

**TEKFEN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2013

(Translated into English from the report
originally issued Turkish)

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Tekfen Holding A.Ş.

We have audited the accompanying consolidated statement of financial position (balance sheet) of Tekfen Holding A.Ş. (“the Company”) and its subsidiaries (together will be referred as “the Group”) as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Group Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Due to recent and unfavourable developments occurred in Libya in February 2011, Tekfen-TML Partnership, a joint operation of which 67% is owned by the Group, has to cease its operations and evacuate the construction site for an indefinite period of time.

The Company has total assets amounting to TL 220.003 thousand (USD 103.080 thousand), liabilities amounting to TL 49.516 thousand (USD 23.200 thousand) and net assets of TL 170.487 thousand (USD 79.880 thousand) that has been included in the consolidated financial statements as disclosed in details in Note 35 as of 31 December 2013 related to Libya operations. In addition, the total amount of guarantee letters given to third parties related to Libya operations amounts to TL 34.820 thousand (USD 16.314 thousand).

In 2013, investment company in Libya has offered to the Company’s management a partial compensation of the outstanding receivables and losses in order to make Tekfen-TML J.V. resumption of its operations. However the Management of The Group’s awaits for the completion of ongoing negotiations and fully cover its losses in order to take resumption of operations decision. As of this report date, we were unable to perform any audit procedures on the operations of Tekfen-TML JV, as the Group Management has ceased its operations in Libya tentatively, therefore we are not able to express an audit opinion for the Tekfen-TML JV operations.

Qualified Opinion

In our opinion, except for the possible effects of the matter explained in Basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Tekfen Holding A.Ş. and its subsidiaries as at 31 December 2013, and of their financial performance and their cash flows for the year then ended in accordance with TAS (Note 2).

Emphasis of Matter:

As explained in Note 18, the Group's legal claims and appeals against the administrative court's decision regarding the closure of Samsun Gübre facility of Toros Tarım Sanayi ve Ticaret A.Ş. ("Toros Tarım"), subsidiary of the Group, after the written petition of the Samsun Municipality is still in process with the suspension execution as of report date due to existence of the uncertainty about the legal outcome of the case.

Reports on Other Legal and Regulatory Requirements

In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Group's set of accounts prepared for the period 1 January-31 December 2013 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with Article 378 of Turkish Commercial Code No. 6102, in publicly traded companies, the board of directors is obliged to establish a committee consisting of specialized experts, to run and to develop the necessary system for the purposes of early identification of any risks that may compromise the existence, development and continuation of the company; applying the necessary measures and remedies in this regard and managing such risks. According to paragraph 4 of Article 398 of the same code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee in 2012, and the committee is comprised of 2 members. Since the date of its establishment, the committee has held 9 meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Koray ÖZTÜRK, SMMM
Partner

İstanbul, 6 March 2014

CONTENT	PAGE
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013	3
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013	5
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013	6-7
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013	8-82
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	8-10
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	11-29
NOTE 3 JOINT OPERATIONS	29
NOTE 4 SEGMENTAL REPORTING	30-33
NOTE 5 CASH AND CASH EQUIVALENTS	34
NOTE 6 FINANCIAL INVESTMENTS	34-35
NOTE 7 SHORT AND LONG TERM FINANCIAL DEBTS	35-36
NOTE 8 TRADE RECEIVABLES AND PAYABLES	37-38
NOTE 9 OTHER RECEIVABLES AND PAYABLES	39
NOTE 10 INVENTORIES	40
NOTE 11 CONSTRUCTION CONTRACTS	41
NOTE 12 INVESTMENTS VALUED BY EQUITY METHOD	42-45
NOTE 13 INVESTMENT PROPERTY	46
NOTE 14 PROPERTY, PLANT AND EQUIPMENT	47-49
NOTE 15 INTANGIBLE ASSETS	49
NOTE 16 PREPAID EXPENSES, ADVANCES RECEIVED AND DEFERRED REVENUE	50
NOTE 17 GOVERNMENT GRANTS AND INCENTIVES	50
NOTE 18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	51-52
NOTE 19 COMMITMENTS	53
NOTE 20 EMPLOYEE BENEFITS	54-55
NOTE 21 OTHER CURRENT/NON CURRENT ASSETS AND OTHER SHORT/ LONG TERM LIABILITIES	56
NOTE 22 SHAREHOLDERS' EQUITY	57-58
NOTE 23 REVENUE AND COST OF REVENUE	59
NOTE 24 RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES	60
NOTE 25 QUALITATIVE EXPENSES.....	61
NOTE 26 OTHER OPERATING INCOME AND EXPENSES	61
NOTE 27 INVESTMENT INCOME AND EXPENSES	62
NOTE 28 FINANCIAL INCOME AND EXPENSES	62
NOTE 29 ASSETS CLASSIFIED AS HELD FOR SALE	63
NOTE 30 TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	63-67
NOTE 31 EARNINGS PER SHARE	67
NOTE 32 RELATED PARTY TRANSACTIONS.....	68-70
NOTE 33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	70-78
NOTE 34 FINANCIAL INSTRUMENTS.....	79-80
NOTE 35 EVENTS AND TRANSACTIONS POSSIBLY AFFECTING FINANCIAL STATEMENTS BY LEVEL OF SIGNIFICANCE.....	81-82
NOTE 36 SUBSEQUENT EVENTS.....	82

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

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

ASSETS	Notes	Audited 31 December 2013	Audited Restated (Note 2) 31 December 2012
Current Assets		3.291.454	2.967.237
Cash and cash equivalents	5	1.055.153	1.063.761
Financial investments	6	49.119	-
Trade receivables	8	789.689	619.409
- <i>Related party receivables</i>		<i>9.081</i>	<i>10.244</i>
- <i>Trade receivables</i>		<i>780.608</i>	<i>609.165</i>
Other receivables	9	2.999	5.238
- <i>Related party receivables</i>		-	-
- <i>Other receivables</i>		<i>2.999</i>	<i>5.238</i>
Inventories	10	521.174	426.271
Receivables from ongoing construction contracts	11	558.960	649.604
Prepaid expenses	16	151.152	55.260
Assets related with current tax	30	44.299	53.781
Other current assets	21	105.597	82.969
		<u>3.278.142</u>	<u>2.956.293</u>
Assets classified as held for sale	29	13.312	10.944
Non Current Assets		1.405.966	1.162.384
Financial investments	6	63.593	94.213
Trade receivables	8	84.225	120.182
- <i>Related party receivables</i>		-	-
- <i>Trade receivables</i>		<i>84.225</i>	<i>120.182</i>
Other receivables	9	6.733	6.819
- <i>Related party receivables</i>		-	-
- <i>Other receivables</i>		<i>6.733</i>	<i>6.819</i>
Investments valued by equity method	12	120.547	42.539
Investment property	13	78.775	92.825
Property, plant and equipment	14	904.712	748.505
Intangible assets	15	3.311	2.691
Prepaid expenses	16	69.094	15.463
Deferred tax assets	30	38.359	15.237
Other non current assets	21	36.617	23.910
TOTAL ASSETS		<u>4.697.420</u>	<u>4.129.621</u>

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

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

LIABILITIES	Notes	Audited 31 December 2013	Audited Restated (Note 2) 31 December 2012
Current Liabilities		2.326.434	1.822.073
Short term financial debts	7	555.236	275.241
Short term portion of long term financial debts	7	58.029	40.967
Trade payables	8	1.145.610	940.949
- <i>Related party payables</i>		444	834
- <i>Trade payables</i>		1.145.166	940.115
Employee benefit payables	20	38.389	23.457
Other payables	9	16.478	14.982
- <i>Related party payables</i>		-	4.275
- <i>Other payables</i>		16.478	10.707
Advances received	16	255.196	249.785
Deferred revenue	16	5.278	6.396
Current tax liability	30	48.327	60.461
Ongoing construction progress payments	11	135.906	172.375
Short term provisions		66.988	34.450
- <i>Short term provisions attributable to employee benefits</i>	20	36.296	25.389
- <i>Other short term provisions</i>	18	30.692	9.061
Other short term liabilities	21	997	3.010
Non Current Liabilities		448.789	196.283
Long term financial debts	7	297.662	112.789
Trade payables	8	23.651	9.357
Other payables	9	20.662	937
Long term provisions		45.160	42.233
- <i>Long term provisions attributable to employee benefits</i>	20	45.090	42.169
- <i>Other long term provisions</i>	18	70	64
Deferred tax liabilities	30	61.654	30.967
SHAREHOLDERS' EQUITY	22	1.922.197	2.111.265
Equity Attributable To Owners Of The Parent		1.890.154	2.081.480
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		2.470	-
- <i>Gain/(loss) on revaluation and remeasurement</i>		2.470	-
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		194.274	165.543
- <i>Currency translation reserve</i>		149.095	91.270
- <i>Gain/(loss) on revaluation and reclassification</i>		45.179	74.273
Restricted profit reserves		120.830	98.255
Retained earnings		962.382	843.918
Net profit for the period		(64.261)	299.305
Non-controlling Interests		32.043	29.785
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4.697.420	4.129.621

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Audited 1 January- 31 December 2013	Audited Restated (Note 2) 1 January- 31 December 2012
Revenue	23	3.846.036	3.948.737
Cost of revenue (-)	23	(3.718.804)	(3.563.475)
GROSS PROFIT		127.232	385.262
General administrative expenses (-)	24	(113.132)	(107.117)
Marketing, selling and distribution expenses (-)	24	(120.365)	(109.626)
Research and development expenses (-)	24	(253)	(127)
Other operating income	26	114.053	105.823
Other operating expenses (-)	26	(164.787)	(95.511)
Share on profit / loss of investments valued using equity method	12	33.705	21.342
OPERATING (LOSS) / PROFIT		(123.547)	200.046
Investment income	27	59.739	146.761
Investment expense (-)	27	(13.928)	(5.026)
(LOSS) / PROFIT BEFORE FINANCIAL INCOME / (EXPENSE)		(77.736)	341.781
Financial income	28	167.141	102.057
Financial expense (-)	28	(94.554)	(81.197)
(LOSS) / PROFIT BEFORE TAXATION		(5.149)	362.641
Tax expense	30	(58.533)	(62.337)
Tax expense for the period		(57.995)	(64.735)
Deferred tax income / (expense)		(1.416)	2.134
Currency translation reserve		878	264
(LOSS) / PROFIT FOR THE PERIOD		(63.682)	300.304
Distribution of (Loss) / Profit For The Period			
Non-controlling interests		579	999
Owners of the parent		(64.261)	299.305
Earnings Per Share	31	(0,174)	0,809

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TEKFEN HOLDING ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

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

	<u>Notes</u>	<u>Audited 1 January- 31 December 2013</u>	<u>Audited 1 January- 31 December 2012</u>
(LOSS) / PROFIT FOR THE PERIOD		(63.682)	300.304
OTHER COMPREHENSIVE (EXPENSE) / INCOME:			
<u>Items that will not be reclassified to profit or loss</u>			
Gain on revaluation of defined retirement benefit plans	22	2.470	-
Taxes based on other comprehensive income that will not be reclassified to profit or loss		3.088	-
<i>Deferred tax expense</i>		(618)	-
		(618)	-
<u>Items that will be reclassified to profit or loss</u>			
Gain / (loss) on revaluation of available for sale financial investments	6	33.942	(1.598)
Currency translation reserve differences	22	(30.625)	23.820
Share on other comprehensive income of investments valued using equity method		63.036	(25.398)
The effect of sale of association		-	4.316
Taxes based on other comprehensive income that will be reclassified to profit or loss		-	(3.145)
<i>Deferred tax income / (expense)</i>		1.531	(1.191)
		1.531	(1.191)
OTHER COMPREHENSIVE INCOME / (EXPENSE)		<u>36.412</u>	<u>(1.598)</u>
TOTAL COMPREHENSIVE (EXPENSE) / INCOME		<u>(27.270)</u>	<u>298.706</u>
Distribution of Total Comprehensive (Expense) / Income For The Period			
Non-controlling interests		5.790	(901)
Owners of the parent		(33.060)	299.607

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain / (loss) on revaluation and remeasurement	Gain / (loss) on revaluation and reclassification	Currency translation reserve	Restricted profit reserves	Retained earnings	Net profit for the period	Equity attributable to owners of the parent	Non controlling interests	Total
Opening balances as of 1 January 2012	370.000	3.475	300.984	-	51.560	114.768	72.222	701.471	242.440	1.856.920	30.686	1.887.606
<i>Other comprehensive income</i>	-	-	-	-	23.800	(23.498)	-	-	-	302	(1.900)	(1.598)
<i>Net profit for the period</i>	-	-	-	-	3.145	-	-	-	296.160	299.305	999	300.304
Total comprehensive income	-	-	-	-	26.945	(23.498)	-	-	296.160	299.607	(901)	298.706
The effect of sale of association	-	-	-	-	(4.232)	-	-	1.087	3.145	-	-	-
Transfers to retained earnings	-	-	-	-	-	-	-	242.440	(242.440)	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	26.033	(26.033)	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	(75.047)	-	(75.047)	-	(75.047)
Balance as of 31 December 2012	370.000	3.475	300.984	-	74.273	91.270	98.255	843.918	299.305	2.081.480	29.785	2.111.265
Opening balances as of 1 January 2013	370.000	3.475	300.984	-	74.273	91.270	98.255	843.918	299.305	2.081.480	29.785	2.111.265
<i>Other comprehensive income</i>	-	-	-	2.470	(29.094)	57.825	-	-	-	31.201	5.211	36.412
<i>Net profit for the period</i>	-	-	-	-	-	-	-	-	(64.261)	(64.261)	579	(63.682)
Total comprehensive income	-	-	-	2.470	(29.094)	57.825	-	-	(64.261)	(33.060)	5.790	(27.270)
Change in non-controlling interests	-	-	-	-	-	-	-	(527)	-	(527)	(3.532)	(4.059)
Fair value of redeemed shares	-	-	-	-	-	-	-	(19.464)	-	(19.464)	-	(19.464)
Transfers to retained earnings	-	-	-	-	-	-	-	299.305	(299.305)	-	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	22.575	(22.575)	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	(138.275)	-	(138.275)	-	(138.275)
Balance as of 31 December 2013	370.000	3.475	300.984	2.470	45.179	149.095	120.830	962.382	(64.261)	1.890.154	32.043	1.922.197

