228 | (32.821) | (67.235) |
| Currency translation reserve differences | 765.876 | 355.051 | 28.058 | (40.540) |
| Other comprehensive income (expenses) related to cash flow hedging (-) | 56.213 | 9.201 | (78.050) | (34.224) |
| Taxes based on other comprehensive income that will be reclassified to profit or loss | (12.367) | (2.024) | 17.171 | 7.529 |
| - <i>Deferred tax (expense) income</i> | <i>(12.367)</i> | <i>(2.024)</i> | <i>17.171</i> | <i>7.529</i> |
| OTHER COMPREHENSIVE INCOME (EXPENSE) | 1.039.549 | 541.859 | (16.709) | (63.308) |
| TOTAL COMPREHENSIVE INCOME | 1.167.509 | 528.397 | 1.419.640 | 193.680 |
| Distribution of Total Comprehensive Income for The Period | | | | |
| Non-controlling interests | 20.147 | 9.364 | 1.143 | (221) |
| Owners of the parent | 1.147.362 | 519.033 | 1.418.497 | 193.901 |

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

| | | | | Items not to be reclassified to profit or loss | | Items to be reclassified to profit or loss | Retained Earnings | | | Equity attributable to owners of the parent | Non- controlling interests | Equity | |
|--|--------------------|------------------------------------|---------------------------------|--|---|--|-------------------------------|-------------------|------------------------|--|----------------------------------|---------------|---------------------------------|
| | Paid in capital | Capital structure adjustment | Premiums in capital stock | Gain on investments in equity instruments | Gain (loss) on revaluation and remeasurement | Currency translation reserve | Gains (loss) on hedging | Legal reserves | Prior years' income | | | | Net profit for the period |
| Unreviewed | | | | | | | | | | | | | |
| Opening balance as of 1 January 2019 | 370.000 | 3.475 | 300.984 | 92.931 | (1.346) | 352.708 | 29.353 | 231.271 | 1.585.150 | 1.403.061 | 4.367.587 | 56.808 | 4.424.395 |
| Transfers | - | - | - | - | - | - | - | 47.152 | 1.355.909 | (1.403.061) | - | - | - |
| Total comprehensive income (loss) | - | - | - | 12.420 | 3.692 | 22.976 | (60.879) | - | - | 1.440.288 | 1.418.497 | 1.143 | 1.419.640 |
| - Profit (loss) for the period | - | - | - | - | - | - | - | - | - | 1.440.288 | 1.440.288 | (3.939) | 1.436.349 |
| - Other comprehensive income (expense) | - | - | - | 12.420 | 3.692 | 22.976 | (60.879) | - | - | - | (21.791) | 5.082 | (16.709) |
| Dividends | - | - | - | - | - | - | - | - | (450.972) | - | (450.972) | - | (450.972) |
| Acquisition of subsidiary | - | - | - | - | - | - | - | - | 4.459 | - | 4.459 | (12.459) | (8.000) |
| Other changes | - | - | - | - | - | - | - | - | 6.138 | - | 6.138 | - | 6.138 |
| Closing balance as of 30 September 2019 | 370.000 | 3.475 | 300.984 | 105.351 | 2.346 | 375.684 | (31.526) | 278.423 | 2.500.684 | 1.440.288 | 5.345.709 | 45.492 | 5.391.201 |
| Unreviewed | | | | | | | | | | | | | |
| Opening balance as of 1 January 2020 | 370.000 | 3.475 | 300.984 | 87.717 | 2.305 | 488.224 | (23.183) | 278.423 | 2.499.985 | 1.420.750 | 5.428.680 | 68.190 | 5.496.870 |
| Transfers | - | - | - | - | - | - | - | 104.091 | 1.316.659 | (1.420.750) | - | - | - |
| Total comprehensive income | - | - | - | 229.679 | 148 | 743.028 | 43.846 | - | - | 130.661 | 1.147.362 | 20.147 | 1.167.509 |
| - Profit (loss) for the period | - | - | - | - | - | - | - | - | - | 130.661 | 130.661 | (2.701) | 127.960 |
| - Other comprehensive income | - | - | - | 229.679 | 148 | 743.028 | 43.846 | - | - | - | 1.016.701 | 22.848 | 1.039.549 |
| Dividends | - | - | - | - | - | - | - | - | (456.320) | - | (456.320) | - | (456.320) |
| Other changes | - | - | - | - | - | - | - | - | 17.483 | - | 17.483 | - | 17.483 |
| Closing balance as of 30 September 2020 | 370.000 | 3.475 | 300.984 | 317.396 | 2.453 | 1.231.252 | 20.663 | 382.514 | 3.377.807 | 130.661 | 6.137.205 | 88.337 | 6.225.542 |

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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 2020

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

| | Notes | Unreviewed 1 January - 30 September 2020 | Unreviewed 1 January - 30 September 2019 |
|--|-------|---|---|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | (1.358.716) | 647.117 |
| Profit for the Period | | 127.960 | 1.436.349 |
| Adjustments to Reconcile Net Profit | | 402.055 | 600.230 |
| - Depreciation and Amortization | 12 | 228.920 | 212.547 |
| - Impairment/Reversed Provision | 12 | - | 4.704 |
| - Provision Adjustments | 8, 14 | 16.936 | 115.239 |
| - Dividend Income and Expenses | | (11.483) | (9.177) |
| - Bargain Purchase Gain Adjustments | | - | (585) |
| - Interest Income and Expense Adjustments | 20 | 24.342 | (63.035) |
| - Gain/Loss on Fair Valuation | | (19.464) | (11.234) |
| - Group's Share on Profit of Investments in Associates Accounted by Equity Method | 11 | (38.275) | (8.136) |
| - Allowance for Taxation | | 204.184 | 357.541 |
| - Adjustments for Gain/Loss on Sale of Fixed Assets | 12 | (2.400) | (3.320) |
| - Adjustments for Gain/Loss on Sales of Joint Ventures | 1,11 | (705) | - |
| - Adjustments for Other Items Causing Cash Flows from Investment or Financing Activities | | - | 5.686 |
| Movements in Working Capital | | (1.367.414) | (1.155.952) |
| - Changes in Financial Investments | | 8.097 | (163.927) |
| - Changes in Trade Receivables | 8 | 259.212 | 2.512 |
| - Changes in Other Assets | | 61.176 | (10.191) |
| - Changes in Contract Assets Arising from Ongoing Construction Works | 9 | (1.255.041) | (164.160) |
| - Changes in Inventories | 10 | (471.269) | (241.448) |
| - Changes in Prepaid Expenses | | (114.127) | 144.584 |
| - Changes in Trade Payables | 8 | 724.753 | (158.635) |
| - Changes in Payables Related to Employee Benefits | | (8.921) | (1.609) |
| - Changes in Contract Liabilities Arising from Ongoing Construction Works | 9 | (434.748) | (209.843) |
| - Changes in Other Liabilities | | (3.576) | (6.635) |
| - Changes in Deferred Revenue | | (132.970) | (346.600) |
| Cash Generated by Operating Activities | | (837.399) | 880.627 |
| Interest Paid | | (74.875) | (67.655) |
| Interest Received | | 51.010 | 125.637 |
| Payments Related to Employee Benefits | 14 | (86.030) | (84.009) |
| Other Provision Paid | 14 | (338) | (715) |
| Tax Paid/Return | | (411.084) | (206.768) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | (1.186.117) | (269.436) |
| Acquisition of Non-controlling Interests' Shares | | - | (8.000) |
| Cash Inflows from Sales of Shares or Capital Decrease of Associates or Joint Ventures | 1,11 | 1.403 | - |
| Cash Outflows for Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures | 11 | (400) | (957) |
| Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments | 4 | (836.858) | (125.323) |
| Proceeds from Sales of Tangible and Intangible Assets | 12 | 19.972 | 5.547 |
| Acquisition of Tangible and Intangible Assets | 12 | (380.505) | (162.205) |
| Proceeds from Sales of Investment Properties | 12 | 5.000 | - |
| Acquisition of Investment Properties | 12 | (1.457) | (1.770) |
| Advances and Debts Given | | 1.395 | (13.810) |
| Dividend Received | | 5.333 | 37.082 |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | 600.817 | (996.315) |
| Proceeds from Borrowings | | 1.815.418 | 386.034 |
| Repayments of Borrowings | | (797.750) | (928.728) |
| Payments of Lease Obligations | | (31.613) | (2.649) |
| Dividend Paid | 5 | (385.238) | (450.972) |
| CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT | | (1.944.016) | (618.634) |
| D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS | | 793.614 | 14.060 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D) | | (1.150.402) | (604.574) |
| E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 4.094.625 | 4.581.600 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E) | | 2.944.223 | 3.977.026 |

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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 2020

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 30 September 2020, the Group has 16.464 employees (31 December 2019: 17.094) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

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

Changes in the Group's subsidiaries, joint ventures and joint operations as of 30 September 2020:

A share acquisition agreement was signed on 18 December 2019 between the shareholders of Toros Gönen Yenilenebilir Enerji Üretim A.Ş. ("Gönen Enerji", previous title Gönen Yenilenebilir Enerji Üretim A.Ş.), a subsidiary of the Group and Toros Meram Yenilenebilir Enerji Üretim A.Ş. ("Meram Enerji", previous title Altaca Meram Yeşil Enerji Üretim A.Ş.), concerning acquisition of 99,9% of the paid in capital of Meram Enerji (Note: 4).

Alanar Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş., a subsidiary of the Group, merged with Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Tic. A.Ş., another subsidiary of the Group, by transferring all assets and liabilities on 18 March 2020.

Shares of Blacksea Gübre Ticaret A.Ş., one of the joint ventures of the Group with 30% direct participation rate, were sold on 12 June 2020 with a price of 1.403. Gain amounting to 705 has been recognized in the condensed consolidated financial statements.

Tekfen Rönesans Adi Ortaklığı, a joint arrangement of the Group, has been liquidated on 17 August 2020.

Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 22 October 2020.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

The condensed consolidated financial statements and notes are presented in accordance with the formats of Examples of Financial Statements and Usage Guide announced by CMB and "Announcement regarding to TAS Taxonomy" which was published by POA on 15 April 2019.

The Group has preferred to disclose its interim consolidated financial statements as of 30 September 2020 in condensed format in accordance with TAS 34 "Interim Financial Reporting" standard. The descriptions and disclosures which are needed in the financial statements prepared annually complying with TAS are summarized appropriately in accordance with TAS 34 or not mentioned.

The accompanying condensed consolidated financial statements have to be considered with the consolidated financial statements which are independently audited as of 31 December 2019 and the related disclosures. Interim periods' financial statements cannot be the sole indicator of the year-end results by themselves.

For the condensed consolidated financial statements, the Group continues to apply the same accounting policies and accounting estimate methods which are mentioned in the consolidated financial statements as of 31 December 2019.

Exchange rates used in the consolidation process as of 30 September 2020 are; 1 USD= 7,8080 TL, 1 EUR= 9,1281 TL, 1 AZN= 4,5929 TL, 1 SAR= 2,0821 TL, 1 QAR= 2,1392 TL, 1 RON= 1,8628 (Exchange rates as of 31 December 2019 are; 1 USD= 5,9402 TL, 1 EUR= 6,6506 TL, 1 AZN= 3,4942 TL, 1 SAR= 1,5840 TL, 1 QAR= 1,6274 TL, 1 RON= 1,3832).