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Audited 1 January- 31 December 2013	Audited Restated (Note 2) 1 January- 31 December 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES			
		(122.381)	198.933
(Loss) / profit for the period		(63.682)	300.304
Adjustments to reconcile net (loss) / profit		101.864	8.472
- Depreciation and amortization	13,14,15	82.500	90.939
- Impairment / reversed provision	10, 14, 15	8.702	3.750
- Provision adjustments	8, 18, 20	80.929	50.508
- Interest expense and income	28	(39.576)	(33.888)
- Difference between capital in kind and fair value	27	(49.083)	-
- Loss / (gain) on sale of associate accounted by equity method	12	42	(137.820)
- Group's share on net assets of investments in associates accounted by equity method	12	(33.705)	(21.342)
- Dividend income	27	(6.590)	(4.988)
- Gain / Loss on fair valuation	6	(5)	(25)
- Allowance for taxation	30	58.533	62.337
- Gain / Loss on sale of fixed assets	27	117	(999)
Movements in working capital		(101.753)	(50.887)
- Changes in inventories	10	(66.478)	66.077
- Changes in trade receivables	8	(149.908)	(99.975)
- Changes in other assets		(132.622)	(57.875)
- Changes in receivables from ongoing construction contracts	11	67.863	(67.794)
- Changes in trade payables	8	241.736	117.559
- Changes in other liabilities		23.244	9.943
- Changes in receivables from ongoing construction progress payments	11	(36.469)	(18.822)
- Other changes in working capital	6	(49.119)	-
Cash generated by operating activities		(63.571)	257.889
Interest paid		(25.554)	(22.192)
Interest received		65.924	58.671
Tax paid / return	30	(60.647)	(59.295)
Penalty of litigation paid	18	(921)	(636)
Retirement pay provision and premiums paid	20	(27.683)	(25.744)
Unused vacation paid	20	(9.397)	(9.438)
Other provision paid	18	(532)	(322)

TEKFEN HOLDING ANONIM SIRKETI AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2013**

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

	Notes	Audited 1 January - 31 December 2013	Audited Restated (Note 2) 1 January - 31 December 2012
B. CASH FLOWS FROM INVESTING ACTIVITIES		(197.667)	238.938
Effect of investments in associates valued by equity method	12	-	(3.357)
Proceeds from sale of tangible and intangible assets	14, 15, 27, 29	9.928	8.259
Acquisition of tangible and intangible assets	13, 14, 15	(170.195)	(99.316)
Advances and debts given	16	(46.057)	(15.165)
Proceeds from sale of associate	12	6.126	343.529
Acquisition of non-controlling interests' shares	35	(4.059)	-
Dividend received	27	6.590	4.988
C. CASH FLOWS FROM FINANCING ACTIVITIES		213.148	(120.571)
Proceeds from borrowings		1.061.149	490.678
Repayments of borrowings		(659.540)	(498.154)
Payments of financial lease obligations		(50.186)	(38.048)
Dividend paid		(138.275)	(75.047)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		(106.900)	317.300
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		98.292	(22.737)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		(8.608)	294.563
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.063.761	769.198
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1.055.153	1.063.761

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 31 December 2013, the Group has 15.514 employees (31 December 2012: 17.532) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

Company shares are publicly traded beginning 23 November 2007 on Borsa İstanbul.

As of 31 December 2013 the details of registered names of the subsidiaries, joint ventures and branches, their nature of business, their countries of origin, their business segments and their direct / effective share participation rates are listed below:

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate %		Business Segment
			2013	2012	
Tekfen İnşaat ve Tesisat A.Ş. “Tekfen İnşaat”	Construction	Turkey	100	100	Contracting
Tekfen Mühendislik A.Ş. “Temaş”	Engineering	Turkey	100	100	Contracting
Tekfen İmalat ve Mühendislik A.Ş. “Timaş”	Manufacturing	Turkey	100	100	Contracting
Cenub Tikinti Services ASC “Cenub Tikinti”	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau- Aktiengesellschaft, Halle “HMB”	Trading	Germany	100	100	Contracting
Tekfen International Limited “Tekfen International Ltd”	Investment	United Kingdom	100	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. “Tekfen Construction”	Construction	Ireland	100	100	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. “Toros Tarım”	Agriculture- Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. “Tayseb”	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. “Toros Terminal”	Service	Turkey	100	100	Agriculture
Türk Arap Gübre A.Ş. “Türk Arap Gübre”	Manufacturing	Turkey	100	80	Agriculture
Toros Gemi Acenteliği ve Ticaret A.Ş. “Toros Gemi”	Shipping Agent	Turkey	100	100	Agriculture
TST International Trading Limited “TST Trading”	Trading	Ireland	100	100	Agriculture
TST International Limited “TST Ltd.”	Trading	United Kingdom	100	100	Agriculture
Industrial Supply and Trading Company Limited “Industrial Supply”	Trading	United Kingdom	100	100	Agriculture
Petrofertil Trd. Ltd “Petrofertil Trading”	Trading	United Kingdom	100	100	Agriculture
Tekfen Turizm ve İşletmecilik A.Ş. “Tekfen Turizm”	Service	Turkey	100	100	Real Estate
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. “Tekfen Emlak”	Real Estate	Turkey	100	100	Real Estate
Tekfen Gayrimenkul Yatırım A.Ş. “Tekfen Gayrimenkul”	Investment	Turkey	100	100	Other

TEKFEN HOLDING ANONİM SİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate %		Business Segment
			2013	2012	
Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. Belpa”	Trading	Turkey	95	95	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. “Tekfen Sigorta”	Insurance Service	Turkey	100	100	Other
Tekfen Kültür Sanat Ürünleri Yapım ve Yayın San. Tic. A.Ş. “Tekfen Kültür”	Cultural Activities	Turkey	100	100	Other
Tekfen Endüstri ve Ticaret A.Ş. ”Tekfen Endüstri”	Trading	Turkey	100	100	Other
Papfen Limited Liability Company “Papfen”	Textile	Uzbekistan	100	100	Other
Tekfen International Finance and Investments S.A. “Tekfen Finance”	Investment	Luxembourg	100	100	Other
Antalya Stüdyoları A.Ş. “Antalya Stüdyoları”	Studio Management	Turkey	100	100	Other
Petrofertil Shipping S.A. “Petrofertil Shipping”	Service	Panama	100	100	Agriculture/ Contracting/ Other
Joint Ventures					
Blacksea Gübre Ticaret A.Ş. “Black Sea”	Fertilizer Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. “H-T Fidecilik”	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesesi “Azfen J.V.”	Construction	Azerbaijan	40	40	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. “Florya Gayrimenkul”	Real Estate	Turkey	50	-	Real Estate
Tekfen Oz Gayrimenkul Geliştirme A.Ş. “Tekfen Oz”	Real Estate	Turkey	-	16	Other

As of 31 December 2013, branches included in the Group’s consolidation are as follows:

Branches	Nature of Business	Country of Origin	Business Segment
Tekfen İnşaat – Bakı Branch	Construction	Azerbaijan	Contracting
Tekfen İnşaat – Saudi Arabia Branch	Construction	Saudi Arabia	Contracting
Tekfen İnşaat – Morocco Branch	Construction	Morocco	Contracting
Tekfen İnşaat – Qatar Branch	Construction	Qatar	Contracting
Tekfen İnşaat – Dubai Branch	Construction	United Arab Emirates	Contracting
Tekfen İnşaat – Muscat Branch	Construction	Oman	Contracting
Tekfen İnşaat – Abu Dhabi Branch	Construction	United Arab Emirates	Contracting
Tekfen İnşaat – Turkmenistan Branch	Construction	Turkmenistan	Contracting

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

The Group’s management conducts its operations within four principal business segments; Contracting, Agriculture, Real Estate and Other operations. Each segment company has liability to prepare financial statements according to the Group’s accounting policies. Natures of businesses of the Group companies are summarized below.

Contracting Group

Contracting group undertakes infrastructure and industrial construction projects in Turkey, Saudi Arabia, Azerbaijan, Kazakhstan, Morocco, Qatar, Oman, United Arab Emirates, Turkmenistan and Libya. Contracting group especially specializes on construction of petroleum and gas facilities. Land and sea terminals, offshore platforms, tank farms, pipe lines, petroleum refineries, pumping stations, generating stations, highway and metro projects, electricity and telecommunication systems, residential and trading centers, stadium and sport complexes are included in Contracting group’s scope of activity. Tekfen İnşaat’s income provided from the consolidation of Azfen J.V. by equity method is disclosed in this group.

Agricultural Group

Agricultural group has operations in chemical fertilizer, ground and vegetable grain, production, distribution and trade of seedling and sapling. In addition to these operations, harbor and free zone operations are included in the operations of agricultural group. Toros Tarm’s income provided from the consolidation of H-T Fidecilik and Black Sea by equity method is disclosed in this group.

Real Estate Group

Real Estate branch operates in designing, constructing, renting, and sale of real estate such as residents, offices, shopping centers and hotels. Income provided from the consolidation of Florya Gayrimenkul by equity method is disclosed in this group.

Other Operations

Operations of “Other” segment comprise of light-pulp trading, cotton yarn production and trading, insurance services and holding operations. Holding operations are executed by the Company and include responding to Group’s financial needs when needed. Dividend income and rent income provided constitute Holding’s revenue. The Company’s income provided from the consolidation of Tekfen Oz, which is sold on 29 March 2013, by equity method is disclosed in this group.

Approval of consolidated financial statements:

Consolidated financial statements are approved by the Board of Directors and have been granted authorization to be published on the date of 6 March 2014. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis for Presentation

Bases of Preparation of Financial Statements and Summary of Significant Accounting Policies

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and Tax Legislation. Subsidiaries, associates, joint ventures and branches that are registered in foreign countries maintain their books of account and prepare their statutory statements in the currency of their registered countries and in accordance with the prevailing accounting principles in their registered countries.

The accompanying 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 and additions and interpretations regarding these standards (“TAS”) as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”) are predicated on in accordance with article 5th of the Communiqué.

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

Functional and Reporting Currency

The separate financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira (“TRY”), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of functional currencies are differed from TRY, are translated with the rate prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the case of uncertain transaction date. Gain/loss arising from the translation is recognized in the currency translation reserve under equity.

The exchange rates used in the consolidation process as of 31 December 2013 is; 1 USD= 2,1343 TRY, 1 EUR= 2,9365 TRY, 1 MAD= 0,26277 TRY, 1 SAR= 0,56915 TRY, 1 QAR= 0,58474 TRY (As of 31 December 2012; 1 USD= 1,7826 TRY, 1 EUR= 2,3517 TRY, 1 MAD= 0,21187 TRY, 1 SAR= 0,47536 TRY, 1 QAR= 0,48838 TRY)

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, for companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards has been discontinued effective 1 January 2005. Pursuant effectuation, “Financial Reporting Standards in Hyperinflationary Economies” (“TAS 29”) was no longer applied henceforward.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 The Basis for Presentation (cont’d)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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 year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. The Group has restated its prior year financial statements regarding the amendments in TRFS 11, “Joint Arrangements” presented under Note 2.4, at “a” clause. In the current year, the Group has also done some reclassifications in the prior year’s consolidated financial statements in order to comply with the format announced by CMB at 7 June 2013. The effects of these changes on the consolidated balance sheet as at 31 December 2012 and consolidated statement of profit or loss for the year ended 31 December 2012 are presented in detail under Note 2.4, at “d” clause. These reclassifications do not have any effect on the consolidated statement of profit or loss.

Consolidation Principles

Consolidated financial statements are made of entities’ financial statements that are either controlled by the Company or its subsidiaries. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control is maintained by the Company where it has less voting rights than the majority of an investee but still voting rights are sufficient to give the practical ability to direct or manage relevant activities of the related investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to maintain power.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. The results of the purchased or sold subsidiaries of the Group are shown in the consolidated profit or loss and consolidated comprehensive income statement that belongs to the dates after they purchased or the dates before they sold.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group. When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained after the sales of a subsidiary at the date when control is lost, is regarded as the fair value on initial recognition accounting within the scope of TAS 39 “Financial Instruments: Recognition and Measurement”, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 The Basis for Presentation (cont’d)

Investments in associates and investments valued by equity method:

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture and any impairment. When the Group’s share of losses of an associate or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Any additional losses are recognized if Group is exposed to any legal or constructive obligation or Group has made payments on behalf of the associate or a joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill. Goodwill is included within the carrying amount of the investment and subject to assessment against impairment as a part of investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements within the scope of TAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate or a joint venture. The entire carrying amount of the investment is tested for impairment in accordance with TAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount if there is an indication of impairment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with TAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

Profits and losses arising from the transactions between one of the Group companies and Group’s associate are eliminated pro-rata per Group’s share in the related associate or joint venture.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 The Basis for Presentation (cont’d)

Shares in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joints operations of the Group as of 31 December 2013 are as follows:

Joint Operations:	Nature of Business	Country of Origin	Participation Rate %		Business Segment
			2013	2012	
Gate İnşaat Taahhüt San. ve Tic. A.Ş. “Gate J.V.” (*)	Construction	Turkey	50	50	Contracting
Tekfen-Tubin-Özdemir J.V. “TÖT J.V.”	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. “TTÖ J.V.”	Construction	Turkey	25	25	Contracting
Gama-Tekfen-Tokar J.V. “GTT J.V.”	Construction	Turkey	35	35	Contracting
TGO İnş. Taahhüt Tic. San. Ltd. Şti “TGO J.V.” (*), (**)	Construction	Turkey	50	50	Contracting
Tekfen TML J.V. “Tekfen TML J.V.”	Construction	Libya	67	67	Contracting
North Caspian Constructors B.V. “NCC J.V.” (*)	Construction	Netherlands	50	50	Contracting
Tekfen Rönesans Adi Ortaklığı “Tekfen Rönesans”	Construction	Turkey	50	-	Real Estate

(*) Companies are joint ventures in terms of their operations; however, they are established as equity companies in terms at their legal structure.

(**) As of reporting date, the joint venture is in liquidation process.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue generated from the sale of any product/output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TASs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group’s consolidated financial statements only to the extent of other parties’ interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In current year, Group has made some changes in its accounting policies as a result of amendments in standards. Details of these changes are shown under Note 2.4, “d” clause.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Group.

If any significant accounting errors are found out, changes are applied retrospectively and prior year’s financial statements are restated. The Group did not determine any significant accounting errors in the current year.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards

The new and revised Standards and Interpretations are as follows.

(a) Amendments in TASs affecting the notes and amounts in the financial statements

- TAS 1 (amendments), “Presentation of Items of Other Comprehensive Income”, will be effective for annual periods beginning on or after 1 July 2012.
- TFRS 11, “Joint Arrangements”, will be effective for annual periods beginning on or after 1 January 2013.
- TFRS 12, “Disclosure of Interests in Other Entities”, will be effective for annual periods beginning on or after 1 January 2013.
- TFRS 13, “Fair Value Measurement”, will be effective for annual periods beginning on or after 1 January 2013.
- TAS 27 (revised), “Separate Financial Statements”, will be effective for annual periods beginning on or after 1 January 2013.
- TAS 28 (revised), “Investments in Associates and Joint Ventures”, will be effective for annual periods beginning on or after 1 January 2013.
- TAS 19 (amendments), “Employee Benefits”, will be effective for annual periods beginning on or after 1 January 2013.

The effects of the amendments in TFRS 11, “Joint Arrangements” are presented in detailed in “d” clause by restating the consolidated balance sheet as at 31 December 2012 and consolidated statement of profit or loss for the year ended 31 December 2012.

The amendments to TAS 19 “Employee Benefits” change the accounting for defined benefit plans and termination benefits. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated balance sheet to reflect the full value of the plan deficit or surplus.

Group has applied the amendment in TAS 19 and recognized all actuarial gains and losses, which are included in employee benefit item of consolidated balance sheet, in other comprehensive income. Group has assessed the effect of the amendments in TAS 19 for the financial statements for the period ended 31 December 2012 and has decided not to restate prior year financial statements due to the immateriality of calculated after taxation effects.

(b) Standards and interpretations and amendments to existing standards that are effective as of 1 January 2013, but not affecting the financial statements of the Group

- TFRIC 20, “Stripping Costs in the Production Phase of a Surface Mine”, will be effective for annual periods beginning on or after 1 January 2013.
- TFRS 7 (amendments), “Disclosures: Offsetting Financial Assets and Financial Liabilities”, will be effective for annual periods beginning on or after 1 January 2013.
- TAS 32 (amendments), “Financial Instruments: Presentation”, will be effective for annual periods beginning on or after 1 January 2013.
- TAS 1 (amendments), “Presentation of Financial Statements”, amendments issued as a part of Annual Improvements 2009-2011 Cycle published in May 2012, will be effective for annual periods beginning on or after 1 January 2013.
- TFRS 10, “Consolidated Financial Statements”, will be effective for annual periods beginning on or after 1 January 2013.
- TAS 16 (amendments), “Property, Plant and Equipment”, will be effective for annual periods beginning on or after 1 January 2013.
- TAS 34 (amendments), “Interim Financial Reporting”, will be effective for annual periods beginning on or after 1 January 2013.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards (cont’d)

(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

- TAS 32 (amendments), “Offsetting Financial Assets and Financial Liabilities”, will be effective for annual periods beginning on or after 1 January 2014.
- TFRIC Interpretation 21, “Levies”, will be effective for annual periods beginning on or after 1 January 2014.
- TAS 36 (amendments), “Recoverable Amount Disclosures for Non-Financial Assets”, will be effective for annual periods beginning on or after 1 January 2014.
- TAS 39 (amendments), “Novation of Derivatives and Continuation of Hedge Accounting”, will be effective for annual periods beginning on or after 1 January 2014.
- TFRS 10, TFRS 11 and TMS 27 (amendments), “Investment Entities”, will be effective for annual periods beginning on or after 1 January 2014.
- TFRS 9, “Financial Instruments”, will be effective for annual periods beginning on or after 1 January 2015.
- TFRS 9 and TFRS 7 (amendments), “Mandatory Effective Date of TFRS 9 and Transition Disclosures”, will be effective for annual periods beginning on or after 1 January 2015.

(d) The effect of restating the financial statements due to applying TFRS 11 “Joint Arrangements” and the formats complying with CMB’s announcement dated 7 June 2013

Group has restated condensed consolidated financial statements in accordance with the formats complying with CMB’s announcement dated 7 June 2013 and made some reclassifications.

Additionally, Group has applied TFRS 11 “Joint Arrangements” standard effective as of 1 January 2013 retrospectively beginning from 1 January 2012 while preparing consolidated financial statements as of 31 December 2013 and presented its financial statements with one year comparative information as permitted by the standard. Azfen J.V. operating in Azerbaijan, in which Group has 40% of ownership, and H – T Fidecilik operating in Turkey, in which Group has 50% of ownership, were included in consolidated financial statements as of 31 December 2012 by proportional consolidation method. Consequent to the assessment made by the Group, these companies are included in consolidated financial statements by equity method effective as of 1 January 2013.

The effects of changes in the formats of financial statements announced by CMB on 7 June 2013 and the amendments in TFRS 11 on the audited consolidated balance sheet as at 31 December 2012 and consolidated statement of profit or loss for the year ended 31 December 2012 are presented below.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards (cont’d)

(d) The effect of restating the financial statements due to applying TFRS 11 “Joint Arrangements” and the formats complying with CMB’s announcement dated 7 June 2013 (cont’d):

	Audited 31 December 2012	Derecognize previous effect	Consolidation per EQ pickup effect	Reclassifications made due to the announcement by CMB on 7 June 2013	Audited Restated 31 December 2012
ASSETS					
Current Assets	2.977.883	(56.358)	-	45.712	2.967.237
Cash and cash equivalents	1.084.315	(20.554)	-	-	1.063.761
Trade receivables	636.172	(19.362)	-	2.599	619.409
- Related party receivables	9.274	970	-	-	10.244
- Trade receivables	626.898	(20.332)	-	2.599	609.165
Other receivables	13.944	(6.107)	-	(2.599)	5.238
- Related party receivables	-	-	-	-	-
- Other receivables	13.944	(6.107)	-	(2.599)	5.238
Inventories	433.467	(7.196)	-	-	426.271
Receivables from ongoing construction contracts	651.273	(1.669)	-	-	649.604
Prepaid expenses	-	-	-	55.260	55.260
Assets related with current tax	-	-	-	53.781	53.781
Other current assets	147.768	(1.470)	-	(63.329)	82.969
	2.966.939	(56.358)	-	45.712	2.956.293
Assets classified as held for sale	10.944	-	-	-	10.944
Non Current Assets	1.155.329	(16.294)	23.349	-	1.162.384
Financial investments	94.213	4.603	(4.603)	-	94.213
Trade receivables	120.182	-	-	-	120.182
- Related party receivables	-	-	-	-	-
- Trade receivables	120.182	-	-	-	120.182
Other receivables	6.819	-	-	-	6.819
- Related party receivables	-	-	-	-	-
- Other receivables	6.819	-	-	-	6.819
Investments valued by equity method	14.587	-	27.952	-	42.539
Investment property	92.825	-	-	-	92.825
Property, plant and equipment	765.309	(16.804)	-	-	748.505
Intangible assets	2.726	(35)	-	-	2.691
Prepaid expenses	-	-	-	15.463	15.463
Deferred tax assets	19.280	(4.043)	-	-	15.237
Other non current assets	39.388	(15)	-	(15.463)	23.910
TOTAL ASSETS	4.133.212	(72.652)	23.349	45.712	4.129.621

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards (cont’d)

(d) The effect of restating the financial statements due to applying TFRS 11 “Joint Arrangements” and the formats complying with CMB’s announcement dated 7 June 2013 (cont’d):

	Audited 31 December 2012	Derecognize previous effect	Consolidation per EQ pickup effect	Reclassifications made due to the announcement by CMB on 7 June 2013	Audited Restated 31 December 2012
LIABILITIES					
Current Liabilities	1.824.300	(47.939)	-	45.712	1.822.073
Short term financial debts	320.824	(4.616)	-	(40.967)	275.241
Short term portion of long term financial debts	-	-	-	40.967	40.967
Trade payables	915.742	(9.689)	-	34.896	940.949
- Related party payables	829	5	-	-	834
- Trade payables	914.913	(9.694)	-	34.896	940.115
Employee benefit payables	-	-	-	23.457	23.457
Other payables	56.557	(946)	-	(40.629)	14.982
- Related party payables	4.275	-	-	-	4.275
- Other payables	52.282	(946)	-	(40.629)	10.707
Advances received	-	-	-	249.785	249.785
Deferred revenue	-	-	-	6.396	6.396
Current tax liability	17.093	(2.344)	-	45.712	60.461
Ongoing construction progress payments	191.856	(19.481)	-	-	172.375
Short term provisions	54.545	(2.371)	-	(17.724)	34.450
- Short term provisions attributable to employee benefits	45.446	(2.354)	-	(17.703)	25.389
- Other short term provisions	9.099	(17)	-	(21)	9.061
Other short term liabilities	267.683	(8.492)	-	(256.181)	3.010
Non Current Liabilities	197.647	(1.364)	-	-	196.283
Long term financial debts	113.989	(1.200)	-	-	112.789
Trade payables	9.357	-	-	-	9.357
Other payables	1.001	-	-	(64)	937
Long term provisions	42.333	(164)	-	64	42.233
- Long term provisions attributable to employee benefits	42.333	(164)	-	-	42.169
- Other long term provisions	-	-	-	64	64
Deferred tax liabilities	30.967	-	-	-	30.967
EQUITY	2.111.265	(23.349)	23.349	-	2.111.265
Equity Attributable To Owners Of The Parent	2.081.480	(23.349)	23.349	-	2.081.480
Paid in capital	370.000	-	-	-	370.000
Capital structure adjustment	3.475	-	-	-	3.475
Premiums in capital stock	300.984	-	-	-	300.984
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss	-	-	-	-	-
- Gain/loss on revaluation and remeasurement	-	-	-	-	-
Accumulated other comprehensive income or loss that will be reclassified in profit or loss	165.543	78	(78)	-	165.543
- Currency translation reserve	91.270	78	(78)	-	91.270
- Gain/loss on revaluation and reclassification	74.273	-	-	-	74.273
Restricted profit reserves	98.255	(194)	194	-	98.255
Retained earnings	843.918	(6.815)	6.815	-	843.918
Net profit for the period	299.305	(16.418)	16.418	-	299.305
Non-controlling Interests	29.785	-	-	-	29.785
TOTAL EQUITY AND LIABILITIES	4.133.212	(72.652)	23.349	45.712	4.129.621

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards (cont’d)

(d) The effect of restating the financial statements due to applying TFRS 11 “Joint Arrangements” and the formats complying with CMB’s announcement dated 7 June 2013 (cont’d):

	Audited 1 January- 31 December 2012	Derecognize previous effect	Consolidation per EQ pickup effect	Reclassifications made due to the announcement by CMB on 7 June 2013	Audited Restated 1 January- 31 December 2012
Revenue	4.075.911	(127.174)	-	-	3.948.737
Cost of revenue (-)	(3.664.514)	101.039	-	-	(3.563.475)
GROSS PROFIT / (LOSS)	411.397	(26.135)	-	-	385.262
General administrative expenses (-)	(110.284)	3.167	-	-	(107.117)
Marketing expenses (-)	(111.493)	1.867	-	-	(109.626)
Research and development expenses (-)	(127)	-	-	-	(127)
Other operating income	20.763	(190)	-	85.250	105.823
Other operating expenses (-)	(34.924)	420	-	(61.007)	(95.511)
Share on profit / loss of investments valued using equity method	4.924	-	16.418	-	21.342
OPERATING PROFIT / (LOSS)	180.256	(20.871)	16.418	24.243	200.046
Investment income	137.820	-	-	8.941	146.761
Investment expense (-)	-	-	-	(5.026)	(5.026)
PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)	318.076	(20.871)	16.418	28.158	341.781
Financial income	197.035	(787)	-	(94.191)	102.057
Financial expense (-)	(147.999)	769	-	66.033	(81.197)
PROFIT / (LOSS) BEFORE TAXATION	367.112	(20.889)	16.418	-	362.641
Tax expense	(66.808)	4.471	-	-	(62.337)
Tax expense for the period	(69.916)	5.181	-	-	(64.735)
Deferred tax expense	2.844	(710)	-	-	2.134
Currency translation reserve	264	-	-	-	264
PROFIT / (LOSS) FOR THE PERIOD	300.304	(16.418)	16.418	-	300.304

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income:

Rental income from investment properties is recognized on an accrual basis over the term of the relevant lease.

Construction Contracts:

In contracts where third parties undertake the management, control and coordination of the construction activities are referred to as service contracts and they are only recognized as revenues when they are presented to third parties.

When the revenue of a construction contract can be estimated reliably, contract revenue associated with the construction contract shall be recognized by reference to the percentage of completion of the contract activity at the balance sheet date. Percentage of completion is measured by the proportion of the contract costs incurred for work performed to date divided by the estimated total contract costs. This calculation does not apply if the percentage of completion cannot be measured reliably. Changes in construction contract, additional receivable claims and incentive payments are included in the project revenue in accordance with the consent of the employer if the revenue is measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

Construction contract costs consist of direct costs such as; all raw materials and direct labor expenses and indirect labor costs related with contract performance, equipment, maintenance, and depreciation expenses. Selling and general administration expenses are recognized when they occur. Provision for cost of estimated loss of incomplete contracts is recognized immediately in the year, which such loss is forecasted. Changes in estimated profitability due to business efficiency, business conditions, provisions for contract penalties and final contract arrangements can cause revisions in costs incurred and revenues obtained at the end of the project. Impact of these revisions is accounted for in the year, in which such revision is made.

Receivables from ongoing construction contracts indicates the revenue recognized on construction contracts in excess of billings, and ongoing construction progress payments indicate the billings in excess of the revenue recognized on construction contracts.

Group management does not recognize the additional receivables under compensation outside the scope of the contract that may be subject to litigation as income, unless negotiations have reached to an advanced stage such that it is probable that the customer will accept the claim and the amount of the additional receivable can be measured reliably.

Retention Receivables from Contractors

The Group’s interim progress billings from its employees are subject to retention deductions, which vary, based on the individual agreements. These balances are collected from the employee upon successful completion of the contract at the end of the warranty period. Retention receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Retention Payables to Subcontractors

The Group’s interim progress billings to its subcontractors are subject to retention deductions, which vary, based on the individual agreements. These payables are paid to subcontractors after they successfully complete the guarantee periods. Retention payables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make a sale.

For construction projects, the materials have been produced especially for these projects are included in the project costs when they are delivered to contract sites.

Property, Plant and Equipment

Property plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes legal fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment purchased through financial lease is depreciated same as the property, plant and equipment with the shorter of expected useful life and financial lease term.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Financial Leasing Operations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on borrowing costs.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Impairment of Assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

Financial Instruments

Financial assets

Financial investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss”, “available-for-sale financial assets” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Held-to-maturity investments

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Financial Instruments (cont’d)

Financial assets (cont’d)

Available-for-sale financial assets

Quoted equity investments held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can’t be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated to TRY at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Financial Instruments (cont’d)

Financial liabilities

Financial liabilities issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for financial liabilities are stated below. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value subsequently stated at fair value and subsequently stated at the fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. The net gain or loss recognized in profit or loss incorporates any interest paid for financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net present value of the financial liability.

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Earnings Per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After the Reporting Period

Events after the reporting period comprise of events which occur between the reporting date and the date on which the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or after public disclosure of any other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions of warranty costs are recognized at the date of sale of the relevant products, at management’s best estimate of the expenditure required to settle the Group’s obligation.

Reporting of Financials According to Segments

The Group has four operating segments which are Contracting, Agriculture, Real Estate and Other including information in order to monitor performance and to allocate resources. These segments are managed separately because of the risk and benefits attributable to these segments are influenced from different economical environments and different geographical locations.

Government Grants and Incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to cost are consistently accounted as revenue; where they are matched with the relevant costs during the period.