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

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

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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

- In the consolidated financial statements dated 1 January 2019 and 31 December 2019, the fair value change concerning equity instruments amounting to 92.931 and 87.717 respectively, which are included in the “Gains on revaluation and reclassification” account in Accumulated Other Comprehensive Income that will be Reclassified to Profit or Loss under equity in the previous periods, are reclassified to the “Gain on investments in equity instruments” account in Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss under equity. The related classification has no effect on the consolidated statement of profit and loss for the current period and prior period where its effects on the consolidated other comprehensive income statement are reflected.

3. ADOPTION OF NEW AND REVISED STANDARDS

New and revised standards and interpretations are presented below:

(a) Amendments in standards affecting the notes and amounts in the condensed consolidated financial statements:

- TFRS 3 (amendments), “Definition of a Business”, effective for annual periods beginning after 1 January 2020.
- TAS 1, TAS 8 (amendments), “Definition of Material”, effective for annual periods beginning after 1 January 2020.
- Conceptual Framework (amendments), effective for annual periods beginning after 1 January 2020.
- TFRS 16 (amendments), effective for annual periods beginning after 1 June 2020.

(b) Standards, amendments and interpretations to existing standards that are effective as of the year 2020, but not affecting the condensed consolidated financial statements of the Group:

- TFRS 9, TAS 39, TFRS 7 (amendments), “Interest Rate Benchmark Reform”, effective for annual periods beginning after 1 January 2020.

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

- TFRS 17 “Insurance Contracts”, effective for annual periods beginning after 1 January 2023.
- TAS 1 (amendments), “Classification of Liabilities”, effective for annual periods beginning after 1 January 2022.
- Annual Improvements to TFRS 2018-2020 Cycle (TFRS 1, TFRS 9, TAS 41, TFRS 16), effective for annual periods beginning after 1 January 2022.
- TFRS 3 (amendments), “Reference to the Conceptual Framework”, effective for annual periods beginning after 1 January 2022.
- TAS 16 (amendments), “Property, Plant and Equipment - Proceeds before Intended Use”, effective for annual periods beginning after 1 January 2022.
- TAS 37 (amendments), “Onerous Contracts - Cost of Fulfilling a Contract”, effective for annual periods beginning after 1 January 2022.

The Group evaluates the effects of the standards issued as of 30 September 2020 and the standards not yet effective as of 30 September 2020 on its consolidated financial position and performance.

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

COVID-19 Pandemic

Novel Coronavirus (COVID-19) outbreak that occurred in Wuhan city of People's Republic of China in December 2019 spread to the whole world and was declared Pandemic by the World Health Organization on 11 March 2020. This situation affects social life and economic activities negatively in the geography where the Group operates. The Group's management closely monitors the developments and takes measures to reduce the negative effects of the COVID-19 pandemic on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows to an acceptable level. Within the scope of the measures taken, evaluations regarding the going concern of the Group have been reviewed in order to evaluate the going concern assumption of the business. The Group management believes that, despite the uncertain economic outlook, Group's business risks can be managed successfully. On the other hand, management has a reasonable expectation that the Group will have the resources to provide sufficient liquidity reserves in the twelve-month period to maintain its operational existence. In addition, possible effects of cash flow risk has been reevaluated by recalculating Group budget projections with various scenarios, estimations and assumptions used in expected credit losses, impairment of assets within the Group, performance obligations within the scope of recognizing revenue has been reevaluated and consolidated financial statements, that prepared on the basis of going concern, have been prepared by taking into consideration of these evaluations. As of the reporting date, there is no significant issue affecting the Group's activities and the condensed consolidated financial statements other than those disclosed in the condensed consolidated financial statements.

Construction Projects

Two projects carried out by Gate İnşaat Taahhüt Sanayi ve Ticaret A.Ş. which Tekfen İnşaat ve Tesisat A.Ş. ("Tekfen İnşaat"), a subsidiary of the Group, holds 100% of its shares, in Kazakhstan were temporarily suspended by employer administrations within the scope of COVID-19 measures and the evacuation of most of our employees has completed. Currently, works are underway to protect the works performed in a controlled manner with a limited number of employees. It is planned to start our activities in a controlled and gradual way again soon. The amount of work remaining from these projects is 1.523.952 (195.178.281 USD). Negotiations are in progress in line with our signed contracts with the employer administrations to cover our additional costs that may arise as a result of this situation.

While mobilization and construction activities of Gas Transport Pipeline project according to the contract signed between Rusfen, wholly owned subsidiary of Tekfen İnşaat and KharampurNefteGas (KNG) joint venture is in progress, various adverse events were experienced such as lack of cold weather conditions required for the implementation of the project, the warmest winter of the last 25 years, the COVID-19 pandemic and the devaluation of the Russian Ruble against the US Dollar so that construction activity of the project could not be carried out temporarily.

The effects of these negativities on the project's execution plan and budgeted project costs were shared with the employer during the interviews. It was discussed with the employer to eliminate the negative effects of additional costs that may occur in the profitability of the project, which continues its activities as of the reporting date, and to improve the current contract terms for the project's ending schedule.

For our ongoing projects in Saudi Arabia, since March 2020, the Employer's attitude of slowing down the payments made to all contractors operating in the country is still continuing as of the reporting date. Due to the unapproved progress payments despite the physical progress in our projects, balance of "Contract Assets Arising from Ongoing Construction Works" is 1.005.131 (128.730.933 USD). Negotiations are in progress with the Employer for the invoicing of our progress payments that have not been approved despite the physical progress, to compensate for the additional costs we will have to bear, and to compensate the additional costs caused by the extension of the work period by the Employer.

Tekfen İnşaat has been awarded for Construction of Link Roads Adjacent to Al Khor Expressway. The duration of the Project shall be 24 months and the project size is 548.000.000 Qatari Riyal (150.000.000 USD).

Azfen JV, a 40% joint venture of Tekfen İnşaat has undertaken the construction and installation works of the Haydar Aliyev Refinery Modernization and Reconstruction Project - Package B as the Subcontractor to Tecnicas Reunidas with a contract value of approx. 1.850.496 (237.000.000 USD).

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

Other

On 13 December 2019, an agreement signed by Techinvestments MMC, a subsidiary of the Group with 100% share participation rate, concerning the purchase of 10% shares of SOCAR Polymer Investments LLC which is operating in Azerbaijan for 780.800 (100.000.000 USD) negotiation based on price determined by valuation report. As of balance sheet date, share transfer transactions have been completed. As of 30 September 2020, the purchase price reflects the fair value.

A share acquisition agreement was signed on 18 December 2019 between the shareholders of Meram Enerji and Gönen Enerji, a subsidiary of the Group, concerning acquisition of 99,9% of the paid in capital of Meram Enerji. Share transfer transaction was completed on 14 February 2020. Temporary goodwill arising from business combination has been recognized in accordance with TFRS in the condensed consolidated financial statements as of 30 September 2020 (Note: 12).

Remaining 38.633 portion of the present value of dividend payable amounting to 456.320, which is detailed in Note 5, is recognized under other payables to related parties account where 30.591 is recognized under other payables account in the condensed consolidated financial statements as of 30 September 2020.

During the period, donation of 5.000 made to charity campaign titled "Biz Bize Yeteriz Türkiyem" within the scope of the ongoing struggle against COVID-19.

5. SIGNIFICANT CHANGES IN EQUITY

Gain on Investments in Equity Instruments:

The positive change of 229.679 in the fair values of the fair value through other comprehensive income financial investments of the Group has been directly recognized in equity (30 September 2019: positive change of 12.420).

Legal Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 30 September 2020, 104.091 of legal reserves were transferred from retained earnings in the condensed consolidated financial statements as of 30 September 2020 (30 September 2019: 47.152).

Hedging Reserve:

The positive change of 43.846 (30 September 2019: negative 60.879) in the fair values of the effective derivative instruments which the Group uses for cash flow hedging has been recognized in equity.

Profit Distribution:

Upon the resolution of Ordinary General Assembly held on 26 March 2020, it is decided to distribute 1,15 TL (2019: 1,14 TL) gross cash dividends per share attributable to the operations of the year of 2019. It is decided that the first portion of dividends of 426.492 (2019: 421.526) and 29.828 (2019: 29.446) in the aggregate 456.320 (2019: 450.972) respectively to the owners of the parent and Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed shares will be distributed on 27 April 2020 and second portion of dividend distribution will be held on 24 September 2020.

However pursuant to article 12 of Law Concerning the Reduction of the Effects of COVID-19 Pandemic on Economic and Social Life and the Amendment of Some Laws numbered 7244, which went into effect with its publication in issue 31102 of the official gazette on 17 April 2020 as well as to interim article 13 added to the Turkish Commercial Code numbered 6102, portions of dividends that exceed 25% of 2019 net profit must be paid after 30 September 2020. For this reason, the Board of Directors of the Company has decided that 456.320 of dividend will be paid in three installements. First installment amounting to 213.246 to the owners of the parent and 29.828 to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed shares which constitute 243.074 was paid in accordance with the decision taken in the Ordinary General Assembly on 27 April 2020, second installment amounting to 142.164 was paid on 24 September 2020. The last installment dividend payment amounting to 71.082, which was decided to be made on 1 October 2020, has been postponed to 5 January 2021 within the framework of the President's Decree dated 18 September 2020. Remaining 38.633 portion of the present value of dividend payable amounting to 456.320, after payments made in total of 385.238, is recognized under other payables to related parties account where 30.591 is recognized under other payables account in the condensed consolidated financial statements as of 30 September 2020.

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6. SEGMENT REPORTING

During the current period, Group’s management has decided to conduct its activities that it has managed in three business segments as Contracting, Agriculture and Other in the previous year on the basis of five business segments as Engineering and Contracting, Chemical Industry, Agricultural Production, Service and Investment. Due to the mentioned revision in the business segments, comparative information on segmental reporting has been revised on the basis of five segments. Nature of the activities of the business segments of the Group can be summarized as follows:

Engineering and Contracting Segment

Engineering and Contracting segment undertakes infrastructure and industrial construction projects in Turkey, Azerbaijan, Kazakhstan, Saudi Arabia, Qatar, Iraq and Russia. Petroleum, gas and petrochemical facilities, pipelines, land and marine terminals, off-shore platforms, tank farms, oil refineries, pumping stations, power plants, and highway, subway, bridge and tunnel construction, electrical and instrumentation projects, infrastructure projects, production facilities, commercial and technical building complexes and major sports complexes are included in Engineering and Contracting segment’s scope of activity. Income provided from the consolidation of Azfen by equity method is disclosed in this segment.

Chemical Industry Segment

Chemical Industry segment has operations in chemical, organic-organomineral fertilizer production, distribution and trade.

Agricultural Production Segment

Agricultural Production segment has operations in ground and vegetable grain, production, distribution and trade of seedling and sapling. In the field of agricultural production, plant tissue, banana sapling cultivation, high quality potato seed, sesame, certified wheat germ production and sale activities are carried out. Also production, packaging and export operations of cherry, apricot, pomegranate, plum, persimmon and figs are made. Income provided from the consolidation of H-T Fidecilik by equity method is disclosed in this group.

Service Segment

Service Segment has operations in terminal management, guidance, towage, agency business, free zone operations, insurance services, building and facility management services.