Government incentives are accounted systematically in profit or loss where they are matched with the relevant costs recorded as expenses during the period. Government incentives as a financial instrument should be associated with the balance sheet as “unearned revenue” to offset the related expense item instead of being recognized in profit or loss and have to be accounted systematically in profit or loss depending on useful lives of the related assets.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Government Grants and Incentives (cont’d)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Government grants provided for property, plant and equipment are classified under non-current debt as deferred government grants and depreciation expense is recognized in the statement of income as property, plant and equipment is amortized over their useful life using straight-line depreciation method.

Investment Property

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Corporate Income Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return, therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense represents the sum of the period tax expense and deferred tax income / (expense).

Controlled foreign corporation income:

Turkish CFC regime was introduced in 2006 by Turkish Corporate Income Tax Act. Due to CFC regulations, Turkish Corporate income tax payer which manages their investments via foreign subsidiaries will need to declare and pay corporate income tax in Turkey under certain conditions regardless of whether or not the income generated through foreign subsidiaries is transferred to Turkey. In other words to gain the profit is forced to be free from the distribution of the generated profit. Corporations which are established in foreign companies directly or indirectly controlled by a Turkish individual or corporation which holds (separately or together) at least 50% of their capital, dividend or voting rights which will be deemed as CFC. The other conditions of CFC are; 25% or more of the income of the foreign subsidiary should be passive income (such as rent, dividend, interest), the foreign subsidiary should be subject to less than 10% effective tax burden over its corporate income and the gross revenue of foreign company should exceed the foreign currency equivalent of TRY 100.000.

If the CFC earnings, which are declared in Turkey and related taxes are paid, will be brought up to scene as dividend in the forthcoming periods; they will not be included into taxable income to prevent double taxation.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted for each entity included in the consolidation by the balance sheet date.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Corporate Income Tax (cont’d)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

Assets Held For Sale

Non-current assets are classified as “assets held for sale” and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per revised TAS 19 *Employee Benefits* (“TAS 19”).

The retirement benefit obligation recognized in the consolidated balance sheet represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

The Company and its subsidiaries are liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees. The Group and its consolidated subsidiaries, regarding the retirement benefits of its personnel employed abroad, is subject to laws and regulations of the countries its personnel is located within. Regarding the laws mentioned, required provision has been provided for in the consolidated financial statements.

Redeemed Shares

As determined in the articles of association of Tekfen Holding A.Ş., 30 of the registered redeemed shares belong to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı (“Tekfen Vakfı”). The constitutive redeemed shares grant no voting rights or any membership rights to their owners.

As explained in the articles of association of the Company, after the first dividend is distributed in the ratio of 30% in accordance with the communiqués of Capital Market Board, a maximum ratio of 3%, which is determined by the General Assembly, of the remaining net distributable profit amount is allocated to the Tekfen Vakfı.

According to TAS 32, if, as a result of contingent settlement provisions, the issuer does not have an unconditional right to avoid settlement by delivery of cash or other financial instrument, the instrument is a financial liability of the issuer.

Redeemed shares owned by Tekfen Vakfı are considered as negotiable instruments and realized as a financial liability assuming that they will continue to take advantage of the right at upper limit as long as the Group’s existing shareholders structure and management remains the same. In assessment of fair values of related constitutive redeemed shares, the Group’s market value as of balance sheet date is taken into consideration. Calculated fair value depends on different conditions which may occur in foreseeable future and is therefore discounted and realized as liability in the consolidated financial statements as of 31 December 2013.

2.6 Critical Accounting Judgment and Key Sources of Estimation Uncertainty

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.6 Critical Accounting Judgment and Key Sources of Estimation Uncertainty (cont’d)

Change in contract fee

Changes in contract fees are recognized in the consolidated financial statements to the extent that those changes are likely to be approved by the customers, based on the percentage of completion method of the construction projects. Estimates on the collection of those changes are made based on the Group management’s past experiences, the related contract terms and the related legislation.

Percentage of completion

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed.

Construction costing estimates

The Group calculates the remaining costs to complete on construction projects through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimate as of the balance sheet dates. Any unanticipated escalation in the subsequent periods will require the reassessment of the remaining costs.

Non-current retention receivables

Non-current retention receivable and payable are stated at their fair value each period end by discounting the Group’s effective deposit and borrowing rates respectively, which management considers to be the appropriate discount rates for these assets and liabilities.

3. JOINT OPERATIONS

Group’s significant partnerships subject to joint operations are described in Note 2.

Financial information related to these joint operations is as follows:

	31 December 2013	31 December 2012
Current assets	226.383	216.412
Non current assets	34.004	36.415
Current liabilities	282.452	271.073
Non current liabilities	7.169	6.678
Shareholders' equity	(29.234)	(24.924)
	1 January- 31 December 2013	1 January- 31 December 2012
Revenue	44.453	68.220
Cost of revenue (-)	(50.347)	(77.753)
Net loss	(17.221)	(22.257)

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD ENDED 31 DECEMBER 2013

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

4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2013				
	Real				
	Contracting	Agriculture	Estate	Other	Total
Revenue	2.326.683	1.422.712	29.645	66.996	3.846.036
Cost of revenue (-)	(2.458.637)	(1.189.327)	(25.940)	(44.900)	(3.718.804)
GROSS PROFIT / (LOSS)	(131.954)	233.385	3.705	22.096	127.232
General administrative expenses (-)	(60.572)	(22.389)	(4.109)	(26.062)	(113.132)
Marketing, selling and distribution expenses (-)	(1.219)	(109.997)	(198)	(8.951)	(120.365)
Research and development expenses (-)	-	(253)	-	-	(253)
Other operating income	58.146	51.755	1.330	2.822	114.053
Other operating expenses (-)	(50.267)	(110.247)	(422)	(3.851)	(164.787)
Share on profit / (loss) of investments valued using equity method	32.636	967	75	27	33.705
OPERATING (LOSS) / PROFIT	(153.230)	43.221	381	(13.919)	(123.547)
Investment income	3.737	700	22	55.280	59.739
Investment expense (-)	(4.163)	(1.223)	-	(8.542)	(13.928)
PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)	(153.656)	42.698	403	32.819	(77.736)
Financial income	26.400	30.518	914	109.309	167.141
Financial expenses (-)	(52.291)	(9.245)	(2.315)	(30.703)	(94.554)
PROFIT / (LOSS) BEFORE TAXATION	(179.547)	63.971	(998)	111.425	(5.149)
Tax expense	(37.844)	(1.444)	264	(19.509)	(58.533)
PROFIT / (LOSS) FOR THE PERIOD	(217.391)	62.527	(734)	91.916	(63.682)

The Group has 68.707 of revenue and 28.466 of operating income from terminal operations classified as agricultural operation in 2013.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

4. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d)

	1 January - 31 December 2012				
	Contracting	Agriculture	Estate	Other	Total
Revenue	2.395.203	1.424.130	61.049	68.355	3.948.737
Cost of revenue (-)	(2.286.935)	(1.175.363)	(57.160)	(44.017)	(3.563.475)
GROSS PROFIT	108.268	248.767	3.889	24.338	385.262
General administrative expenses (-)	(54.477)	(24.713)	(4.252)	(23.675)	(107.117)
Marketing, selling and distribution expenses (-)	(814)	(98.995)	(262)	(9.555)	(109.626)
Research and development expenses (-)	-	(127)	-	-	(127)
Other operating income	40.363	61.685	2.973	802	105.823
Other operating expenses (-)	(51.336)	(42.773)	(271)	(1.131)	(95.511)
Share on profit / (loss) of investments valued using equity method	17.009	(975)	-	5.308	21.342
OPERATING PROFIT / (LOSS)	59.013	142.869	2.077	(3.913)	200.046
Investment income	2.215	565	-	143.981	146.761
Investment expense (-)	(5.018)	(2)	-	(6)	(5.026)
PROFIT / (LOSS) BEFORE FINANCIAL INCOME	56.210	143.432	2.077	140.062	341.781
Financial income	22.175	19.817	1.247	58.818	102.057
Financial expenses (-)	(40.775)	(19.660)	(1.035)	(19.727)	(81.197)
PROFIT BEFORE TAXATION	37.610	143.589	2.289	179.153	362.641
Tax expense	(13.910)	(27.859)	(478)	(20.090)	(62.337)
PROFIT FOR THE PERIOD	23.700	115.730	1.811	159.063	300.304

The Group has 66.536 of revenue and 22.602 of operating income from terminal operations classified as agricultural operation in 2012.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

4. SEGMENTAL REPORTING (cont’d)

b) As of 31 December 2013 and 2012 segmental assets and liabilities are as follows:

Balance sheet	31 December 2013				
	Contracting	Agriculture	Real		Total
			Estate	Other	
Total assets	2.217.424	1.312.260	129.460	1.038.276	4.697.420
Current and non-current liabilities	1.882.713	652.739	107.544	132.227	2.775.223
Equity attributable to owners of the parents	143.702	451.509	20.295	1.274.648	1.890.154
Non-controlling interests	31.789	189	-	65	32.043

Balance sheet	31 December 2012				
	Contracting	Agriculture	Real		Total
			Estate	Other	
Total assets	1.997.138	988.350	26.203	1.117.930	4.129.621
Current and non-current liabilities	1.526.032	368.716	4.437	119.171	2.018.356
Equity attributable to owners of the parents	357.666	391.804	21.420	1.310.590	2.081.480
Non-controlling interests	26.006	3.662	-	117	29.785

c) Segmental information related to property, plant and equipment, intangible assets and investment property for the year ended 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013				
	Contracting	Agriculture	Real		Total
			Estate	Other	
Capital expenditures (*)	24.738	158.389	356	643	184.126
Depreciation and amortization expense for the period (**)	61.579	15.693	287	4.941	82.500
Intra-segment revenue	155.573	20.237	244	188	176.242
Inter-segment revenue	19	1.212	416	6.596	8.243

	1 January - 31 December 2012				
	Contracting	Agriculture	Real		Total
			Estate	Other	
Capital expenditures (*)	142.648	49.938	326	422	193.334
Depreciation and amortization expense for the period (**)	71.865	13.512	290	5.272	90.939
Intra-segment revenue	123.520	17.364	26	189	141.099
Inter-segment revenue	191	1.381	418	6.668	8.658

(*) Fixed assets purchases through financial lease amounting to 7.008 (2012: 94.018) and capitalized borrowing costs amounting to 6.923 (2012: None) are also included.

(**) Depreciation expense of 3.181 is added to the cost of inventory (2012: 2.018).

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

4. SEGMENTAL REPORTING (cont’d)

d) Geographical segmental information is as follows:

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2013)	2.299.084	952.728	274.326	490.235	14.148	(184.485)	3.846.036
Total assets (31 December 2013)	5.382.474	1.726.942	385.965	722.194	78.812	(3.598.967)	4.697.420
Capital expenditures (1 January - 31 December 2013)(*)	174.176	2.689	40	7.221	-	-	184.126
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2012)	2.126.340	750.529	641.249	560.774	19.602	(149.757)	3.948.737
Total assets (31 December 2012)	4.234.701	1.311.515	470.788	702.792	70.686	(2.660.861)	4.129.621
Capital expenditures (1 January - 31 December 2012)(*)	174.441	11.472	3.817	3.272	332	-	193.334

(*) Fixed assets purchases through financial lease amounting to 7.008 (2012: 94.018) and capitalized borrowing costs amounting to 6.923 (2012: None) are also included.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

5. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash on hand	867	794
Cash at banks		
Demand deposits	20.463	67.771
Time deposits with maturity of three months or less	996.633	965.927
Overdue cheques	148	215
Other cash equivalents	37.042	29.054
	<u>1.055.153</u>	<u>1.063.761</u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 33.

6. FINANCIAL INVESTMENTS

	31 December 2013	31 December 2012
<u>Short term financial investments</u>		
Time deposits with maturity of longer than three months	49.119	-
<u>Long term financial investments</u>		
Available for sale financial investments	63.593	94.213

Short term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 3,46% amounting to 49.119 (23.014 thousands US Dollars).

Details of available for sale financial assets are as follows:

Details	Share %	31 December 2013	Share %	31 December 2012
<u>Traded</u>				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	60.700	10,79	91.250
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.116	<1	1.192
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	66	<1	58
Turcas Petrolcülük A.Ş.	<1	10	<1	13
		<u>61.892</u>		<u>92.513</u>
<u>Non traded</u>				
Sınai ve Mali Yatırımlar Holding A.Ş.	<1	2.536	<1	2.536
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. (*)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	27,45	109	27,45	109
Tümteks Tekstil Sanayi ve Ticaret A.Ş.	7,45	6.147	7,45	6.147
Other		1.257		1.167
		<u>11.388</u>		<u>11.298</u>
Less: Allowance for diminution in value of available for sale investment				
Sınai ve Mali Yatırımlar Holding A.Ş.		(2.536)		(2.536)
Tümteks Tekstil Sanayi ve Ticaret A.Ş.		(6.147)		(6.147)
Other		(1.004)		(915)
		<u>(9.687)</u>		<u>(9.598)</u>
		<u>63.593</u>		<u>94.213</u>

(*) As of 31 December 2013 and 2012, Entities classified as financial investment are shown at cost due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

6. FINANCIAL INVESTMENTS (cont’d)

Traded available for sale financial assets actively are carried at quoted market prices. The positive difference of 45.179 (31 December 2012: 74.273) in the fair value of the available for sale financial assets traded in active markets is directly recognized in equity. There is a positive difference amount of 5 (31 December 2012: 25 positive) in the fair value of the available for sale financial assets traded in active markets is directly recognized in the consolidated statement of profit or loss.

1.701 (31 December 2012: 1.700) of the above available for sale financial assets that do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for impairment in value, if any.

Explanations about the nature and level of risks related to financial investments are provided in Note 33.

7. SHORT AND LONG TERM FINANCIAL DEBTS

	31 December 2013	31 December 2012
Short-term bank loans	555.236	275.241
Short-term portion of long-term bank loans' and interest payments	749	234
Short term portion of long term obligation under finance leases	57.280	40.733
Total short-term financial debts	<u>613.265</u>	<u>316.208</u>
Long-term bank loans	275.768	60.623
Long term obligation under finance leases	21.894	52.166
Total long-term financial debts	<u>297.662</u>	<u>112.789</u>
Total financial debts	<u><u>910.927</u></u>	<u><u>428.997</u></u>

The details of bank loans are as follows:

Original currency	Weighted average interest rate %		31 December 2013	
	Short term	Long term	Short term	Long term
US Dollars	3,38	4,05	476.225	173.096
EUR	2,36	2,67	43.604	102.672
TRY	9,60	-	28.293	-
TRY	-	-	7.863	-
			<u>555.985</u>	<u>275.768</u>

Original currency	Weighted average interest rate %		31 December 2012	
	Short term	Long term	Short term	Long term
US Dollars	4,89	3,30	240.743	60.623
EUR	4,82	-	28.029	-
TRY	13,65	-	1.344	-
TRY	-	-	5.359	-
			<u>275.475</u>	<u>60.623</u>

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

7. SHORT AND LONG TERM FINANCIAL DEBTS (cont’d)

Repayment schedule of bank loans is as follows:

	31 December 2013	31 December 2012
Within 1 year	555.985	275.475
Within 1-2 year	139.872	42.797
Within 2-3 year	64.032	17.826
Within 3-4 year	20.529	-
Within 4-5 year	20.529	-
Within 5 or more years	30.806	-
	<u>831.753</u>	<u>336.098</u>

Tekfen İnşaat, the subsidiary of the Company, has obtained bank aval guarantee amounting to 55.492 (26.000 thousands US Dollars) for the bills which are given to secure the bank loans obtained from Türk Eximbank (31 December 2012: None).