Investment Segment

Operations of Investment segment mainly comprise of Tekfen Ventures’ investments in innovation-creating initiatives and holding operations. Holding operations are executed by the Company and include coordinating the Group’s financial needs when needed. Dividend income and rent income provided constitute Holding’s revenue. Income provided from the consolidation of Florya Gayrimenkul by equity method is disclosed in this segment.

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

6. SEGMENT REPORTING (cont’d)

a) Segment results:

| | 1 January - 30 September 2020 | | | | | Total |
|---|-------------------------------|-------------------|-------------------------|----------------|-----------------|-----------------|
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | |
| Revenue | 5.056.123 | 2.791.958 | 131.930 | 357.847 | 35.730 | 8.373.588 |
| Cost of revenue (-) | (5.198.582) | (2.121.185) | (103.801) | (217.482) | (15.260) | (7.656.310) |
| GROSS PROFIT (LOSS) | (142.459) | 670.773 | 28.129 | 140.365 | 20.470 | 717.278 |
| General administrative expenses (-) | (187.485) | (45.600) | (8.414) | (11.206) | (87.126) | (339.831) |
| Marketing expenses (-) | (8.358) | (201.046) | (35.577) | (5.319) | - | (250.300) |
| Research and development expenses (-) | (3.983) | (3.231) | (10.290) | - | - | (17.504) |
| Other operating income | 309.700 | 159.597 | 10.665 | 17.630 | 4.408 | 502.000 |
| Other operating expenses (-) | (303.069) | (396.733) | (4.860) | (11.388) | (9.485) | (725.535) |
| Share on profit (loss) of investments valued by equity method | 34.185 | (104) | 4.194 | - | - | 38.275 |
| OPERATING PROFIT (LOSS) | (301.469) | 183.656 | (16.153) | 130.082 | (71.733) | (75.617) |
| Investment income | 277 | 2.446 | 398 | 101 | 30.845 | 34.067 |
| Investment expense (-) | - | (3) | (11) | - | (1) | (15) |
| PROFIT BEFORE FINANCIAL INCOME (EXPENSES) | (301.192) | 186.099 | (15.766) | 130.183 | (40.889) | (41.565) |
| Financial income | 42.010 | 201.736 | 5.430 | 6.347 | 380.082 | 635.605 |
| Financial expenses (-) | (19.284) | (111.128) | (29.174) | (5.796) | (96.514) | (261.896) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION | (278.466) | 276.707 | (39.510) | 130.734 | 242.679 | 332.144 |
| Tax (expense) income from continuing operations | (99.445) | (19.657) | 2.714 | (27.019) | (60.777) | (204.184) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD | (377.911) | 257.050 | (36.796) | 103.715 | 181.902 | 127.960 |

For the nine month interim period ended 30 September 2020, revenue amounting 1.660.153 was obtained from a single non-related client of Engineering and Contracting segment which constitute 19,4% of the Group’s revenue.

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6. SEGMENT REPORTING (cont’d)

a) Segment results (cont’d):

| | 1 July - 30 September 2020 | | | | | |
|---|------------------------------|----------------------|----------------------------|---------------|-----------------|------------------|
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Revenue | 1.447.863 | 1.015.505 | 73.268 | 144.303 | 12.302 | 2.693.241 |
| Cost of revenue (-) | (1.666.246) | (768.060) | (55.222) | (83.086) | (2.850) | (2.575.464) |
| GROSS PROFIT (LOSS) | (218.383) | 247.445 | 18.046 | 61.217 | 9.452 | 117.777 |
| General administrative expenses (-) | (57.669) | (19.636) | (3.372) | (3.807) | (24.661) | (109.145) |
| Marketing expenses (-) | (2.964) | (56.553) | (23.488) | (2.014) | - | (85.019) |
| Research and development expenses (-) | (392) | (619) | (1.787) | - | - | (2.798) |
| Other operating income | 53.202 | 70.244 | 5.682 | 9.250 | 1.216 | 139.594 |
| Other operating expenses (-) | (52.027) | (159.572) | (3.092) | (4.464) | (2.534) | (221.689) |
| Share on profit of investments valued by equity method | 15.990 | - | 1.485 | - | - | 17.475 |
| OPERATING PROFIT (LOSS) | (262.243) | 81.309 | (6.526) | 60.182 | (16.527) | (143.805) |
| Investment income | 101 | (26) | 195 | 51 | 702 | 1.023 |
| Investment expense (-) | 168 | - | 1 | - | (1) | 168 |
| PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES) | (261.974) | 81.283 | (6.330) | 60.233 | (15.826) | (142.614) |
| Financial income | 20.280 | 102.070 | 4.222 | 2.333 | 172.900 | 301.805 |
| Financial expense (-) | (6.526) | (43.509) | (16.589) | (1.341) | (18.569) | (86.534) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION | (248.220) | 139.844 | (18.697) | 61.225 | 138.505 | 72.657 |
| Tax (expense) income from continuing operations | (21.949) | (17.388) | 595 | (12.166) | (35.211) | (86.119) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD | (270.169) | 122.456 | (18.102) | 49.059 | 103.294 | (13.462) |

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

6. SEGMENT REPORTING (cont’d)

a) Segment results (cont’d):

| | 1 January - 30 September 2019 | | | | | Total |
|---|-------------------------------|-------------------|-------------------------|---------------|-----------------|------------------|
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | |
| Revenue | 8.220.483 | 2.632.800 | 146.290 | 265.686 | 31.556 | 11.296.815 |
| Cost of revenue (-) | (6.776.988) | (2.051.256) | (120.306) | (191.428) | (9.276) | (9.149.254) |
| GROSS PROFIT | 1.443.495 | 581.544 | 25.984 | 74.258 | 22.280 | 2.147.561 |
| General administrative expenses (-) | (176.512) | (34.141) | (6.172) | (11.904) | (96.134) | (324.863) |
| Marketing expenses (-) | (8.927) | (196.478) | (29.360) | (5.534) | - | (240.299) |
| Research and development expenses (-) | (460) | (3.431) | - | - | - | (3.891) |
| Other operating income | 148.892 | 255.710 | 5.532 | 9.548 | 2.891 | 422.573 |
| Other operating expenses (-) | (126.634) | (254.853) | (13.055) | (5.977) | (2.084) | (402.603) |
| Share on profit (loss) of investments valued by equity method | 4.005 | 1.990 | 2.144 | - | (3) | 8.136 |
| OPERATING PROFIT (LOSS) | 1.283.859 | 350.341 | (14.927) | 60.391 | (73.050) | 1.606.614 |
| Investment income | 2.940 | 1.114 | 59 | 171 | 20.295 | 24.579 |
| Investment expense (-) | (4.947) | (1) | - | - | (20) | (4.968) |
| PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES) | 1.281.852 | 351.454 | (14.868) | 60.562 | (52.775) | 1.626.225 |
| Financial income | 98.512 | 108.388 | 9.132 | 4.938 | 337.067 | 558.037 |
| Financial expenses (-) | (52.174) | (105.884) | (4.253) | (2.714) | (225.347) | (390.372) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION | 1.328.190 | 353.958 | (9.989) | 62.786 | 58.945 | 1.793.890 |
| Tax expense from continuing operations (-) | (261.215) | (61.013) | (510) | (12.083) | (22.720) | (357.541) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD | 1.066.975 | 292.945 | (10.499) | 50.703 | 36.225 | 1.436.349 |

For the nine month interim period ended 30 September 2019, revenue amounting 4.236.562 was obtained from a non-related client of construction segment which constitute 37,5% of the Group’s revenue.

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6. SEGMENT REPORTING (cont’d)

a) Segment results (cont’d):

| | 1 July - 30 September 2019 | | | | | |
|---|------------------------------|----------------------|----------------------------|---------------|-----------------|----------------|
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Revenue | 2.254.177 | 571.631 | 65.883 | 88.520 | 10.721 | 2.990.932 |
| Cost of revenue (-) | (1.896.388) | (449.894) | (59.940) | (66.768) | (3.378) | (2.476.368) |
| GROSS PROFIT | 357.789 | 121.737 | 5.943 | 21.752 | 7.343 | 514.564 |
| General administrative expenses (-) | (76.013) | (11.340) | (1.683) | (3.242) | (25.987) | (118.265) |
| Marketing expenses (-) | (4.765) | (42.804) | (13.902) | (1.843) | - | (63.314) |
| Research and development expenses (-) | (148) | (897) | - | - | - | (1.045) |
| Other operating income | 16.935 | 92.480 | 2.537 | 933 | 331 | 113.216 |
| Other operating expenses (-) | (33.304) | (83.690) | (3.913) | (1.605) | (401) | (122.913) |
| Share on profit (loss) of investments valued by equity method | (700) | (561) | 2.144 | - | (1) | 882 |
| OPERATING PROFIT (LOSS) | 259.794 | 74.925 | (8.874) | 15.995 | (18.715) | 323.125 |
| Investment income | 444 | 759 | 57 | 49 | 9.261 | 10.570 |
| Investment expense (-) | (13) | (1) | - | - | - | (14) |
| PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES) | 260.225 | 75.683 | (8.817) | 16.044 | (9.454) | 333.681 |
| Financial income | 20.784 | 36.533 | 3.251 | 1.110 | 78.386 | 140.064 |
| Financial expense (-) | (16.427) | (40.535) | (2.150) | (1.013) | (80.355) | (140.480) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION | 264.582 | 71.681 | (7.716) | 16.141 | (11.423) | 333.265 |
| Tax (expense) income from continuing operations | (59.511) | (14.629) | (59) | (3.109) | 1.031 | (76.277) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD | 205.071 | 57.052 | (7.775) | 13.032 | (10.392) | 256.988 |

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6. SEGMENT REPORTING (cont’d)

b) Segment assets and liabilities:

| Balance sheet | 30 September 2020 | | | | | |
|---|------------------------------|----------------------|----------------------------|---------|------------|------------|
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Total assets | 7.185.332 | 3.406.312 | 425.068 | 568.538 | 3.031.696 | 14.616.946 |
| Current and non-current liabilities | 5.661.149 | 2.124.333 | 215.622 | 111.916 | 278.384 | 8.391.404 |
| Equity attributable to owners of the parent | 1.279.693 | 2.142.814 | (39.035) | 278.722 | 2.475.011 | 6.137.205 |
| Non-controlling interests | 5.848 | 25.564 | - | 42 | 56.883 | 88.337 |

| Balance sheet | 31 December 2019 | | | | | |
|---|------------------------------|----------------------|----------------------------|---------|------------|------------|
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Total assets | 6.881.355 | 3.174.427 | 300.967 | 350.742 | 1.955.657 | 12.663.148 |
| Current and non-current liabilities | 4.992.700 | 1.798.949 | 102.299 | 97.931 | 174.399 | 7.166.278 |
| Equity attributable to owners of the parent | 1.582.294 | 1.860.916 | (1.775) | 164.396 | 1.822.849 | 5.428.680 |
| Non-controlling interests | 4.581 | 18.344 | - | 14 | 45.251 | 68.190 |