Group’s bank loans; as of 31 December 2013 in the amounts of 304.321 thousands US Dollars (649.321), 14.673 thousands EUR (43.087) and 36.156 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2012: 169.060 thousands US Dollars (301.366), 11.919 thousands EUR (28.029), 5.359). Other bank loans are borrowed at floating interest rates thus exposing the Group’s cash flow to interest rate risk.

One of the Group’s subsidiaries, Toros Tarım has borrowed ECA (SACE) bank loan from Unicredit Bank Austria in August, 2013 for sulfuric acid facility in Samsun factory. The credit amount used until 31 December 2013 is 102.672 (34.964 thousands EUR). The duration of repayments will last 7 years, including no principal payment within the first two years. The loan carries weighted average effective interest at %2 plus EURIBOR. Toros Tarım fulfilled the performance criteria obliged due to the agreement as of 31 December 2013.

Details of obligation under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Obligations under finance leases				
Within one year	60.255	45.398	57.280	40.733
Within 2-5 year	22.771	54.785	21.894	52.166
	<u>83.026</u>	<u>100.183</u>	<u>79.174</u>	<u>92.899</u>
Less: finance expenses related to following years	(3.852)	(7.284)	-	-
Present value of obligations finance leases:	<u>79.174</u>	<u>92.899</u>	<u>79.174</u>	<u>92.899</u>
Less: Payments within 12 months (in short term payables)			<u>57.280</u>	<u>40.733</u>
Due beyond 12 months			<u>21.894</u>	<u>52.166</u>

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term varies between 18 months and 48 months (2012: 24 – 48 months). For the year ended 31 December 2013 effective weighted average interest is 5,29% for US Dollars and 5,41% for EUR (31 December 2012: 5,85% for US Dollars, 5,40% for EUR). Financial lease obligations currency type distribution is disclosed in Note 33. The fair value of the Group’s lease obligations approximates their carrying amount.

Explanations about the nature and level of risks related to financial debts are provided in Note 33.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

	31 December 2013	31 December 2012
<u>Short term trade receivables</u>		
Receivables from Contracting group operations	500.337	416.424
Receivables from Agriculture group operations	159.088	128.577
Receivables from Real Estate group operations	1.106	1.346
Other trade receivables	24.706	28.045
Provision for doubtful receivables	(32.675)	(17.090)
Retention receivables (Note: 11)	123.337	47.730
Due from related parties (Note: 32)	9.081	10.244
Other	4.709	4.133
	<u>789.689</u>	<u>619.409</u>
<u>Long term trade receivables</u>		
Retention receivables (Note: 11)	84.225	120.182
	<u>84.225</u>	<u>120.182</u>

Postdated cheques amounting to 131.730 (31 December 2012: 109.593), notes receivables amounting to 45 (31 December 2012: 42), foreign currency differences amounting to (10) (31 December 2012: 170), and due date differences amounting to 88 (31 December 2012: 58) are included in short and long term trade receivables.

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 81 days (31 December 2012: 73 days), for domestic projects is 43 days (31 December 2012: 36 days), for Agriculture group is 37 days (31 December 2012: 34 days), for Real Estate group is 15 days (31 December 2012: 20 days) and for other segment is 80 days (31 December 2012: 73 days).

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered. As of 31 December 2013, trade receivables of 38.474 (31 December 2012: 17.090) is provided provision for in the amount of 32.675 (31 December 2012: 17.090).

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

	2013	2012
Provision as at 1 January	(17.090)	(11.536)
Charge for the year	(13.754)	(6.507)
Collected	101	889
Currency translation effect	(1.932)	64
Provision as at 31 December	<u>(32.675)</u>	<u>(17.090)</u>

12.608 of charge for the year (2012: 96) has been charged to cost of revenue and 1.146 (2012: 6.411) to general administration expenses.

Explanations about the nature and level of risks related to trade receivables are provided in Note 33.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

8. TRADE RECEIVABLES AND PAYABLES (cont’d)

b) Trade Payables:

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

	31 December 2013	31 December 2012
Short term trade payables		
Trade payables from Contracting group operations	663.618	637.696
Trade payables from Agriculture group operations	440.831	269.705
Trade payables from Real Estate group operations	1.641	1.247
Due to related parties - trade (Note: 32)	444	834
Retention payables (Note: 11)	23.954	19.692
Other trade payables	15.122	11.775
	<u>1.145.610</u>	<u>940.949</u>
Long term trade payables		
Retention payables (Note: 11)	23.569	9.267
Trade payables from Contracting group operations	82	90
	<u>23.651</u>	<u>9.357</u>

Notes payables amounting to 18.123 (31 December 2012: 18.861), postdated cheques amounting to 248 (31 December 2012: None), and foreign currency differences amounting to 86.049 (31 December 2012: 13.815) are included in short and long term trade payables.

For Agriculture Group, payables attributable to inventory supplied through imports constitute 96% (31 December 2012: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 131 days (31 December 2012: 134 days) whereas average payable period for domestic purchases is 30 days (31 December 2012: 30 days).

For Contracting group, import purchases through letter of credit constitute 4% (31 December 2012: 23%) of trade payables as at balance sheet date. The average payable period for these import purchases is 76 days (31 December 2012: 111 days) whereas the average payable period for other purchases is 84 days (31 December 2012: 97 days).

The average payable period for Real Estate group is 11 days (31 December 2012: 11 days).

For the other operations of the Group, the average payable period is 53 days (31 December 2012: 50 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 33.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

9. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

	31 December 2013	31 December 2012
<u>Other short term receivables</u>		
Blocked deposits	1.387	-
Deposits and guarantees given	1.092	954
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	520	4.284
	<u>2.999</u>	<u>5.238</u>
<u>Other long term receivables</u>		
Deposits and guarantees given	6.473	6.819
Other doubtful receivables	1.025	857
Provision for other doubtful receivables	(1.025)	(857)
Other receivables	260	-
	<u>6.733</u>	<u>6.819</u>

b) Other Payables:

	31 December 2013	31 December 2012
<u>Other short term payables</u>		
Taxes and funds payable	14.832	8.473
Related party payables - non trade (Note: 32)	-	4.275
Deposits and guarantees received	1.120	1.541
Other payables	526	693
	<u>16.478</u>	<u>14.982</u>
<u>Other long term payables</u>		
Deposits and guarantees received	1.198	929
Fair value of redeemed shares	19.464	-
Other payables	-	8
	<u>20.662</u>	<u>937</u>

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 33.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

10. INVENTORIES

	31 December 2013	31 December 2012
Raw materials	48.741	46.932
Work in progress	46.487	105.171
Finished goods	41.734	48.991
Trading goods	38.169	50.516
Goods in transit	52.066	52.308
Inventory from real estate projects	110.936	5.970
Inventory at construction sites	149.679	86.731
Other inventories	33.429	30.635
Allowance for impairment on inventory (-)	(67)	(983)
	<u>521.174</u>	<u>426.271</u>

During the year ended 31 December 2013, borrowing costs capitalized in inventory amount to 11.454 (31 December 2012: None). The rate used to determine the amount of borrowing costs eligible for capitalization is 11%.

Movement of allowance for impairment on inventory	2013	2012
Provision as of 1 January	(983)	(1.027)
Charge for the period	(48)	(14)
Currency translation effect	(70)	58
Provision released	1.034	-
Provision as of 31 December	<u>(67)</u>	<u>(983)</u>

Group has identified some inventories whose net realizable value is less than its current cost. Accordingly, the amount of 48 (31 December 2012: 14) has been determined as an allowance for impairment on inventory and included in cost of revenue. As of 31 December 2013, total amount of the inventory shown at net realizable value is 486 (31 December 2012: 1.082).

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

11. CONSTRUCTION CONTRACTS

	31 December 2013	31 December 2012
Cost incurred on uncompleted contracts	7.531.560	5.978.983
Recognised gain less losses (net)	481.652	531.133
	<u>8.013.212</u>	<u>6.510.116</u>
Less: Billings to date (-)	(7.590.158)	(6.032.887)
	<u>423.054</u>	<u>477.229</u>

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

	31 December 2013	31 December 2012
From Customers under construction contracts	558.960	649.604
To Customers under construction contracts	(135.906)	(172.375)
	<u>423.054</u>	<u>477.229</u>

	31 December 2013	31 December 2012
<u>Receivables from uncompleted contracts</u>		
Contracts undersigned abroad	513.876	614.002
Contracts undersigned in Turkey	45.084	35.602
	<u>558.960</u>	<u>649.604</u>
<u>Payables from uncompleted contracts</u>		
Contracts undersigned abroad	(135.906)	(62.240)
Contracts undersigned in Turkey	-	(110.135)
	<u>(135.906)</u>	<u>(172.375)</u>
	<u>423.054</u>	<u>477.229</u>

The Group has 130.772 of advances given to subcontractors and other suppliers for construction projects classified in short term prepaid expenses (31 December 2012: 34.968). Also, the Group has 189.065 of advances received for contracting projects classified in advances received (31 December 2012: 206.547) (Note 16).

As of 31 December 2013, the Group has 47.523 of retention payables to subcontractors (31 December 2012: 28.959). Also, the amount of retention receivables is 207.562 (31 December 2012: 167.912) (Note 8).

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

12. INVESTMENTS VALUED BY EQUITY METHOD

The details of the joints ventures of the Group, which are valued by equity method, are as follows:

Joint Ventures	Location of foundation and operation	31 December 2013		31 December 2012		Power to appoint	Industry
		%	Amount	%	Amount		
H-T Fidecilik	Turkey	50,00 %	5.610	50,00 %	5.125	50,00 %	Agriculture
Azfen	Azerbaijan	40,00 %	52.841	40,00 %	22.827	40,00 %	Construction
Black Sea Gübre	Turkey	30,00 %	727	30,00 %	246	30,00 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50,00 %	61.369	50,00 %	-	50,00 %	Real Estate
Tekfen Oz (*)	Turkey	-	-	16,40 %	14.341	50,00 %	Real Estate
			<u>120.547</u>		<u>42.539</u>		

(*) Group has sold all its shares in Tekfen Oz, the subsidiary of Group valued by equity method, to Omurga Konya Gayrimenkul Yatırım A.Ş. on 29 March 2013. As of date of the sale, financial statements of Tekfen Oz include total assets of 61.111, total liabilities of 23.502 resulting a net asset of 37.609. Group’s share in the net assets is 6.168. The loss on sale of associate is calculated as 42. The Group’s share on Tekfen Oz’s profit until the date of sale is 27.

Movement of Group’s joint ventures during the year is as follows:

	2013	2012
Opening balance as at 1 January	42.539	230.743
Group’s share on profit/(loss)	33.705	21.342
Effect of the newly established joint ventures	61.560	630
Effect of the joint ventures sold	(6.168)	(208.854)
Transactions of the joint ventures sold during the year	(8.200)	4.318
Dividends	(8.907)	(8.206)
Capital increases	-	4.392
Currency translation effect	6.284	(1.826)
Profit eliminations	(266)	-
Closing balance as at 31 December	<u>120.547</u>	<u>42.539</u>

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

H-T Fidecilik	485	(592)
Azfen	32.636	17.010
Black Sea Gübre	482	(384)
Florya Gayrimenkul	75	-
Tekfen Oz	27	(288)
Joint ventures consolidated by equity method	<u>33.705</u>	<u>15.746</u>
<u>Other subsidiaries consolidated by equity method</u>		
Eurobank Tekfen (**)	-	5.596
Total investments consolidated by equity method	<u>33.705</u>	<u>21.342</u>

(**) Group has sold its shares in Eurobank Tekfen to Burgan Bank S.A.K. on 21 December 2012.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

Information related to financial position:

<u>31 December 2013</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Tekfen Oz</u>	<u>Total</u>
Cash and cash equivalents	7	8.997	1.744	261	-	11.009
Other current assets	16.293	160.474	605	56.603	-	233.975
Other non current assets	9.285	37.873	393	68.376	-	115.927
Total Assets	25.585	207.344	2.742	125.240	-	360.911
Short term financial debts	6.534	-	-	-	-	6.534
Other short term liabilities	5.906	75.096	318	67	-	81.387
Long term financial debts	1.600	-	-	-	-	1.600
Other long term liabilities	325	145	-	2.435	-	2.905
Total Liabilities	14.365	75.241	318	2.502	-	92.426
Net Assets	11.220	132.103	2.424	122.738	-	268.485
Group's Ownership Rate	%50,00	%40,00	%30,00	%50,00	-	
Group's share on Net Assets	5.610	52.841	727	61.369	-	120.547

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

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

12. INVESTMENTS VALUED BY EQUITY METHOD (cont’d)Information related to financial position (cont’d):

31 December 2012	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Tekfen Oz	Total
Cash and cash equivalents	15	51.366	205	-	2.653	54.239
Other current assets	18.720	68.547	3.410	-	83.633	174.310
Other non current assets	9.710	40.105	235	-	2.668	52.718
Total Assets	28.445	160.018	3.850	-	88.954	281.267
Short term financial debts	9.232	-	-	-	-	9.232
Other short term liabilities	6.236	102.950	3.029	-	1.510	113.725
Long term financial debts	2.400	-	-	-	-	2.400
Other long term liabilities	327	-	-	-	-	327
Total Liabilities	18.195	102.950	3.029	-	1.510	125.684
Net Assets	10.250	57.068	821	-	87.444	155.583
Group's Ownership Rate	%50,00	%40,00	%30,00	-	%16,40	
Group's share on Net Assets	5.125	22.827	246	-	14.341	42.539

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

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

31 December 2013	H-T Fidencilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Tekfen Oz (*)	Total
Revenue	25.095	384.525	90.837	-	801	501.258
Depreciation and amortization expense	821	8.409	114	-	16	9.360
Operating profit / (loss)	1.930	102.227	1.803	145	(252)	105.853
Financial income	1	-	2.903	46	460	3.410
Financial expense	(930)	-	(2.792)	-	(32)	(3.754)
Tax income / (expense)	(30)	(20.637)	(308)	(40)	(10)	(21.025)
Profit / (Loss) for the year	970	81.591	1.605	150	166	84.482
Group's Ownership Rate	%50,00	%40,00	%30,00	%50,00	%16,40	
Group's share on Profit / (Loss) for the year	485	32.636	482	75	27	33.705
31 December 2012	H-T Fidencilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Tekfen Oz	Total
Revenue	28.189	286.325	3.149	-	99.096	416.759
Depreciation and amortization expense	853	4.638	285	-	84	5.860
Operating profit / (loss)	(1.150)	53.615	(1.267)	-	(3.469)	47.729
Financial income	1.338	297	31	-	1.882	3.548
Financial expense	(1.421)	(146)	(43)	-	(591)	(2.201)
Tax income / (expense)	50	(11.242)	-	-	417	(10.775)
Profit / (Loss) for the year	(1.183)	42.524	(1.279)	-	(1.760)	38.302
Group's Ownership Rate	%50,00	%40,00	%30,00	-	%16,40	
Eurobank Tekfen						5.596
Group's share on Profit / (Loss) for the year	(592)	17.010	(384)	-	(289)	21.341