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6. SEGMENT REPORTING (cont'd)

c) Segment information related to property, plant and equipment, intangible assets, investment property, right-of-use assets and revenue:

| | 1 January - 30 September 2020 | | | | | |
|--|-------------------------------|----------------------|----------------------------|---------|------------|---------|
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Capital expenditures | 134.676 | 186.017 | 35.410 | 20.717 | 5.142 | 381.962 |
| Depreciation and amortization expense for the period (*) | 142.766 | 57.110 | 10.432 | 9.915 | 8.697 | 228.920 |
| Intra-segment revenue | 228.729 | 47.647 | 2.329 | 150 | 9.684 | 288.539 |
| Inter-segment revenue | 949 | 940 | - | 8.991 | 13.594 | 24.474 |
| | 1 July - 30 September 2020 | | | | | |
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Capital expenditures | 22.300 | 57.850 | 7.474 | 7.424 | 2.272 | 97.320 |
| Depreciation and amortization expense for the period (*) | 53.357 | 26.373 | 3.665 | 3.499 | 2.780 | 89.674 |
| Intra-segment revenue | 112.951 | 16.030 | - | 53 | 2.383 | 131.417 |
| Inter-segment revenue | - | 296 | - | 2.985 | 4.698 | 7.979 |
| | 1 January - 30 September 2019 | | | | | |
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Capital expenditures | 64.017 | 29.449 | 41.408 | 17.385 | 11.716 | 163.975 |
| Depreciation and amortization expense for the period (*) | 146.056 | 45.743 | 6.419 | 7.798 | 6.531 | 212.547 |
| Intra-segment revenue | 114.692 | 47.998 | 1.948 | 131 | 5.848 | 170.617 |
| Inter-segment revenue | 147 | 1.869 | - | 8.237 | 11.254 | 21.507 |
| | 1 July - 30 September 2019 | | | | | |
| | Engineering & Contracting | Chemical Industry | Agricultural Production | Service | Investment | Total |
| Capital expenditures | 12.110 | 2.426 | 25.407 | 6.059 | 2.442 | 48.444 |
| Depreciation and amortization expense for the period (*) | 48.262 | 14.220 | 997 | 2.521 | 3.011 | 69.011 |
| Intra-segment revenue | 51.951 | 17.007 | 593 | 90 | 1.796 | 71.437 |
| Inter-segment revenue | 147 | 377 | - | 5.317 | 1.681 | 7.522 |

(*) Depreciation expense of 5.787 is deducted from the cost of inventory (30 September 2019: 684 added the cost of inventory).

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6. SEGMENT REPORTING (cont’d)

d) Geographical segment information is as follows:

| | Turkey | CIS | Northern Africa | Middle Eastern Countries | Other | Eliminations | Total |
|--|------------|-----------|--------------------|--------------------------------|-----------|--------------|------------|
| Revenue (1 January - 30 September 2020) | 3.998.835 | 839.836 | - | 3.690.452 | 157.478 | (313.013) | 8.373.588 |
| Total Assets (30 September 2020) | 15.891.564 | 4.984.344 | 1.406 | 5.018.074 | 1.928.368 | (13.206.810) | 14.616.946 |
| Capital Expenditures (1 January - 30 September 2020) | 310.882 | 29.939 | - | 41.009 | 132 | - | 381.962 |

| | Turkey | CIS | Northern Africa | Middle Eastern Countries | Other | Eliminations | Total |
|---|-----------|---------|--------------------|--------------------------------|--------|--------------|-----------|
| Revenue (1 July - 30 September 2020) | 1.531.410 | 313.856 | - | 921.261 | 66.110 | (139.396) | 2.693.241 |
| Capital Expenditures (1 July - 30 September 2020) | 80.258 | 8.351 | - | 8.704 | 7 | - | 97.320 |

| | Turkey | CIS | Northern Africa | Middle Eastern Countries | Other | Eliminations | Total |
|--|------------|-----------|--------------------|--------------------------------|-----------|--------------|------------|
| Revenue (1 January - 30 September 2019) | 5.134.868 | 834.498 | - | 5.497.277 | 22.296 | (192.124) | 11.296.815 |
| Total Assets (31 December 2019) | 13.772.912 | 3.686.668 | 915 | 4.179.455 | 1.334.273 | (10.311.075) | 12.663.148 |
| Capital Expenditures (1 January - 30 September 2019) | 120.142 | 22.963 | - | 20.757 | 113 | - | 163.975 |

| | Turkey | CIS | Northern Africa | Middle Eastern Countries | Other | Eliminations | Total |
|---|-----------|---------|--------------------|--------------------------------|-------|--------------|-----------|
| Revenue (1 July - 30 September 2019) | 1.385.666 | 310.321 | - | 1.364.729 | 9.175 | (78.959) | 2.990.932 |
| Capital Expenditures (1 July - 30 September 2019) | 39.767 | 4.154 | - | 4.489 | 34 | - | 48.444 |

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7. CASH AND CASH EQUIVALENTS

Time deposits with maturity of three months or less constitute the part of the cash and cash equivalents amounting to 2.278.744 (31 December 2019: 3.456.260). Demand deposits and other cash equivalents with maturity of three months or less constitute the rest of the cash and cash equivalents.

8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

| | 30 September 2020 | 31 December 2019 |
|---|----------------------|---------------------|
| <u>Short-term trade receivables</u> | | |
| Receivables from Contracting & Engineering segment operations | 851.029 | 1.323.562 |
| Receivables from Chemical Industry segment operations | 485.785 | 308.964 |
| Receivables from Agricultural Production segment operations | 40.156 | 22.450 |
| Receivables from Service segment operations | 15.882 | 8.414 |
| Receivables from Investment segment operations | 3.246 | 3.298 |
| Provision for doubtful receivables (-) | (94.854) | (80.609) |
| Retention receivables (Note: 9) | 15.194 | 331.684 |
| Due from related parties | 23.345 | 22.402 |
| Other | 16.868 | 13.171 |
| | <u>1.356.651</u> | <u>1.953.336</u> |
| <u>Long-term trade receivables</u> | | |
| Retention receivables (Note: 9) | 632.607 | 302.749 |
| Receivables from Contracting & Engineering segment operations | 4.548 | 11.230 |
| | <u>637.155</u> | <u>313.979</u> |

Postdated cheques amounting to 152.817 (31 December 2019: 154.827), notes receivables amounting to 25.962 (31 December 2019: 32.864), positive foreign currency differences amounting to 19.057 (31 December 2019: positive foreign currency differences amounting to 1.004), date differences amounting to 283 (31 December 2019: None) are included in short and long-term trade receivables.

Average maturity date for trade receivables varies between the segments. Average maturity date for Engineering and Contracting segment, for projects in abroad is 83 days (31 December 2019: 59 days), for domestic projects is 169 days (31 December 2019: 52 days), for Chemical Industry segment is 38 days (31 December 2019: 42 days), for Agricultural Production segment is 49 days (31 December 2019: 66 days), for Service segment is 31 days (31 December 2019: 31 days), and for Investment segment is 30 days (31 December 2019: 30 days).

As of 30 September 2020, receivables amounting 541.276 was obtained from a single non-related client which constitute 27,5% of the Group’s receivables (31 December 2019: 596.467, 26,6%).

As of 30 September 2020, 94.854 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (30 September 2019: 77.191).

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

| | 2020 | 2019 |
|---------------------------------|-----------------|-----------------|
| Provision as of 1 January | (80.609) | (39.568) |
| Effect of business combinations | - | (37.789) |
| Charge for the period | (890) | (1.303) |
| Collected | - | 1.619 |
| Provision released | - | 188 |
| Write off of bad debt | 5.288 | 17 |
| Currency translation effect | (18.643) | (355) |
| Provision as of 30 September | <u>(94.854)</u> | <u>(77.191)</u> |

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade Receivables (cont'd):

All of doubtful receivable expense has been charged to general administrative expenses (2019: 1.209 of doubtful receivable expense has been charged to general administrative expenses where 94 has been deducted from short-term deferred revenue).

b) Trade Payables:

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

| | 30 September 2020 | 31 December 2019 |
|--|----------------------|---------------------|
| Short-term trade payables | | |
| Payables from Contracting & Engineering segment operations | 2.148.664 | 1.502.397 |
| Payables from Chemical Industry segment operations | 1.083.296 | 1.156.986 |
| Payables from Agricultural Production segment operations | 31.400 | 12.709 |
| Payables from Service segment operations | 34.082 | 49.044 |
| Payables from Investment segment operations | 3.191 | 7.018 |
| Due to related parties | 21.846 | 24.883 |
| Retention payables (Note: 9) | 732.661 | 553.795 |
| Other | 31.281 | 23.648 |
| | <u>4.086.421</u> | <u>3.330.480</u> |
| Long-term trade payables | | |
| Retention payables (Note: 9) | 69.822 | 71.303 |
| Payables from Contracting & Engineering segment operations | 3.870 | 6.145 |
| | <u>73.692</u> | <u>77.448</u> |

Notes payables amounting to 593 (31 December 2019: 432), and foreign currency differences amounting to 239.463 (31 December 2019: 200.129) are included in short and long-term trade payables. There are not any postdated cheques in the current period (31 December 2019: None).

For Chemical Industry segment, payables attributable to inventory supplied through imports constitute 95% (31 December 2019: 90%) of trade payables as at balance sheet date and average payable period for these import purchases is 99 days (31 December 2019: 150 days) whereas average payable period for domestic purchases is 23 days (31 December 2019: 27 days). For Engineering and Contracting segment, average payable period for import purchases through letter of credit is 62 days (31 December 2019: 56 days) whereas the average payable period for other purchases is 161 days (31 December 2019: 91 days). The average payable period for Agricultural Production segment is 27 days (31 December 2019: 30 days), for Service segment is 41 days (31 December 2019: 41 days), and for Investment segment is 31 days (31 December 2019: 42 days).

9. CONTRACT ASSETS AND LIABILITIES ARISING FROM ONGOING CONSTRUCTION WORKS

| | 30 September 2020 | 31 December 2019 |
|------------------------------------|----------------------|---------------------|
| Cost incurred on ongoing contracts | 49.429.199 | 33.981.934 |
| Recognised gain less losses (net) | 4.447.334 | 4.468.406 |
| | <u>53.876.533</u> | <u>38.450.340</u> |
| Less: Billings to date (-) | (52.500.719) | (38.764.315) |
| | <u>1.375.814</u> | <u>(313.975)</u> |

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9. CONTRACT ASSETS AND LIABILITIES ARISING FROM ONGOING CONSTRUCTION WORKS (cont'd)

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

| | 30 September 2020 | 31 December 2019 |
|---|----------------------|---------------------|
| Contract assets arising from ongoing construction works | 1.947.142 | 692.101 |
| Contract liabilities arising from ongoing construction works | (571.328) | (1.006.076) |
| | <u>1.375.814</u> | <u>(313.975)</u> |
| | | |
| | 30 September 2020 | 31 December 2019 |
| <u>Contract assets arising from ongoing construction works</u> | | |
| Contracts undersigned abroad | 1.787.161 | 573.933 |
| Contracts undersigned in Turkey | 159.981 | 118.168 |
| | <u>1.947.142</u> | <u>692.101</u> |
| <u>Contract liabilities arising from ongoing construction works</u> | | |
| Contracts undersigned abroad | (550.183) | (871.608) |
| Contracts undersigned in Turkey | (21.145) | (134.468) |
| | <u>(571.328)</u> | <u>(1.006.076)</u> |
| | <u>1.375.814</u> | <u>(313.975)</u> |

The Group has 312.244 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2019: 225.123). Also, the Group has 403.852 of advances received for contracting projects classified in deferred revenue (31 December 2019: 561.083).

As of 30 September 2020, the Group has 802.483 of retention payables to subcontractors (31 December 2019: 625.098). Also, the amount of retention receivables is 647.801 (31 December 2019: 634.433) (Note: 8).

10. INVENTORIES

| | 30 September 2020 | 31 December 2019 |
|---------------------------------|----------------------|---------------------|
| Raw materials | 222.904 | 138.434 |
| Work in progress | 202.409 | 323.835 |
| Finished goods | 62.693 | 44.135 |
| Trading goods | 185.185 | 191.753 |
| Goods in transit | 5.268 | 39.717 |
| Inventory at construction sites | 1.145.714 | 642.494 |
| Other inventories | 86.705 | 68.566 |
| | <u>1.910.878</u> | <u>1.448.934</u> |

For the nine month interim period ended 30 September 2020, there are no borrowing costs added to inventory (31 December 2019: None).

The Group does not have any inventories whose net realizable value is less than its current cost. Accordingly, there is not any provision for allowance for impairment on inventory (30 September 2019: None).

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11. INVESTMENTS VALUED BY EQUITY METHOD

| Joint Ventures | Location of foundation and operation | 30 September 2020 | | 31 December 2019 | | Power to appoint | Industry |
|---------------------|--------------------------------------|--------------------|----------------|--------------------|----------------|------------------|------------------|
| | | Participation Rate | Amount | Participation Rate | Amount | | |
| H-T Fidecilik | Turkey | 50% | 16.821 | 50% | 12.627 | 50% | Agriculture |
| Azfen | Azerbaijan | 40% | 39.762 | 40% | 3 | 40% | Construction |
| Black Sea Gübre (*) | Turkey | 30% | - | 30% | 802 | 30% | Fertilizer Trade |
| Florya Gayrimenkul | Turkey | 50% | 90.565 | 50% | 90.165 | 50% | Investment |
| | | | <u>147.148</u> | | <u>103.597</u> | | |

(*) Shares of Black Sea Gübre'nin were sold on 12 June 2020 (Note: 1).

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

| | 2020 | 2019 |
|---|----------------|----------------|
| Opening balance as of 1 January | 103.597 | 144.640 |
| Group's share on profit | 38.275 | 8.136 |
| Group's share on other comprehensive income | - | 280 |
| Effect of the joint ventures sold | (698) | - |
| Dividends received | - | (29.161) |
| Capital increases | 400 | 957 |
| Effect of joint ventures classified as subsidiaries | - | (20.184) |
| Currency translation effect | 5.574 | 1.744 |
| Profit eliminations | - | (43) |
| Closing balance as of 30 September | <u>147.148</u> | <u>106.369</u> |

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

| | 1 January - 30 September 2020 | 1 January - 30 September 2019 |
|---|-------------------------------------|-------------------------------------|
| H-T Fidecilik | 4.194 | 4.328 |
| Azfen | 34.185 | 4.005 |
| Black Sea Gübre (*) | (104) | (194) |
| Florya Gayrimenkul | - | (3) |
| Shares on profit of joint ventures valued by equity method | <u>38.275</u> | <u>8.136</u> |

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

Information related to balance sheet:

| | H-T | | Black Sea | Florya | |
|------------------------------|---------------|----------------|--------------|----------------|------------------|
| | Fidecilik | Azfen | Gübre | Gayrimenkul | Total |
| 30 September 2020 | | | | | |
| Cash and cash equivalents | 139 | 269.073 | - | 22 | 269.234 |
| Other current assets | 72.501 | 467.538 | - | 60.153 | 600.192 |
| Non-current assets | 21.853 | 131.119 | - | 124.297 | 277.269 |
| Total Assets | 94.493 | 867.730 | - | 184.472 | 1.146.695 |
| Short-term borrowings | 23.969 | - | - | - | 23.969 |
| Other short-term liabilities | 21.800 | 768.326 | - | 853 | 790.979 |
| Long-term borrowings | 11.727 | - | - | - | 11.727 |
| Other long-term liabilities | 3.355 | - | - | 2.490 | 5.845 |
| Total Liabilities | 60.851 | 768.326 | - | 3.343 | 832.520 |
| Net Assets | 33.642 | 99.404 | - | 181.129 | 314.175 |
| Group's Ownership Rate | 50% | 40% | - | 50% | |
| Group's Share on Net Assets | 16.821 | 39.762 | - | 90.565 | 147.148 |
| 31 December 2019 | | | | | |
| Cash and cash equivalents | 69 | 155.672 | 1.821 | 87 | 157.649 |
| Other current assets | 63.996 | 195.547 | 946 | 59.124 | 319.613 |
| Non-current assets | 19.604 | 87.199 | 5 | 123.649 | 230.457 |
| Total Assets | 83.669 | 438.418 | 2.772 | 182.860 | 707.719 |
| Short-term borrowings | 28.907 | - | - | - | 28.907 |
| Other short-term liabilities | 22.071 | 438.411 | 83 | 40 | 460.605 |
| Long-term borrowings | 5.000 | - | - | - | 5.000 |
| Other long-term liabilities | 2.437 | - | 16 | 2.490 | 4.943 |
| Total Liabilities | 58.415 | 438.411 | 99 | 2.530 | 499.455 |
| Net Assets | 25.254 | 7 | 2.673 | 180.330 | 208.264 |
| Group's Ownership Rate | 50% | 40% | 30% | 50% | |
| Group's Share on Net Assets | 12.627 | 3 | 802 | 90.165 | 103.597 |

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

Information related to statement of profit or loss:

| 1 January - 30 September 2020 | H-T Fidecilik | Azfen | Black Sea Gübre (*) | Florya Gayrimenkul | Denkmal Dahlem | Total |
|---|------------------|----------|------------------------|-----------------------|-------------------|-----------|
| Revenue | 94.158 | 970.265 | - | - | - | 1.064.423 |
| Depreciation and amortization expense (-) | (1.938) | (20.802) | - | - | - | (22.740) |
| Operating profit (loss) | 13.569 | 117.795 | (579) | - | - | 130.785 |
| Financial income | 32 | - | 268 | - | - | 300 |
| Financial expense (-) | (2.871) | - | (36) | - | - | (2.907) |
| Tax (expense) income | (2.343) | (32.331) | 1 | - | - | (34.673) |
| Profit (Loss) for the Period | 8.388 | 85.462 | (346) | - | - | 93.504 |
| Group's Ownership Rate | 50% | 40% | 30% | 50% | - | |
| Group's Share on Profit (Loss) for the Period | 4.194 | 34.185 | (104) | - | - | 38.275 |
| 1 July - 30 September 2020 | H-T Fidecilik | Azfen | Black Sea Gübre (*) | Florya Gayrimenkul | Denkmal Dahlem | Total |
| Revenue | 32.950 | 365.430 | - | - | - | 398.380 |
| Depreciation and amortization expense (-) | (629) | (6.675) | - | - | - | (7.304) |
| Operating profit | 4.725 | 60.942 | - | - | - | 65.667 |
| Financial income | 12 | - | - | - | - | 12 |
| Financial expense (-) | (930) | - | - | - | - | (930) |
| Tax expense (-) | (838) | (20.965) | - | - | - | (21.803) |
| Profit for the Period | 2.970 | 39.975 | - | - | - | 42.945 |
| Group's Ownership Rate | 50% | 40% | 30% | 50% | - | |
| Group's Share on Profit (Loss) for the Period | 1.485 | 15.990 | - | - | - | 17.475 |

(*) Shares of Black Sea Gübre'nin were sold on 12 June 2020 (Note: 1).

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

Information related to statement of profit or loss:

| 1 January - 30 September 2019 | H-T Fidecilik | Azfen | Black Sea Gübre | Florya Gayrimenkul | Denkmal Dahlem (*) | Total |
|---|------------------|----------|--------------------|-----------------------|-----------------------|----------|
| Revenue | 78.272 | 291.559 | - | - | - | 369.831 |
| Depreciation and amortization expense (-) | (1.896) | (25.829) | (1) | - | - | (27.726) |
| Operating profit (loss) | 16.429 | 12.520 | (918) | - | - | 28.031 |
| Financial income | 133 | - | 578 | - | - | 711 |
| Financial expense (-) | (5.539) | - | (305) | - | - | (5.844) |
| Tax expense (-) | (2.427) | (2.509) | - | (4) | - | (4.940) |
| Profit (Loss) for the Period | 8.655 | 10.012 | (645) | (6) | - | 18.016 |
| Group's Ownership Rate | 50% | 40% | 30% | 50% | - | |
| Group's Share on Profit (Loss) for the Period | 4.328 | 4.005 | (194) | (3) | - | 8.136 |

| 1 July - 30 September 2019 | H-T Fidecilik | Azfen | Black Sea Gübre | Florya Gayrimenkul | Denkmal Dahlem (*) | Total |
|---|------------------|---------|--------------------|-----------------------|-----------------------|---------|
| Revenue | 29.121 | 156.663 | - | - | - | 185.784 |
| Depreciation and amortization expense (-) | (625) | (7.601) | - | - | 76 | (8.150) |
| Operating profit (loss) | 6.061 | (4.339) | (284) | - | 1.054 | 2.492 |
| Financial income | 110 | - | 127 | - | - | 237 |
| Financial expense (-) | (1.911) | - | (151) | - | 476 | (1.586) |
| Tax (expense) income | (909) | 866 | - | - | - | (43) |
| Profit (Loss) for the Period | 3.350 | (3.472) | (308) | (2) | 1.530 | 1.098 |
| Group's Ownership Rate | 50% | 40% | 30% | 50% | 45% | |
| Group's Share on Profit (Loss) for the Period | 1.675 | (1.389) | (92) | (1) | 689 | 882 |

(*) Classified to subsidiaries on 30 July 2019.

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12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, INVESTMENT PROPERTY AND RIGHT-OF-USE ASSETS

(a) Property, Plant and Equipment, Other Intangible Assets, Investment Property and Right-of-use Assets

| | Property, Plant and Equipment | Other Intangible Assets | Investment Property | Right-of-use assets |
|---|----------------------------------|-------------------------------|------------------------|------------------------|
| Cost Value | | | | |
| Opening balance as of 1 January 2020 | 5.118.716 | 108.650 | 161.229 | 103.618 |
| Currency translation effect | 920.063 | 21.623 | 16.350 | 15.377 |
| Additions | 377.708 | 2.797 | 1.457 | 26.232 |
| Acquired through business combination | 10.877 | 1.907 | - | - |
| Disposals | (26.703) | (7.234) | (3.600) | (47.462) |
| Transfers from inventory | - | - | 3.538 | - |
| Transfers | (949) | 87 | 862 | - |
| Closing balance as of 30 September 2020 | <u>6.399.712</u> | <u>127.830</u> | <u>179.836</u> | <u>97.765</u> |
| Accumulated Depreciation and Amortization | | | | |
| Opening balance as of 1 January 2020 | (2.983.510) | (63.615) | (35.871) | (48.436) |
| Currency translation effect | (672.028) | (16.830) | (18) | (7.854) |
| Charge for the period | (193.644) | (7.226) | (1.829) | (20.434) |
| Disposals | 11.927 | 3.038 | - | 40.954 |
| Transfers | 361 | - | (361) | - |
| Closing balance as of 30 September 2020 | <u>(3.836.894)</u> | <u>(84.633)</u> | <u>(38.079)</u> | <u>(35.770)</u> |
| Carrying value as of 30 September 2020 | <u>2.562.818</u> | <u>43.197</u> | <u>141.757</u> | <u>61.995</u> |
| Cost Value | | | | |
| Opening balance as of 1 January 2019 | 4.691.268 | 84.622 | 142.130 | 90.979 |
| Currency translation effect | 191.400 | 3.832 | 2.729 | - |
| Additions | 153.138 | 9.067 | 1.770 | 14.121 |
| Acquired through business combination | 43.807 | 1.496 | - | - |
| Disposals | (153.762) | - | - | - |
| Transfers from assets classified as held for sale | - | - | 7.594 | - |
| Transfers from inventory | - | - | 247 | - |
| Closing balance as of 30 September 2019 | <u>4.925.851</u> | <u>99.017</u> | <u>154.470</u> | <u>105.100</u> |
| Accumulated Depreciation and Amortization | | | | |
| Opening balance as of 1 January 2019 | (2.702.042) | (49.506) | (33.781) | - |
| Currency translation effect | (140.701) | (3.004) | - | - |
| Charge for the period | (168.771) | (5.969) | (1.521) | (36.970) |
| Allowance for impairment | (4.704) | - | - | - |
| Disposals | 151.535 | - | - | - |
| Closing balance as of 30 September 2019 | <u>(2.864.683)</u> | <u>(58.479)</u> | <u>(35.302)</u> | <u>(36.970)</u> |
| Carrying value as of 30 September 2019 | <u>2.061.168</u> | <u>40.538</u> | <u>119.168</u> | <u>68.130</u> |