(*) Group has sold its shares in Tekfen Oz on 29 March 2013. The Group’s share until the date of sale is presented.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

13. INVESTMENT PROPERTY

Investment property as at 31 December 2013 and 2012 is as follows:

Cost	Land	Building	Total
Opening balance as at 1 January 2013	8.198	111.093	119.291
Currency translation effect	720	-	720
Additions	-	429	429
Disposals (Note: 35)	(3.040)	(12.151)	(15.191)
Closing balance as at 31 December 2013	<u>5.878</u>	<u>99.371</u>	<u>105.249</u>
Accumulated Depreciation			
Opening balance as at 1 January 2013	-	(26.466)	(26.466)
Charge for the year	-	(2.722)	(2.722)
Disposals (Note: 35)	-	2.714	2.714
Closing balance as at 31 December 2013	<u>-</u>	<u>(26.474)</u>	<u>(26.474)</u>
Carrying value as at 31 December 2013	<u>5.878</u>	<u>72.897</u>	<u>78.775</u>
Cost	Land	Building	Total
Opening balance as at 1 January 2012	7.460	111.093	118.553
Currency translation effect	(202)	-	(202)
Transfers from assets classified as held for sale	940	-	940
Closing balance as at 31 December 2012	<u>8.198</u>	<u>111.093</u>	<u>119.291</u>
Accumulated Depreciation			
Opening balance at 1 January 2012	-	(23.485)	(23.485)
Charge for the year	-	(2.981)	(2.981)
Closing balance as at 31 December 2012	<u>-</u>	<u>(26.466)</u>	<u>(26.466)</u>
Carrying value as at 31 December 2012	<u>8.198</u>	<u>84.627</u>	<u>92.825</u>

Investment Property includes buildings over rental income earned and lands that are held for the investment purposes. Useful lives of investment properties are within 4 and 50 years.

Depreciation expense of 2.199 (2012: 2.458) has been charged to cost of revenue, 523 (2012: 523) to general administrative expenses.

For the year ended 31 December 2013 total rental income earned from investment properties is 18.582 (31 December 2012: 16.654). Direct operating expenses arising on the investment properties in the year amounted to 4.934 (31 December 2012: 4.604).

The fair value of the Group’s investment property has been arrived based on a valuation carried out by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair market value of the investment properties as of 31 December 2013 is 391.858 (31 December 2012: 400.467) according to the valuation carried out by independent expert.

There are not any restrictions on the realizability of investment property or any remittances of income and proceeds of disposal and there are not any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2013	295.690	322.490	1.104.410	35.140	70.000	52.376	134.973	2.015.079
Currency translation effect	35.751	25.978	120.509	5.083	9.938	2.004	723	199.986
Additions	5.580	718	14.985	1.523	2.860	155.564	535	181.765
Disposals	(417)	(8.709)	(11.512)	(1.099)	(4.838)	-	(154)	(26.729)
Transfers	3.251	7.507	45.293	(354)	(358)	(55.352)	2	(11)
Closing balance as at 31 December 2013	339.855	347.984	1.273.685	40.293	77.602	154.592	136.079	2.370.090
Accumulated Depreciation								
Opening balance as at 1 January 2013	(80.281)	(183.457)	(852.641)	(26.536)	(46.827)	-	(76.832)	(1.266.574)
Currency translation effect	(12.879)	(17.897)	(82.314)	(4.026)	(7.261)	-	(395)	(124.772)
Charge for the year	(10.404)	(7.383)	(49.282)	(3.770)	(7.072)	-	(4.329)	(82.240)
Allowance for impairment	-	(3.981)	(4.496)	-	-	-	-	(8.477)
Disposals	323	2.869	9.452	1.018	2.869	-	154	16.685
Transfers	-	(760)	(771)	198	1.118	-	215	-
Closing balance as at 31 December 2013	(103.241)	(210.609)	(980.052)	(33.116)	(57.173)	-	(81.187)	(1.465.378)
Carrying value as at 31 December 2013	236.614	137.375	293.633	7.177	20.429	154.592	54.892	904.712

Property, plant and equipment include fixed assets with carrying value of 148.385 purchased through financial lease. These property, plant and equipment purchased through financial lease consist of various prefabricated buildings, machinery, equipment and vehicles employed in construction sites. During the current period, property, plant and equipment purchases through financial lease amount to 7.008 (31 December 2012: 94.018).

During the year ended 31 December 2013, borrowing costs capitalized in property, plant and equipment amount to 6.923 (31 December 2012: None). The rate used to determine the amount of borrowing costs eligible for capitalization is 18,35%.

Group has reviewed the recoverable amount of its production facility in Uzbekistan during the year and has recognized an allowance for impairment amounting to 8.477 in the statement of profit or loss as a result of the review. The recoverable amount of the related assets has been determined according to their value in use. The discount rate used in the calculation of the value in use is annually 11,5%.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

14. PROPERTY, PLANT AND EQUIPMENT (cont’d)

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2012	297.022	323.617	1.061.872	33.131	69.608	19.435	123.958	1.928.643
Currency translation effect	(9.529)	(5.622)	(32.198)	(1.858)	(3.239)	(566)	(198)	(53.210)
Additions	2.782	1.605	115.300	3.889	8.600	58.761	795	191.732
Disposals	(1.164)	(3.854)	(39.906)	(997)	(5.929)	-	(236)	(52.086)
Transfers	6.579	6.744	(658)	975	960	(25.254)	10.654	-
Closing balance as at 31 December 2012	295.690	322.490	1.104.410	35.140	70.000	52.376	134.973	2.015.079
Accumulated Depreciation								
Opening balance as at 1 January 2012	(76.090)	(183.756)	(851.400)	(23.726)	(47.482)	-	(68.028)	(1.250.482)
Currency translation effect	3.099	3.517	19.490	758	1.801	-	83	28.748
Charge for the year	(9.079)	(6.574)	(59.509)	(4.102)	(6.550)	-	(3.362)	(89.176)
Allowance for impairment	-	(732)	-	-	-	-	-	(732)
Disposals	413	3.130	34.967	993	5.333	-	232	45.068
Transfers	1.376	958	3.811	(459)	71	-	(5.757)	-
Closing balance as at 31 December 2012	(80.281)	(183.457)	(852.641)	(26.536)	(46.827)	-	(76.832)	(1.266.574)
Carrying value as at 31 December 2012	215.409	139.033	251.769	8.604	23.173	52.376	58.141	748.505

Property, plant and equipment include fixed assets with carrying value of 145.343 purchased through financial lease.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment are depreciated over the following useful lives:

	<u>Useful life</u>
Land and land improvements	2-50 years
Buildings	5-50 years
Machinery and equipment	2-40 years
Vehicles	3-12 years
Furniture and fixtures	2-50 years
Leasehold improvements	5-50 years

Depreciation expense of 74.316 (2012: 82.761) has been charged to cost of revenue, 10 (2012: 114) to research and development expenses, 1.234 (2012: 1.393) to marketing, selling and distribution expenses, 3.499 (2012: 2.899) to general administrative expenses and 3.181 (2012: 2.009) to inventory.

15. INTANGIBLE ASSETS

<u>Cost value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as at 1 January 2013	15.235	1.457	16.692
Currency translation effect	2.196	41	2.237
Additions	1.770	162	1.932
Disposals	(81)	-	(81)
Intangibles written off	-	(1.211)	(1.211)
Transfers	11	-	11
Closing balance as at 31 December 2013	19.131	449	19.580
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2013	(13.744)	(257)	(14.001)
Currency translation effect	(1.583)	(46)	(1.629)
Charge for the year	(719)	-	(719)
Disposals	80	-	80
Closing balance as at 31 December 2013	(15.966)	(303)	(16.269)
Carrying value as at 31 December 2013	<u>3.165</u>	<u>146</u>	<u>3.311</u>
<u>Cost value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as at 1 January 2012	14.727	952	15.679
Currency translation effect	(575)	9	(566)
Additions	1.106	496	1.602
Disposals	(23)	-	(23)
Closing balance as at 31 December 2012	15.235	1.457	16.692
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2012	(13.513)	(248)	(13.761)
Currency translation effect	531	6	537
Charge for the year	(785)	(15)	(800)
Disposals	23	-	23
Closing balance as at 31 December 2012	(13.744)	(257)	(14.001)
Carrying value as at 31 December 2012	<u>1.491</u>	<u>1.200</u>	<u>2.691</u>

Intangible assets are amortized over useful lives of rights through 2 to 15 years and useful lives of other intangibles through 3 to 5 years.

Amortization expense of 539 (2012: 663) has been charged to general administrative expenses, 180 (2012: 113) to cost of revenue. There is not any amortization expense charged to marketing, selling and distribution expenses and to cost of inventory (2012: marketing, selling and distribution expenses: 15, cost of inventory: 9).

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

16. PREPAID EXPENSES, ADVANCES RECEIVED AND DEFERRED REVENUE

	31 December 2013	31 December 2012
Short term prepaid expenses		
Advances paid for construction projects (Note: 11)	130.772	34.968
Prepaid expenses	12.743	8.592
Business advances given	1.183	6.384
Order advances given	6.454	5.316
	<u>151.152</u>	<u>55.260</u>
Long term prepaid expenses		
Advances given for fixed assets	61.355	15.298
Prepaid expenses	7.739	165
	<u>69.094</u>	<u>15.463</u>
Advances received		
Advances received for construction projects (Note: 11)	189.065	206.547
Other advances received	66.131	43.238
	<u>255.196</u>	<u>249.785</u>
Short term deferred revenue		
Income relating to future months	5.278	6.396
	<u>5.278</u>	<u>6.396</u>

17. GOVERNMENT GRANTS AND INCENTIVES

Toros Tarım benefits from the certified seed production support according to the support amounts determined in the Communiqué about “Supporting Domestic Certified Seed Production” published in the Official Gazette for its production of certified wheat and potato seeds.

Before the harvest period, the support amounts per kilogram are conveyed in the Official Gazette by Republic of Turkey Ministry of Food, Agriculture and Livestock annually. For the harvest period in 2013, unit prices conveyed in 2012 for wheat is 0,10 TRY/kg and for potato is 0,08 TRY/kg. As of 31 December 2013, income generated from wheat support is 644, whereas the income generated from potato support is 116 which make a total income of 760 (31 December 2012: wheat supporting 830, potato supporting 147, total 977).

Support income generated from current year sales is recognized as income accrual every reporting period is collected in the following period.

Within the scope of Tübitak Teydeb (The Scientific and Technological Research Council of Turkey Technology and Innovation Grant Programs Directorate), several programs are being conducted for private sector entities on a project basis in order to provide support for Research and Development activities. 1511 numbered Research Technology Development and Innovation Projects in Priority Areas Grant Program is one of those programs. Toros Tarım applied for support within the context of this program with “Wheat Breeding Project” and its project is approved. The purpose of the project is to breed high quality and efficient wheat types that are resistant to biotic and abiotic stress conditions for different ecological zones of our country. 36 month long support duration has begun on 1 September 2013 and will continue until 31 August 2016.

In parallel with the budget given to Tübitak; personel expenses, fixed asset and material acquisitions, service and labor costs are also in the scope of the support. Support fees will be paid in cash after the assessment of financial and technical reports presented to Tübitak semi-annually.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2013	31 December 2012
<u>Short term other provisions</u>		
Provision for litigation	8.112	8.248
Other provisions	22.580	813
	<u>30.692</u>	<u>9.061</u>
	31 December 2013	31 December 2012
<u>Long term other provisions</u>		
Other provisions	70	64
	<u>70</u>	<u>64</u>

Movement of provision for litigation and other liabilities are as follows:

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as of 1 January 2013	8.248	877	9.125
Currency translation effect	(30)	2.431	2.401
Charge for the period	1.690	19.912	21.602
Provision paid	(921)	(532)	(1.453)
Provision released	(875)	(38)	(913)
Closing balance as of 31 December 2013	<u>8.112</u>	<u>22.650</u>	<u>30.762</u>
Opening balance as of 1 January 2012	8.273	730	9.003
Currency translation effect	(6)	(13)	(19)
Charge for the period	2.698	578	3.276
Provision paid	(636)	(322)	(958)
Provision released	(2.081)	(96)	(2.177)
Closing balance as of 31 December 2012	<u>8.248</u>	<u>877</u>	<u>9.125</u>

b) Contingent Assets and Liabilities

Contractual Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group’s subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods stated on the agreements. In case the customer determines any defects subsequent to the provisional acceptance of the contract, Tekfen İnşaat is obliged to remedy the defect.

Penalty of Default

Based on the agreements signed with the customers, if Tekfen İnşaat fails to complete in full or partially its contract operations within the determined period, it shall pay penalty amount for such defaults to its customers.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

b) Contingent Assets and Liabilities (cont’d)

Tax Inspections

During the period, developments have been occurred in the process of the lawsuit attributable to tax inspection of Saudi Arabia Branch explained in the notes of the audited consolidated financial statements as of 31 December 2012. The Department of Zakat and Income Tax of Saudi Arabia (“DZIT”) has issued its final tax assessment and based on this assessment, Tekfen İnşaat Saudi Arabia Branch has an additional tax liability amounting to 5.194 (2.434 thousand US Dollars). According to the partial result of the objection on this assessment with the Appeal Committee, tax payment amounting to 2.834 (1.328 thousand US Dollars) has been made during the period and the part of the tax liability amounting to 2.360 (1.106 thousand US Dollars), which has not been resulted yet, is concluded not to be paid.

Tax inspection of Ministry of Finance on Tekfen İnşaat’s corporate tax calculations for the years 2010 and 2011 are continuing as of the report date.

Litigations:

As of 31 December 2013, lawsuit filed against the Group is totally 114.085 (31 December 2012: 78.344) and the management has decided to accrue 8.112 (31 December 2012: 8.248) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group.

Toros Tarım Samsun Fertilizer Facility

Toros Tarım has acquired all of the public shares of Samsun Gübre Sanayi A.Ş. from the Privatization Administration on 4 July 2005. Following the issuance of the Article 2/B of the Forest Law in April 2012, restraints on some parcels transferred from Samsun Gübre Sanayi A.Ş. have become futile. Accordingly, revised construction plans with different scales and application zoning plans have been prepared by Samsun Metropolitan Municipality (Municipality). Upon the rejection of appeal for each construction plans, Toros Tarım has filed an annulment action against Municipality at Samsun 1. Administrative Court. Since the effect of Planning Partnership Interest prescribed at the Application Zoning Plan is considered to break the integrity of the facility; Toros Tarım has not been granted the operating license and Municipality Committee has announced enforcement on 5 February 2013 regarding the shutdown of the facility. Aforementioned transaction was not exercised upon interim suspension of the execution by the Administrative Court.