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise which has no connection with the Group and is one of the independent valuers accredited by Capital Markets Board. Valuation work has been concluded based on fair value of similar properties. The fair value of the investment properties as of 30 September 2020 is 558.408 (30 September 2019: 501.392) according to the valuation carried out by independent expert.

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12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, INVESTMENT PROPERTY AND RIGHT-OF-USE ASSETS (cont’d)

(b) Goodwill

| Subsidiaries Acquired | Nature of Business | Date of Acquisition | Ratio of Shares Acquired | Acquisition Price | Goodwill |
|--|---------------------------|----------------------------|---------------------------------|--------------------------|-----------------|
| Gate İnşaat Taahhüt San. ve Tic. A.Ş. | Engineering & Contracting | 25 July 2018 | 50% | 168.239 | - |
| CFS Petrokimya Sanayi A.Ş. | Chemical Industry | 31 May 2019 | 100% | 8.518 | 8.799 |
| Denkmal in Dahlem Otto-Hahn-Platz GmbH | Engineering & Contracting | 30 July 2019 | 80% | 47.760 | 20.347 |
| Toros Gönen Yenilenebilir Enerji Üretim A.Ş. | Chemical Industry | 31 July 2019 | 70% | 42.946 | 41.608 |
| Toros Meram Yenilenebilir Enerji Üretim A.Ş. | Chemical Industry | 14 February 2020 | 99,9% | 24.814 | 21.352 |
| | | | | 292.277 | 92.106 |

Breakdown of the acquisition price is as follows:

| | Gate | CFS | Denkmal Dahlem | Gönen Enerji | Meram Enerji | Total |
|--------------------------|----------------|--------------|-----------------------|---------------------|---------------------|----------------|
| Paid in cash | 168.239 | 8.518 | 47.760 | 42.946 | 24.814 | 292.277 |
| Acquisition price | 168.239 | 8.518 | 47.760 | 42.946 | 24.814 | 292.277 |

The identifiable assets and liabilities of Meram Enerji detailed below are temporarily reported under TFRS provisions. During the measurement period allowed by the standard, the assets and liabilities will be reevaluated. The main items related to assets acquired and liabilities undertaken at the acquisition dates are as follows:

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12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, INVESTMENT PROPERTY AND RIGHT-OF-USE ASSETS (cont’d)

(b) Goodwill (cont’d)

| | <u>Gate</u> | <u>CFS</u> | <u>Denkmal Dahlem</u> | <u>Gönen Enerji</u> | <u>Meram Enerji</u> | <u>Total</u> |
|--------------------------------|----------------|--------------|-----------------------|---------------------|---------------------|----------------|
| Current assets | 319.667 | 113 | 251.434 | 19.361 | 20.264 | 610.839 |
| Cash and cash equivalents | 17.060 | 13 | 1.077 | 12.132 | 3.043 | 33.325 |
| Other current assets | 302.607 | 100 | 250.357 | 7.229 | 17.221 | 577.514 |
| Non-current assets | 218.109 | 538 | 2.985 | 42.252 | 12.898 | 276.782 |
| Tangible and intangible assets | 108.618 | 538 | 2.985 | 40.268 | 12.784 | 165.193 |
| Other non-current assets | 109.491 | - | - | 1.984 | 114 | 111.589 |
| Current liabilities | 424.888 | 932 | 91.646 | 27.746 | 29.697 | 574.909 |
| Non-current liabilities | 5.091 | - | 128.505 | 31.956 | - | 165.552 |
| Net assets | 107.797 | (281) | 34.268 | 1.911 | 3.465 | 147.160 |

As a result of the acquisitions, the Group obtained control of the companies so that goodwill arisen. The goodwill arising from the acquisitions is as follows:

| | <u>Gate</u> | <u>CFS</u> | <u>Denkmal Dahlem</u> | <u>Gönen Enerji</u> | <u>Meram Enerji</u> | <u>Total</u> |
|--|-------------|--------------|-----------------------|---------------------|---------------------|---------------|
| Acquisition price | 168.239 | 8.518 | 47.760 | 42.946 | 24.814 | 292.277 |
| Non-controlling interest | - | - | 6.855 | 573 | 3 | 7.431 |
| Fair value of previously-held interest in the acquired company | 53.899 | - | - | - | - | 53.899 |
| Less: Fair value of net assets of the acquired company | (107.797) | 281 | (34.268) | (1.911) | (3.465) | (147.160) |
| Impairment (-) | (114.341) | - | - | - | - | (114.341) |
| Goodwill | - | 8.799 | 20.347 | 41.608 | 21.352 | 92.106 |

As a result of the impairment test carried out during the year ended on 31 December 2019, a provision for impairment has been recognized for the portion of the recoverable value of the goodwill arising from Gate exceeding the carrying amount. 3.807 additional payment was made to former shareholders of CFS in the current period.

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12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, INVESTMENT PROPERTY AND RIGHT-OF-USE ASSETS (cont’d)

(b) Goodwill (cont’d)

Net cash outflow concerning the acquisitions is as follows:

| | Gate | CFS | Denkmal Dahlem | Gönen Enerji | Meram Enerji | Total |
|---|----------------|--------------|-----------------------|---------------------|---------------------|----------------|
| Paid in cash | 168.239 | 8.518 | 47.760 | 42.946 | 24.814 | 292.277 |
| Less: Cash and cash equivalents of the acquired company | (8.530) | (13) | (1.077) | (12.132) | (3.043) | (24.795) |
| Net cash outflow | 159.709 | 8.505 | 46.683 | 30.814 | 21.771 | 267.482 |

Movement of Goodwill is as follows:

| | Gate | CFS | Denkmal Dahlem | Gönen Enerji | Meram Enerji | Total |
|--|---------------|--------------|-----------------------|---------------------|---------------------|----------------|
| Opening balance as of 1 January 2020 | - | 4.992 | 14.824 | 41.608 | - | 61.424 |
| Additions | - | 3.807 | - | - | 21.352 | 25.159 |
| Currency translation effect | - | - | 5.523 | - | - | 5.523 |
| Closing balance as of 30 September 2020 | - | 8.799 | 20.347 | 41.608 | 21.352 | 92.106 |
| Opening balance as of 1 January 2019 | 79.896 | - | - | - | - | 79.896 |
| Additions | - | 4.131 | 20.342 | 45.440 | - | 69.913 |
| Remeasurement difference | (3.073) | - | - | - | - | (3.073) |
| Currency translation effect | 6.050 | - | - | - | - | 6.050 |
| Closing balance as of 30 September 2019 | 82.873 | 4.131 | 20.342 | 45.440 | - | 152.786 |

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13. SHORT AND LONG-TERM BORROWINGS

The Company's bank loans are reclassified as long-term whose maturities passed 30 September 2021 according to their opening dates. Annual weighted average interest rate of the existing short-term loans is 3,26% for USD, 1,03% for EUR and 10,22% for TL (31 December 2019: 5,88% for USD, 2,62% for EUR and 17,54% for TL). There is not any long-term loan in terms of USD, weighted average interest rate of the existing long-term loans is 2,65% for EUR and 11,21% for TL (31 December 2019: USD None, EUR 5,54%, TL 11,94%).

Within the scope of TFRS 16 Leases standard implementation, lease liabilities of 35.738 and 29.625 in the aggregate 65.363 included in short-term and long-term borrowings respectively (31 December 2019: 25.109 short-term, 31.669 long-term in the aggregate 56.778).

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

| | 30 September 2020 | 31 December 2019 |
|--|----------------------|---------------------|
| Short-term provisions | 357.991 | 357.635 |
| Long-term provisions | 103.762 | 72.118 |
| Total provisions | <u>461.753</u> | <u>429.753</u> |
| Employment termination benefits provision | 148.392 | 117.115 |
| Unused vacation pay liability provision | 68.560 | 52.218 |
| Premium provision | 21.631 | 63.704 |
| Total provisions attributable to employee benefits | <u>238.583</u> | <u>233.037</u> |
| Provision for litigation | 15.183 | 13.382 |
| Other liability provisions | 207.987 | 183.334 |
| Other provisions | <u>223.170</u> | <u>196.716</u> |
| Total provisions | <u>461.753</u> | <u>429.753</u> |

| | Employment Termination Benefits Provision | Unused Vacation Pay Liability Provision | Premium Provision | Total Provisions Attributable to Employee Benefits |
|---|--|--|----------------------|--|
| Opening balance as of 1 January 2020 | 117.115 | 52.218 | 63.704 | 233.037 |
| Currency translation effect | 23.794 | 10.782 | 7.979 | 42.555 |
| Charge for the period | 41.979 | 23.123 | 29.452 | 94.554 |
| Interest expense | 2.193 | - | - | 2.193 |
| Provision paid during the period | (36.217) | (16.488) | (33.325) | (86.030) |
| Provision released | (14) | (1.075) | (46.179) | (47.268) |
| Actuarial gain | (458) | - | - | (458) |
| Closing balance as of 30 September 2020 | <u>148.392</u> | <u>68.560</u> | <u>21.631</u> | <u>238.583</u> |
| Opening balance as of 1 January 2019 | 106.638 | 40.841 | 37.332 | 184.811 |
| Effect of business combinations | 230 | 151 | - | 381 |
| Currency translation effect | 3.064 | 1.755 | 364 | 5.183 |
| Charge for the period | 32.049 | 18.472 | 40.553 | 91.074 |
| Interest expense | 2.802 | - | - | 2.802 |
| Provision paid during the period | (30.608) | (11.972) | (41.429) | (84.009) |
| Provision released | (64) | (932) | (1.781) | (2.777) |
| Actuarial gain | (4.238) | - | - | (4.238) |
| Closing balance as of 30 September 2019 | <u>109.873</u> | <u>48.315</u> | <u>35.039</u> | <u>193.227</u> |

Termination benefit pay calculated as of 30 September 2020 is subject to upper limit of 7.117,17 Turkish Lira (31 December 2019: 6.730,15 Turkish Lira).

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

| | Provision for Litigation | Other Liability Provisions | Total Other Provisions |
|---|-----------------------------|----------------------------------|---------------------------|
| Opening balance as of 1 January 2020 | 13.382 | 183.334 | 196.716 |
| Currency translation effect | 1.485 | 53.452 | 54.937 |
| Charge for the period | 1.176 | 49.586 | 50.762 |
| Provision paid during the period | (338) | - | (338) |
| Provision released | (522) | (78.385) | (78.907) |
| Closing balance as of 30 September 2020 | <u>15.183</u> | <u>207.987</u> | <u>223.170</u> |
| Opening balance as of 1 January 2019 | 12.803 | 184.155 | 196.958 |
| Effect of business combinations | 220 | 8.944 | 9.164 |
| Currency translation effect | 317 | 12.957 | 13.274 |
| Charge for the period | 2.375 | 48.995 | 51.370 |
| Provision paid during the period | (683) | (32) | (715) |
| Provision released | (989) | (25.908) | (26.897) |
| Closing balance as of 30 September 2019 | <u>14.043</u> | <u>229.111</u> | <u>243.154</u> |

Litigations:

As of 30 September 2020, lawsuit filed against the Group is totally 121.780 (31 December 2019: 203.760) and it has been decided to accrue 15.183 (31 December 2019: 13.382) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, there is no risk of outflow of resources for cases which no provision is made for.

Libya Arbitration Claim

Within the context of the Group’s decision taken on 30 January 2015 to apply for International Arbitration with the aim of claiming all of its rights, receivables and assets connected with The Great Man-Made River Project, which was undertaken in Libya by Tekfen-TML Joint Venture (Tekfen TML J.V.), a joint venture of the Group with 67% participation rate, – that having been halted on 21 February 2011 owing to events taking place in the aforesaid country and the instability thus caused – the Group applied to the International Court of Arbitration of the International Chamber of Commerce (ICC) for commercial arbitration against the Great ManMade River Authority (MMRA) as the ‘employer’, and against the State of Libya. A statement on this subject was duly made in our Announcement of 18 June 2015. In our subsequent announcement of 12 October 2015, we have further reported that a second arbitration case has been filed at the ICC against the Libyan State on the basis of the Agreement on the Mutual Promotion and Protection of Investments (“AMPPI”) signed between the Libyan and Turkish States. The partial award handed down in relation to the contractual arbitration case filed with the ICC on the basis of this Agreement has been notified to the Tekfen TML J.V.

In this partial award, the Arbitration Tribunal has ruled that the MMRA falls within its jurisdiction, but that the State of Libya does not; that the MMRA should pay the Tekfen TML J.V. the sum of 40.499 Thousand USD (of which the Group’s share is 27.134 Thousand USD) as compensation; that the MMRA should pay the Tekfen TML J.V. the sum of 5.000 Thousand USD (of which the Group’s share is 3.350 Thousand USD) in respect of the Tekfen TML J.V.’s legal expenses; that the parties should be asked to submit additional petitions for the determination of the rates of interest to be charged with respect to the aforementioned figures; that all counter-claims of the defendant (the MMRA) should be dismissed with the exception of a minor one for 365 Thousand USD and that only this amount should be deducted from the sum awarded to the Tekfen TML J.V.; that it was necessary for the agreement between the Tekfen TML J.V. and the MMRA to be readjusted in accordance with the changed conditions now in force; and that provision for matters such as the mechanical equipment needed in order for the Tekfen TML J.V. to continue its work should be evaluated within the framework of the revisions to be requested.

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

Litigations (cont’d):

Libya Arbitration Claim (cont’d)

The decision of the ICC is final. Since Tekfen TML J.V. claims the Libyan State is also responsible for the loss, it filed a lawsuit with the Swiss Federal Court, which is the legal arbitration place, for annulment of the decision of the ICC concerning contrary situation. The lawsuit filed at the Swiss Federal Court has been rejected on the grounds that the arbitration agreement could not be extended to the Libyan State. In accordance with the decision of the Arbitral Tribunal, the parties continue conciliation negotiations for the remainder of the proceedings.

The enforcement of the above mentioned partial award may only be done following an enforcement decision of a domestic court. This can only be acquired as a result of a recognition and enforcement lawsuit that can be filed in various countries in connection with the partial award handed down. Furthermore, as the collection of this award is also dependent on the determination of the defendant’s (that is, the MMRA’s) material assets, and on the actual execution of the award with regard to these assets, at this stage none of the above-mentioned legal processes will have any effect whatsoever on the consolidated financial statements of the Group.

The arbitration case detailed above is the judicial remedy of Tekfen TML J.V.’s contract with MMRA. At an additional arbitration case filed against Libyan State that is based on the AMPPI between Turkey and Libyan State, the Arbitration Tribunal has ruled that the case falls within its jurisdiction, and contrary to Tekfen TML J.V.’s claim, ruled that Libya did not violate its obligation to protect and act equally under AMPPI and international customary law. As part of this decision, the Arbitration Tribunal has ruled that Tekfen TML J.V. is responsible for an amount of 2.700 Thousand GBP to Libya for trial costs. Tekfen TML J.V. has started initiatives to offset this amount from the amount of compensation awarded in its favor which is announced on 5 November 2018.

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15. COMMITMENTS

The guarantee, pledge and mortgage ("GPM") position tables of the Group as of 30 September 2020 and 31 December 2019 are as follows:

| 30 September 2020 | Equivalent of Thousands TL | <i>Thousands of US Dollars</i> | <i>Thousands of EUR</i> | <i>Other (Equivalent of Thousands TL)</i> |
|---|-------------------------------|--|-----------------------------|---|
| A. GPM given on behalf of its own legal entity | - | - | - | - |
| -Guarantee | - | - | - | - |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| B. GPM given on behalf of subsidiaries that are included in full consolidation | 14.859.559 | 1.149.578 | 58.830 | 5.346.649 |
| -Guarantee | 14.855.059 | 1.149.578 | 58.830 | 5.342.149 |
| -Pledge | - | - | - | - |
| -Mortgage | 4.500 | - | - | 4.500 |
| C. GPM given in order to guarantee third parties' debts for the routine trade operations | 12.119 | - | - | 12.119 |
| -Guarantee | 12.119 | - | - | 12.119 |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| D. Total amounts of other GPM given | - | - | - | - |
| i. Total amount of GPM given on behalf of parent company | - | - | - | - |
| ii. Total amount of GPM given on behalf of other group companies that are not included group B and C | - | - | - | - |
| iii. Total amount of GPM given on behalf of third parties that are not included group C | - | - | - | - |
| Total as of 30 September 2020 | 14.871.678 | 1.149.578 | 58.830 | 5.358.768 |
| 31 December 2019 | | | | |
| A. GPM given on behalf of its own legal entity | - | - | - | - |
| -Guarantee | - | - | - | - |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| B. GPM given on behalf of subsidiaries that are included in full consolidation | 13.214.745 | 1.415.905 | 99.405 | 4.142.886 |
| -Guarantee | 12.888.163 | 1.415.905 | 63.005 | 4.058.386 |
| -Pledge | - | - | - | - |
| -Mortgage | 326.582 | - | 36.400 | 84.500 |
| C. GPM given in order to guarantee third parties' debts for the routine trade operations | 30.765 | - | - | 30.765 |
| -Guarantee | 30.765 | - | - | 30.765 |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| D. Total amounts of other GPM given | - | - | - | - |
| i. Total amount of GPM given on behalf of parent company | - | - | - | - |
| ii. Total amount of GPM given on behalf of other group companies that are not included group B and C | - | - | - | - |
| iii. Total amount of GPM given on behalf of third parties that are not included group C | - | - | - | - |
| Total as of 31 December 2019 | 13.245.510 | 1.415.905 | 99.405 | 4.173.651 |

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

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16. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Transactions with related parties are distinct and measurable. Transactions with related parties during the nine month interim period ended 30 September 2020 consist of sales of goods and services amounting 19.533, purchase of goods and services amounting 9.567, dividend income amounting 11.483 and other expenses amounting 993. The remuneration of key management during the period is 17.577.

17. EQUITY

Capital / Capital Structure Adjustment

The capital structure as of 30 September 2020 and 31 December 2019 is as follows:

| Shareholders | (%) | 2020 | (%) | 2019 |
|------------------------------|--------|----------------|--------|----------------|
| Berker family | 22,55% | 83.422 | 22,55% | 83.422 |
| Gökyiğit family | 22,18% | 82.060 | 22,13% | 81.865 |
| Akçağlılar family | 6,65% | 24.611 | 6,65% | 24.611 |
| Other (*) | 0,78% | 2.898 | 1,54% | 5.683 |
| Publicly traded | 47,84% | 177.009 | 47,13% | 174.419 |
| Paid in capital | 100% | 370.000 | 100% | 370.000 |
| Capital structure adjustment | | 3.475 | | 3.475 |
| Restated capital | | <u>373.475</u> | | <u>373.475</u> |

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

18. EARNINGS PER SHARE

| | 1 January- 30 September 2020 | 1 July- 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2019 |
|---|------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Average number of ordinary shares outstanding during the period (in full) | 370.000.000 | 370.000.000 | 370.000.000 | 370.000.000 |
| Net profit for the period attributable to owners of the parent (Thousands TL) | 130.661 | (14.587) | 1.440.288 | 258.402 |
| Earnings per share from continuing operations (TL) | 0,353 | (0,039) | 3,893 | 0,698 |

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19. OTHER OPERATING INCOME AND EXPENSES

| | 1 January- 30 September 2020 | 1 July- 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2019 |
|---|------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Other operating income | | | | |
| Foreign exchange income from operations | 383.797 | 78.967 | 252.966 | 79.062 |
| Due date difference income | 34.224 | 11.837 | 68.077 | 17.386 |
| Hedging income (Note: 21) | 31.503 | 23.086 | 52.473 | 17 |
| Discount income | 13.391 | 6.694 | 24.340 | 11.012 |
| Social security premium refund income | 3.307 | 1.048 | 2.891 | 1.313 |
| Rental income | 2.560 | 851 | 8.319 | 7.460 |
| Government grants and incentives income | 2.434 | 662 | 2.274 | 193 |
| Indemnity income | 1.806 | 1.345 | 641 | 340 |
| Scrap sales income | 954 | 200 | 1.042 | 471 |
| Reversal of litigation provision (Note: 14) | 522 | 45 | 989 | 2 |
| Other income | 27.502 | 14.859 | 8.561 | (4.040) |
| | 502.000 | 139.594 | 422.573 | 113.216 |
| | | | | |
| | 1 January- 30 September 2020 | 1 July- 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2019 |
| Other operating expenses (-) | | | | |
| Foreign exchange losses from operations | (652.026) | (205.182) | (303.334) | (90.037) |
| Hedging expenses (Note: 21) | (16.324) | - | (17.553) | (16.907) |
| Grants and contributions | (14.945) | (9.360) | (468) | (292) |
| Discount expenses | (14.881) | (3.840) | (8.452) | 5.222 |
| Due date difference expenses | (7.446) | (7.295) | (37.158) | (16.264) |
| Litigation provision (Note: 14) | (1.176) | (194) | (2.375) | (31) |
| Written off VAT receivables | (1.166) | (1.166) | (95) | (93) |
| Penalty and damages expenses | (305) | (147) | (2.806) | (2.528) |
| Other provision expenses (Note: 14) | - | - | (8.927) | 2.443 |
| Other expenses | (17.266) | 5.495 | (21.435) | (4.426) |
| | (725.535) | (221.689) | (402.603) | (122.913) |