The process of shutdown is not executed in consequence of negotiations and correspondences done with the Municipality in despite of the suspension of the execution given by the court is removed after the Administration’s advocacy is taken; lawsuits filed at Samsun Administrative Court with the request for cancellation of construction plans prepared by the Municipality are not yet concluded.

On the other side, new title deeds are received as a result of construction plans prepared ex officio and parceling made by Ministry of Environment and Urbanization related to the parcels on which the facility is located.

After all these developments, the Entity has filed an application to Municipality for business license, the process of gathering documents requested by the Municipality for application is still going on.

Other provisions

19.447 of provision is recognized for the possible expenses of contracting group which may occur in the future under other provisions.

Other

The financial, economic, and social policies of the foreign countries in which the Group has operations may affect the Group’s profitability.

National and international commodity market price volatility may affect the Group operations and profitability.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

19. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2013 and 2012 is as follows:

	Equivalent of Thousands TRY	Thousands of US Dollars	Thousands of EUR	Other (Equivalent of Thousands TRY)
31 December 2013				
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	1.915.847	589.084	47.760	518.318
-Guarantee	1.914.347	589.084	47.760	516.818
-Pledge	-	-	-	-
-Mortgage	1.500	-	-	1.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	-	-	-	-
-Guarantee	-	-	-	-
-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 2013	1.915.847	589.084	47.760	518.318
31 December 2012				
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	1.797.512	625.629	93.796	461.686
-Guarantee	1.796.012	625.629	93.796	460.186
-Pledge	-	-	-	-
-Mortgage	1.500	-	-	1.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	1.277	-	-	1.277
-Guarantee	1.277	-	-	1.277
-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 2012	1.798.789	625.629	93.796	462.963

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

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

20. EMPLOYEE BENEFITS

	31 December 2013	31 December 2012
Salary accruals	26.110	17.703
Social security withholding payables	12.279	5.754
	<u>38.389</u>	<u>23.457</u>
Short term provisions attributable to employee benefits	31 December 2013	31 December 2012
Retirement pay provision	5.734	412
Unused vacation pay liability provision	17.933	13.223
Premium provision	12.629	11.754
	<u>36.296</u>	<u>25.389</u>
Long term provisions attributable to employee benefits		
Retirement pay provision	45.090	42.169
	31 December 2013	31 December 2012
Short term retirement pay provision	5.734	412
Long term retirement pay provision	45.090	42.169
	<u>50.824</u>	<u>42.581</u>

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

The Group is liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees.

Retirement pay provision for Turkish personnel employed in Turkey:

Under Turkish Labor Law, it is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

Retirement pay provision upper limit is revised on every six months and Group has calculated current year's amount by using the upper limit 3.438,22 TRY which is effective on or after 1 January 2014 (31 December 2012: 3.129,24 TRY). The amount payable to the employee is limited to employee's one month worth salary or to the upper limit of retirement pay provision for each period of service as of 31 December 2013.

The liability is not funded, as there is no funding requirement.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees (not applicable for employees who are working in construction projects). TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

20. EMPLOYEE BENEFITS (cont’d)

Retirement pay provision (cont’d):

Retirement pay provision for Turkish personnel employed in Turkey (cont’d):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2013, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of 31 December 2013, the provisions have been calculated by taking the real discount rate as approximately 4,99% (31 December 2012: 1,92%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of employees located abroad:

The Group and its consolidated subsidiaries are subject to regulations where they operate in. Provisional amounts for the subject matter laws have been provided in the consolidated financial statements.

Retirement pay provision for subcontractor employee:

The Group and the subcontractor companies are conjointly responsible for the retirement pay provision of subcontractor employee at the construction project. In order to guarantee subcontractors commitment, the Group provides deductions from subcontractor’s progress billings and letter of guarantee. Retirement pay provision calculation for subcontractor’s personnel is subject to regulations where they operate in and the agreements between the Group and the subcontractors.

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as of 1 January 2013	42.581	11.754	13.223	67.558
Currency translation effect	4.357	923	1.981	7.261
Charge for the period	23.380	12.056	13.108	48.544
Interest expense	645	-	-	645
Provision paid	(15.579)	(12.104)	(9.397)	(37.080)
Provision released	(1.620)	-	(982)	(2.602)
Actuarial gain	(2.940)	-	-	(2.940)
Closing balance as of 31 December 2013	<u>50.824</u>	<u>12.629</u>	<u>17.933</u>	<u>81.386</u>
Opening balance as of 1 January 2012	39.984	11.332	9.058	60.374
Currency translation effect	(1.067)	(29)	(329)	(1.425)
Charge for the period	19.054	11.867	14.823	45.744
Interest expense	1.013	-	-	1.013
Provision released	(2.075)	-	(891)	(2.966)
Provision paid	(14.328)	(11.416)	(9.438)	(35.182)
Closing balance as of 31 December 2012	<u>42.581</u>	<u>11.754</u>	<u>13.223</u>	<u>67.558</u>

19.742 of current year charge and released provision for retirement pay (2012: 14.933) has been included in cost of revenue, 2.054 has been included in general administrative expenses (2012: 2.433) and 609 has been included in marketing, selling and distribution expenses (2012: 626).

2.774 (2012: 2.664), 8.853 (2012: 8.821) and 423 (2012: 382) of current year premium provision have been included in cost of revenue, in general administrative expenses and in marketing, selling and distribution expenses respectively.

11.135 of current year charge and released provision for unused vacation pay liability (2012: 12.881) has been included in cost of revenue, 864 has been included in general administrative expenses (2012: 951) and 127 has been included in marketing, selling and distribution expenses (2012: 100).

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

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

21. OTHER CURRENT/NON CURRENT ASSETS AND OTHER SHORT/LONG TERM LIABILITIES

	31 December 2013	31 December 2012
Other current assets		
VAT receivables	102.951	82.447
Withholding tax of ongoing construction contracts	712	112
Other current assets	1.934	410
	<u>105.597</u>	<u>82.969</u>
	31 December 2013	31 December 2012
Other non current assets		
Withholding tax of ongoing construction contracts	34.820	22.125
VAT receivables	1.797	1.785
	<u>36.617</u>	<u>23.910</u>
	31 December 2013	31 December 2012
Other short term liabilities		
VAT calculated	822	2.863
Other	175	147
	<u>997</u>	<u>3.010</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

22. SHAREHOLDERS’ EQUITY

a) Share Capital / Interrelated Subsidiary Capital Adjustments

The structure of the paid in capital as of 31 December 2013 and 2012 is as follows:

Shareholders	(%)	31 December 2013	(%)	31 December 2012
Akçağlılar family	19,30%	71.426	19,30%	71.426
Berker family	19,30%	71.426	19,30%	71.426
Gökyiğit family	19,30%	71.426	19,30%	71.426
Other (*)	4,23%	15.593	4,23%	15.593
Publicly traded	37,87%	140.129	37,87%	140.129
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		<u>373.475</u>		<u>373.475</u>

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

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2012: 370.000.000). All these shares consist of bearer common shares.

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. From the remaining statutory profit, 30% of the paid capital is distributed as first dividend to the holders on the condition that rates and amounts are not less than rates and amounts applied by CMB. Also at most 3% of remaining profit is distributed to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which has redeemed share.

b) Accumulated other comprehensive income or loss that will be not reclassified / reclassified in profit or loss

	31 December 2013	31 December 2012
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
-Gain on revaluation of defined retirement benefit plans	2.470	-
	<u>2.470</u>	<u>-</u>
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	149.095	91.270
- Gain/(loss) on revaluation and reclassification (Note: 6)	45.179	74.273
	<u>194.274</u>	<u>165.543</u>

Gain/(loss) on revaluation and remeasurement:

Gain on revaluation and remeasurement consists of all actuarial gains and losses, which are calculated in accordance with revised TAS 19 and recognized in other comprehensive income.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

22. SHAREHOLDERS’ EQUITY (cont’d)

Currency Translation Reserve:

Group’s consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group’s consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 149.095 (31 December 2012: 91.270).

Gain / (loss) on revaluation and reclassification:

Gain / (loss) on revaluation and reclassification consists of changes in fair value of securities held for sale. In the event of the disposition of a revalued financial asset at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss. In case of a revalued at fair value financial assets impairment, amount impaired is accounted in profit or loss.

c) Restricted Profit Reserves

	31 December 2013	31 December 2012
Restricted profit reserves	120.830	98.255

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Profit Distribution:

Listed companies distribute profit in accordance with the Communiqué No. II-19.1 issued by CMB which is effective from 1 February 2014.

Companies distribute profit in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute profit in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

As of 6 March 2014, Board of Directors offered not to distribute any profit due to the occurrence of loss for the current year. This resolution is subject to approval of the shareholders at General Assembly Meeting. Attributable to the profit for the year 2012, gross dividend of 132.220 and 6.055 were distributed to owners of the parent and holders of redeemed share,

Resources That Can Be Subject To Profit Distribution:

The other resources that may apply to profit distribution is 1.097.822 (31 December 2012: 1.060.769) for Tekfen Holding A.Ş.. 622.916 portion of this amount belongs to shares issued and 474.906 portion of this amount belongs to bonus shares issued (31 December 2012: shares issued 587.680, bonus shares issued 473.089).

d) Premiums in Capital Stock

Group has done public offering (22,50%) of issued 66.775 shares by increased capital on 23 November 2007. The income from this public offering 380.618 is accounted as premium in capital stock in shareholder’s equity after 12.859 expense directly related to the public offering deducted.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

23. REVENUE AND COST OF REVENUE

a) Revenue

	1 January- 31 December 2013	1 January 31 December 2012
Domestic goods and merchandise sales	1.450.828	1.448.220
Export goods and merchandise sales	9.843	24.607
Contract revenue – domestic	595.217	432.719
Contract revenue – abroad	1.689.487	1.894.264
Joint ventures – domestic	29.894	20.495
Joint ventures – abroad	12.085	47.725
Textile products revenue	15.869	15.490
Other	50.879	80.616
Sales returns (-)	(7.373)	(9.813)
Sales discounts (-)	(693)	(5.586)
	<u>3.846.036</u>	<u>3.948.737</u>

b) Cost of Revenue

	1 January- 31 December 2013	1 January- 31 December 2012
Cost of raw materials used	(1.934.719)	(1.790.797)
Subcontractor expenses	(501.025)	(538.592)
Employee benefits expenses	(493.345)	(398.794)
Machinery, vehicle and other rent expenses	(146.799)	(178.353)
Construction site expenses	(116.089)	(143.774)
Depreciation expenses (Note: 13, 14, 15)	(76.695)	(85.332)
Transportation expenses	(69.855)	(55.715)
Energy and fuel expenses	(52.773)	(55.220)
Consultancy expense	(62.859)	(39.750)
Maintenance expenses	(29.005)	(29.303)
Outsourcing expenses	(24.816)	(24.556)
Cost of merchandises sold	(20.463)	(25.034)
Consumable and other material expenses	(4.185)	(20.216)
Engineering expenses	(25.346)	(16.150)
Custom expenses	(12.488)	(14.388)
Insurance expenses	(14.082)	(9.495)
Provision for doubtful receivables (Note: 8)	(12.608)	(96)
Allowance for impairment on inventory (Note: 10)	(48)	(14)
Other	(121.604)	(137.896)
	<u>(3.718.804)</u>	<u>(3.563.475)</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

24. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 December 2013	1 January- 31 December 2012
General administrative expenses (-)	(113.132)	(107.117)
Marketing, selling and distribution expenses (-)	(120.365)	(109.626)
Research and development expenses (-)	(253)	(127)
	<u>(233.750)</u>	<u>(216.870)</u>
	1 January- 31 December 2013	1 January- 31 December 2012
a) Detail of General Administrative Expenses		
Payroll expenses and fringe benefits	(69.453)	(66.983)
Office and administration expenses	(9.789)	(8.278)
Provision for doubtful receivables (Note: 8)	(1.146)	(6.411)
Consultancy expenses	(12.092)	(6.874)
Depreciation and amortization expenses (Note: 13, 14, 15)	(4.561)	(4.085)
Duties, charges and other tax expenses	(2.388)	(1.499)
Bank and notary expenses	(1.374)	(1.433)
Traveling expenses	(1.064)	(941)
Rent expenses	(753)	(776)
Maintenance expenses	(504)	(711)
Energy and fuel expenses	(334)	(582)
Reversal of doubtful receivable provision (Note: 8)	101	396
Other expenses	(9.775)	(8.940)
	<u>(113.132)</u>	<u>(107.117)</u>
b) Detail of Marketing, Selling and Distribution Expenses		
Transportation expenses	(90.975)	(83.240)
Payroll expenses and fringe benefits	(10.444)	(9.877)
Depreciation and amortization expenses (Note: 14, 15)	(1.234)	(1.408)
Rent expenses	(1.350)	(1.382)
Energy and fuel expenses	(1.083)	(1.035)
Duties, charges and other tax expenses	(1.260)	(882)
Maintenance expenses	(714)	(830)
Traveling expenses	(750)	(660)
Office and administration expenses	(490)	(618)
Other expenses	(12.065)	(9.694)
	<u>(120.365)</u>	<u>(109.626)</u>
c) Detail of Research and Development Expenses		
Depreciation and amortization expenses (Note: 14)	(10)	(114)
Payroll expenses and fringe benefits	(85)	(12)
Maintenance expenses	(16)	-
Energy and fuel expenses	(21)	-
Other expenses	(121)	(1)
	<u>(253)</u>	<u>(127)</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

25. QUALITATIVE EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Transportation expenses	(90.975)	(83.240)
Payroll expenses and fringe benefits	(79.982)	(76.872)
Office and administration expenses	(10.279)	(8.896)
Provision for doubtful receivables (Note: 8)	(1.146)	(6.411)
Consultancy expense	(12.092)	(6.874)
Depreciation and amortization expenses (Note: 13, 14, 15)	(5.805)	(5.607)
Duties, charges and other tax expenses	(3.648)	(2.381)
Rent expenses	(2.103)	(2.158)
Energy and fuel expenses	(1.438)	(1.617)
Traveling expenses	(1.814)	(1.601)
Maintenance expenses	(1.234)	(1.541)
Bank and notary expenses	(1.374)	(1.433)
Reversal of doubtful receivable provision (Note: 8)	101	396
Other expenses	(21.961)	(18.635)
	<u>(233.750)</u>	<u>(216.870)</u>

26. OTHER OPERATING INCOME AND EXPENSE

	1 January - 31 December 2013	1 January - 31 December 2012
<u>Other Operating Income</u>	<u>2013</u>	<u>2012</u>
Foreign exchange gains	78.688	74.686
Discount income	6.290	2.892
Due date difference income	9.868	9.960
Indemnity income	5.860	1.178
Scrap sale income	771	1.389
Rent income	2.850	1.960
Project management income	732	2.370
Reversal of litigation provision (Note: 18)	875	2.081
Reversal of other unnecessary provisions	-	1.713
Refundment income of social benefit	1.308	1.280
Government grants and incentives income (Note: 17)	760	977
Reversal of doubtful receivable provision (Note: 8)	-	493
Other income	6.051	4.844
	<u>114.053</u>	<u>105.823</u>
<u>Other Operating Expenses</u>		
Foreign exchange losses	(132.231)	(59.191)
Due date difference expense	(4.890)	(5.246)
Discount expense	(1.282)	(1.588)
Written off uncollectible receivables	-	(12.072)
Grants and contributions	(17.619)	(3.869)
Litigation provision (Note: 18)	(1.690)	(2.698)
Penalty and damages expenses	(157)	(1.069)
Rent expense	(142)	(1.050)
Additional tax expense	(573)	(948)
Damages subject to litigation	-	(15)
Other expenses	(6.203)	(7.765)
	<u>(164.787)</u>	<u>(95.511)</u>

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

27. INVESTMENT INCOME AND EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
<u>Investment income</u>		
Difference between capital in kind and fair value (Note: 35)	49.083	-
Dividend income	6.590	6.653
Gain on sale of fixed asset	4.058	2.288
Gain on sale of associate (*)	-	137.820
Other	8	-
	<u>59.739</u>	<u>146.761</u>
<u>Investment expense</u>		
Loss on sale of fixed assets	(4.175)	(1.290)
Impairment of fixed assets (Note: 14, 15, 27)	(9.688)	(3.736)
Loss on sale of associate	(42)	-
Other	(23)	-
	<u>(13.928)</u>	<u>(5.026)</u>

(*) Group has sold all its shares in Eurobank Tekfen to Burgan Bank S.A.K. on 21 December 2012.