20. FINANCIAL INCOME AND EXPENSES

| | 1 January- 30 September 2020 | 1 July- 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2019 |
|-------------------------------------|------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Financial income | | | | |
| Foreign exchange gains | 559.022 | 279.411 | 421.363 | 109.067 |
| Interest income | 52.514 | 17.145 | 129.233 | 31.735 |
| Currency translation reserve gains | 22.228 | 8.600 | 7.217 | (846) |
| Other financial income | 1.841 | (3.351) | 224 | 108 |
| | 635.605 | 301.805 | 558.037 | 140.064 |
| | | | | |
| | 1 January- 30 September 2020 | 1 July- 30 September 2020 | 1 January - 30 September 2019 | 1 July- 30 September 2019 |
| Financial expenses (-) | | | | |
| Foreign exchange losses | (173.757) | (52.311) | (320.589) | (126.293) |
| Interest expenses | (74.466) | (28.760) | (62.665) | (15.335) |
| Other financial expenses | (11.544) | (3.952) | (7.118) | 404 |
| Currency translation reserve losses | (2.129) | (1.511) | - | 744 |
| | (261.896) | (86.534) | (390.372) | (140.480) |

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

21. DERIVATIVE INSTRUMENTS

| | 30 September 2020 | | 31 December 2019 | |
|------------------------------------|-------------------|-------------|------------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| Forward foreign exchange contracts | 26.496 | - | 211 | 29.939 |
| Current | 26.496 | - | 211 | 29.939 |
| Non-current | - | - | - | - |
| | <u>26.496</u> | <u>-</u> | <u>211</u> | <u>29.939</u> |

Currency derivatives:

The subsidiary of the Group, Toros Tarım utilizes currency derivatives to hedge significant future transactions and cash flows. Toros Tarım is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Toros Tarım’s principal markets.

As of balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which Toros Tarım is committed are as follows:

| | 30 September 2020 | 31 December 2019 |
|------------------------------------|----------------------|---------------------|
| Forward foreign exchange contracts | 184.956 | 609.791 |
| | <u>184.956</u> | <u>609.791</u> |

As of 30 September 2020, the fair value of the Toros Tarım’s currency derivatives is estimated to be 26.496 assets which is positive 26.496 (31 December 2019: assets 211, liabilities 29.939, negative 29.728). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classification of derivative instruments is Level 2 (31 December 2019: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to positive 20.663 has been deferred in equity (31 December 2019: negative 23.183). There are no ineffective cash flow hedges for the period (30 September 2019: None). Gains amounting to 31.503 and expenses amounting to 16.324 concerning matured derivative contracts during the period have been recognized in profit or loss (30 September 2019: Gains amounting to 52.473 and expenses amounting to 17.553 concerning matured derivative contracts during the period have been recognized in profit or loss).

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

22. FOREIGN CURRENCY POSITION

| 30 September 2020 | Equivalent of Thousands of TL | Thousands of US Dollars | Thousands of EUR | Thousands of GBP | Other (Equivalent of Thousands of TL) |
|---|----------------------------------|----------------------------|------------------|---------------------|--|
| 1. Trade Receivables | 388.012 | 27.951 | 4.312 | 4 | 130.370 |
| 2. Monetary Financial Assets | 1.919.291 | 220.253 | 13.598 | 8 | 75.351 |
| 3. Other | 87.866 | 5.994 | 1.353 | 2 | 28.694 |
| 4. CURRENT ASSETS | 2.395.169 | 254.198 | 19.263 | 14 | 234.415 |
| 5. Trade Receivables | 121.852 | - | - | - | 121.852 |
| 6. Monetary Financial Assets | 587 | - | 1 | - | 578 |
| 7. Other | 22.261 | 1.905 | 805 | - | 39 |
| 8. NON-CURRENT ASSETS | 144.700 | 1.905 | 806 | - | 122.469 |
| 9. TOTAL ASSETS | 2.539.869 | 256.103 | 20.069 | 14 | 356.884 |
| 10. Trade Payables | 1.514.211 | 149.765 | 24.709 | 9 | 119.209 |
| 11. Financial Liabilities | 74.127 | 2 | 5.393 | - | 24.884 |
| 12. Monetary Other Liabilities | 143.973 | 1.194 | 8.631 | - | 55.866 |
| 12b. Non-Monetary Other Liabilities | 4.448 | 323 | 211 | - | - |
| 13. CURRENT LIABILITIES | 1.736.759 | 151.284 | 38.944 | 9 | 199.959 |
| 14. Trade Payables | 7.833 | 39 | 31 | - | 7.246 |
| 15. Financial Liabilities | 117.944 | - | 12.921 | - | - |
| 16. Monetary Other Liabilities | 33.729 | 552 | 4 | - | 29.382 |
| 17. NON-CURRENT LIABILITIES | 159.506 | 591 | 12.956 | - | 36.628 |
| 18. TOTAL LIABILITIES | 1.896.265 | 151.875 | 51.900 | 9 | 236.587 |
| 19. Net Position of Off-balance Sheet Derivative Instruments (19a-19b) | 204.023 | 26.130 | - | - | - |
| 19a. Derivative Assets | 204.023 | 26.130 | - | - | - |
| 19b. Derivative Liabilities | - | - | - | - | - |
| 20. Net Foreign Currency Assets / Liabilities Position | 847.627 | 130.358 | (31.831) | 5 | 120.297 |
| 21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16) | 537.925 | 96.652 | (33.778) | 3 | 91.564 |
| 22. Fair Value of Derivative Instruments Held for Hedging | 26.496 | 3.393 | - | - | - |

Translated into English from the report originally issued in Turkish.

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

22. FOREIGN CURRENCY POSITION (cont’d)

| 31 December 2019 | Equivalent of Thousands of TL | Thousands of US Dollars | Thousands of EUR | Thousands of GBP | Other (Equivalent of Thousands of TL) |
|---|----------------------------------|----------------------------|------------------|---------------------|--|
| 1. Trade Receivables | 499.376 | 8.309 | 52.376 | 191 | 100.202 |
| 2. Monetary Financial Assets | 1.749.575 | 181.557 | 88.977 | 15 | 79.223 |
| 3. Other | 70.561 | 5.916 | 1.345 | 12 | 26.380 |
| 4. CURRENT ASSETS | 2.319.512 | 195.782 | 142.698 | 218 | 205.805 |
| 5. Trade Receivables | 15 | - | - | - | 15 |
| 6. Monetary Financial Assets | 594 | 2 | - | - | 582 |
| 7. Other | 24.831 | 12 | 3.723 | - | - |
| 8. NON-CURRENT ASSETS | 25.440 | 14 | 3.723 | - | 597 |
| 9. TOTAL ASSETS | 2.344.952 | 195.796 | 146.421 | 218 | 206.402 |
| 10. Trade Payables | 1.217.676 | 172.076 | 11.825 | 27 | 116.657 |
| 11. Financial Liabilities | 232.456 | 2 | 34.775 | - | 1.170 |
| 12. Monetary Other Liabilities | 186.055 | 120 | 5.308 | - | 150.041 |
| 12b. Non-Monetary Other Liabilities | 4.805 | 716 | 83 | - | - |
| 13. CURRENT LIABILITIES | 1.640.992 | 172.914 | 51.991 | 27 | 267.868 |
| 14. Trade Payables | 2.089 | - | 55 | - | 1.723 |
| 15. Financial Liabilities | 28.292 | - | 4.254 | - | - |
| 16. Monetary Other Liabilities | 22.109 | 353 | 4 | - | 19.986 |
| 17. NON-CURRENT LIABILITIES | 52.490 | 353 | 4.313 | - | 21.709 |
| 18. TOTAL LIABILITIES | 1.693.482 | 173.267 | 56.304 | 27 | 289.577 |
| 19. Net Position of Off-balance Sheet Derivative Instruments (19a-19b) | 562.240 | 94.650 | - | - | - |
| 19a. Derivative Assets | 562.240 | 94.650 | - | - | - |
| 19b. Derivative Liabilities | - | - | - | - | - |
| 20. Net Foreign Currency Assets / Liabilities Position | 1.213.710 | 117.179 | 90.117 | 191 | (83.175) |
| 21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16) | 560.883 | 17.317 | 85.132 | 179 | (109.555) |
| 22. Fair Value of Derivative Instruments Held for Hedging | (29.728) | (5.005) | - | - | - |

Translated into English from the report originally issued in Turkish.

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

22. FOREIGN CURRENCY POSITION (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily with respect to US Dollars and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in foreign currency rates. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the nine month interim period end for a 5% change in foreign currency rates. Positive number indicates an increase in profit or loss.

| | 30 September 2020 | |
|---|---|---------------------------------------|
| | Profit / (Loss) | |
| | Appreciation of foreign currencies | Depreciation of foreign currencies |
| | If US Dollars changes 5% against TL | |
| US Dollars net assets / liabilities | 50.892 | (50.892) |
| | If Euro changes 5% against TL | |
| Euro net assets / liabilities | (14.528) | 14.528 |
| | If other foreign currencies changes 5% against TL | |
| Other foreign currency assets / liabilities | 6.017 | (6.017) |
| TOTAL | 42.381 | (42.381) |
| | 31 December 2019 | |
| | Profit / (Loss) | |
| | Appreciation of foreign currencies | Depreciation of foreign currencies |
| | If US Dollars change 5% against TL | |
| US Dollars net assets / liabilities | 34.803 | (34.803) |
| | If Euro changes 5% against TL | |
| Euro net assets / liabilities | 29.967 | (29.967) |
| | If other foreign currencies change 5% against TL | |
| Other foreign currency net assets / liabilities | (4.084) | 4.084 |
| TOTAL | 60.686 | (60.686) |

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

23. FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.
- Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Equity investments and derivative instruments of the Group are measured at their fair values. Book values of other financial assets and liabilities approximate their fair values.

The fair values of financial assets are as follows:

| Financial instruments | 30 September 2020 | Fair value level as of reporting date | | |
|---|----------------------|---------------------------------------|------------------|----------|
| | | Level 1 | Level 2 | Level 3 |
| Fair value through other comprehensive income financial investments | 1.267.712 | 339.217 | 928.495 | - |
| Fair value through profit or loss financial investments | 269.559 | - | 269.559 | - |
| Derivative instruments | 26.496 | - | 26.496 | - |
| Total | <u>1.563.767</u> | <u>339.217</u> | <u>1.224.550</u> | <u>-</u> |

| Financial instruments | 31 December 2019 | Fair value level as of reporting date | | |
|---|---------------------|---------------------------------------|----------------|----------|
| | | Level 1 | Level 2 | Level 3 |
| Fair value through other comprehensive income financial investments | 230.962 | 97.451 | 133.511 | - |
| Fair value through profit or loss financial investments | 162.906 | - | 162.906 | - |
| Derivative instruments | (29.728) | - | (29.728) | - |
| Total | <u>364.140</u> | <u>97.451</u> | <u>266.689</u> | <u>-</u> |

24. SUBSEQUENT EVENTS

As of reporting date, there is negative change of 66.529 in the fair value of Akmerkez GYO, which is a fair value through other comprehensive income financial investment of the Group.