28. FINANCIAL INCOME AND FINANCIAL EXPENSE

	1 January - 31 December 2013	1 January - 31 December 2012
<u>Financial Income:</u>		
Foreign exchange gains	100.012	41.689
Interest income	67.112	60.360
Other	17	8
	<u>167.141</u>	<u>102.057</u>
<u>Financial Expense:</u>		
Foreign exchange losses	(79.437)	(50.510)
Interest expense	(28.283)	(24.783)
Other finance expense	(5.211)	(5.904)
Less: Financial expenses included in costs of property, plant and equipment and inventories	18.377	-
	<u>(94.554)</u>	<u>(81.197)</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

29. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale consist of Group’s buildings and land. These assets classified as held for sale are presented in the Contracting group and are being actively marketed at a price that is reasonable.

	31 December 2013	31 December 2012
Assets classified as held for sale	13.312	10.944
	<u>13.312</u>	<u>10.944</u>

The movement of assets classified as held for sale is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Net book value as at 1 January	10.944	15.813
Currency translation effect	2.368	(683)
Allowance for impairment	-	(3.004)
Disposals	-	(242)
Transfers to investment property	-	(940)
Net book value as at 31 December	<u>13.312</u>	<u>10.944</u>

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2013	31 December 2012
<u>Assets related to current tax</u>		
Prepaid corporate tax	44.299	53.781
	<u>44.299</u>	<u>53.781</u>

	31 December 2013	31 December 2012
<u>Current tax liability</u>		
Corporate tax provision	48.327	60.461
Less: Prepaid taxes and funds	(44.299)	(45.712)
	<u>4.028</u>	<u>14.749</u>

	1 January - 31 December 2013	1 January - 31 December 2012
<u>Tax expense comprises as follows:</u>		
Current tax provision	57.995	64.735
Deferred tax (income) / expense	1.416	(2.134)
Currency translation effect	(878)	(264)
	<u>58.533</u>	<u>62.337</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group’s results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2013 is 20% (2012: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its losses carried forward occurred in 2013 until 2018.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1-25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

75% of sale proceeds from subsidiary and fixed asset acquisitions are exempt from corporate tax with the condition that these assets are held more than two years and the proceeds are included in equity for five years. There are not any restrictions for these proceeds to be added to capital.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies.

The rate of income withholding tax is 10% between 24 April 2003 and 22 July 2006. This rate was changed to 15% commencing from 22 July 2006 with the Cabinet Decision 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Taxation of Foreign Subsidiaries and Operations:

Subsidiaries and operations included in consolidation in the accompanying consolidated financial statements are subject to corporate tax and withholding tax effective in the relevant country. Effective tax rates in those countries in which the Group operates are summarized below:

Countries	Corporate Tax Rate %	Withholding Tax Rate %
Azerbaijan	%20	%10 - %14
Kazakhstan	%20	%15 - %20
Uzbekistan	%8	%10 - %20
Germany	%15 - %33	%0 - %25
Saudi Arabia	%20	%5 - %15
Luxembourg	%29	%0 - %15
Ireland	%12,5 - %25	%0 - %20
United Kingdom	%23	%0 - %20
Morocco	%30	%10 - %15
Libya	%0 - %20	%0 - %20
Oman	%12	%0 - %10
United Arab Emirates	%0	%0
Qatar	%10	%0 - %7
Turkmenistan	%0 - %20	%15

Exemption of Foreign Branch Earnings:

In accordance with private judgment related with overseas construction earnings in Corporate Tax Law’s Article 5/1-h: “Earnings, which are provided from overseas construction, maintenance, installation or technical services, are transferred to income statement in Turkey” are exempted from corporate tax. According to the judgment, the only requirement is transferring of these earnings to income statement in Turkey. It is not obligatory that the earnings to be brought in Turkey.

There is a corporate tax exemption for the construction of Kufra-Tazerbo water channel project whose contract is signed on 6 June 2006 by Tekfen TML J.V. and which has to be suspended in the year 2011 due to the unfavorable developments in Libya.

COP Petroleum Platform project in Azerbaijan, whose contract is undersigned by Tekfen İnşaat on 15 January 2010, benefits from tax incentive.

The Undersecretaries of Treasury and Foreign Trade of Turkey has given tax, duties and charge incentive for the contracts undertaken by Tekfen İnşaat and its joint operations. These contracts are as follows:

- Ankara - Pozantı Highway (Çiftelhan - Pozantı Section) Project - extended till October 2014.
- In the construction project Tekfen İnşaat is conducting in Turkmenistan, the agreement between Turkey and Turkmenistan provides tax exemption from Corporate Income Tax in Turkmenistan.

Investment Incentive Tax Exemption:

Concerning the investment undertaken relating to Samsun Facility, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from Republic of Turkey Ministry of Economy. The features of this incentive are employer’s share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and shown below. Tax rate used in calculating deferred tax assets and liabilities is the effective tax rate in the relevant countries where the Group undertakes its operations.

Due to entities in Turkey are not allowed to declare consolidated tax returns, subsidiaries titled to deferred assets may not be netted of with their subsidiaries titled to deferred tax liabilities; hence are required to declare separately.

	31 December 2013	31 December 2012
<u>Components of deferred tax (assets)/liabilities bases:</u>		
Restatement and depreciation / amortization		
differences of tangible and intangible assets	48.817	49.002
Provision for retirement benefits and vacation liability	(32.848)	(27.519)
Investment incentive undertaken	(43.023)	-
Contract costs and progress billings (net)	156.781	47.059
Undistributed profits of joint operations	31.736	29.536
Provision for doubtful receivables	(16.115)	(11.934)
Effect of income accruals	4.568	14.438
Tax losses carried forward	(9.958)	-
Provision for litigation	(7.375)	(7.486)
Available for sale investments	47.486	78.182
Provision for premium payments	(4.489)	(4.593)
Other	7.695	(3.749)
Deferred tax liabilities / (assets)	<u>183.275</u>	<u>162.936</u>
	31 December 2013	31 December 2012
<u>Components of deferred tax (assets)/liabilities:</u>		
Restatement and depreciation / amortization		
differences of tangible and intangible assets	3.561	4.390
Provision for retirement benefits and vacation liability	(6.568)	(5.502)
Investment incentive undertaken	(8.605)	-
Contract costs and progress billings (net)	31.357	9.413
Undistributed profits of joint operations	6.349	5.909
Provision for doubtful receivables	(3.219)	(2.387)
Effect of income accruals	912	2.887
Tax losses carried forward	(1.991)	-
Provision for litigation	(1.475)	(1.497)
Available for sale investments	2.374	3.909
Provision for premium payments	(898)	(918)
Other	1.498	(474)
Deferred tax liabilities / (assets)	<u>23.295</u>	<u>15.730</u>
Deferred tax assets	(38.359)	(15.237)
Deferred tax liabilities	<u>61.654</u>	<u>30.967</u>
	<u>23.295</u>	<u>15.730</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Deferred Tax (cont’d):

Movement of deferred tax assets and liabilities for the year ended 31 December 2013 is as follows:

<u>Movement of deferred tax liabilities / (assets)</u>	<u>2013</u>	<u>2012</u>
Opening balance as at 1 January	15.730	18.210
Deferred tax (income)/expense	1.416	(2.134)
Effect of available for sale investments in comprehensive income	(1.531)	1.191
Effect of actuarial gain / (loss) in comprehensive income	587	-
Currency translation effect	7.093	(1.537)
Closing balance as at 31 December	<u>23.295</u>	<u>15.730</u>

Reconciliation of tax expense for the year with the profit for the year:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
<u>Reconciliation of taxation:</u>		
Profit before tax	(5.149)	362.641
Expected taxation (*)	101.792	103.486
<u>Reconciliation of expected tax to actual tax:</u>		
- Undeductable expenses	5.639	3.622
- Dividend and other non taxable income	(65.774)	(50.168)
- Carryforward tax losses deducted in current year	(5)	-
- Effects of unrealizable tax (losses) / income (net)	30.400	10.737
- Investment incentive undertaken	(9.776)	-
- Effects of joint ventures	508	(6.800)
- Tax commitments fall out as a result the sale	911	2.267
- Effect of change in tax rates and consolidation adjustments	(6.236)	(942)
- Other	1.074	135
Income tax expense recognized in statement of income	<u>58.533</u>	<u>62.337</u>

(*) Different rates are applied for different countries where the foreign companies and joint ventures are located.

31. EARNINGS PER SHARE

Calculation of earnings per share for the current year is made in accordance with TAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2013 and 2012, the Group’s weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to TRY 1) set out here are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net (loss) / profit for the period attributable to owners of the Parent (thousands TL)	(64.261)	299.305
Earnings per share from operations (TL)	(0,174)	0,809

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

32. RELATED PARTY TRANSACTIONS

The Group has various transactions with related parties during the course of its operations. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Due from and due to balances are unsecured and will be settled in cash. No bad debt provision is made for balances due from related parties in the current year.

	31 December 2013		31 December 2012	
	Due from	Due to	Due from	Due to
	Short term	Short term	Short term	Short term
Balances with related parties				
Tekzen	1.810	199	2.059	156
Tekfen Oz	-	-	24	4.642
Black Sea Gübre	-	-	3	-
Azfen	3.149	-	2.404	-
H-T Fidecilik	8	2	17	10
Florya Gayrimenkul	-	21	-	-
Other	7	16	215	80
<i>Shareholders and upper management</i>	139	125	20	32
<i>Joint operations</i>	3.968	81	5.502	189
	<u>9.081</u>	<u>444</u>	<u>10.244</u>	<u>5.109</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

32. RELATED PARTY TRANSACTIONS (cont'd)

		1 January - 31 December 2013						
Transactions with related parties	Purchases	Sales	Interest income	Interest expense	Dividend income	Rent income	Other income	Other costs and expenses
Blacksea Gübre	-	15.685	-	-	-	-	837	180
Azfen	-	3.342	-	-	8.907	-	-	-
H-T Fidencilik	-	-	-	-	-	-	40	1
Florya Gayrimenkul	-	2.475	-	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	-	1.183	-	-	1
Tekzen	-	4.026	-	-	-	-	-	452
Üçgen Bakım	-	98	-	-	77	-	-	43
Akmerkez Gayrimenkul	-	-	-	-	4.894	-	-	336
Tekfen Vakfi	-	-	-	-	-	1	-	-
Other	-	48	-	-	436	-	-	-
<i>Shareholders and upper management</i>	-	218	-	-	-	-	-	-
<i>Joint arrangements</i>	-	577	2.186	1	-	-	-	-
	-	26.469	2.186	1	15.497	1	877	1.013
		1 January - 31 December 2012						
Transactions with related parties	Purchases	Sales	Interest income	Interest expense	Dividend income	Rent income	Other income	Other costs and expenses
Tekfen Oz	-	4.008	-	148	1.665	-	2.370	-
Blacksea Gübre	-	-	39	-	-	-	-	-
Azfen	144	3.458	-	-	8.206	-	-	-
H-T Fidencilik	40	20	-	-	-	-	19	-
Akmerkez Lokantacılık	-	-	-	-	465	-	-	-
Tekzen	-	3.191	-	-	-	-	-	233
Üçgen Bakım	-	95	-	-	108	-	-	43
Akmerkez Gayrimenkul	-	-	-	-	3.899	-	-	289
Tekfen Vakfi	-	23	-	-	-	1	-	-
Other	-	51	-	-	516	-	-	1
<i>Shareholders and upper management</i>	-	1.824	-	-	-	-	-	-
<i>Joint arrangements</i>	-	3.747	3.061	2	-	31	-	-
	184	16.417	3.100	150	14.859	32	2.389	566

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

32. RELATED PARTY TRANSACTIONS (cont’d)

Compensation of key management personnel:

The remuneration of directors and other members of key management during the year is as follows:

	31 December 2013	31 December 2012
Salaries and other short term benefits	7.333	8.917
	<u>7.333</u>	<u>8.917</u>

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of financial debts as explained in Note 7 and equity items comprising paid in capital, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

Net cash position as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Total Financial Debts	(910.927)	(428.997)
Less: Cash and cash equivalents	1.055.153	1.063.761
Less: Time deposits with maturity of longer than three months	49.119	-
Net Cash Position	<u>193.345</u>	<u>634.764</u>

b) Financial Risk Factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Management provides services to the business, coordinates access to domestic and international markets, monitors, and manages the financial risks relating to the operations of the Group through internal risk reports, which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk, and price risk) credit risk, liquidity risk, and cash flow interest rate risk.

The Group does not obtain any kind of financial instruments, including those of which derivative financial instruments for speculative purposes and is not associated with the trading of these financial instruments.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

b) Financial Risk Factors (cont’d)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables					Bank Deposit (***)
	Trade Receivables		Other Receivables			
	Related Party	Third Party	Related Party	Third Party		
31 December 2013						
Minimum credit risk exposure at balance sheet date (*)	9.081	864.833	-	9.732		1.067.572
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	112.645	-	-		-
A. Net book value of not due or not impaired financial assets	8.955	841.118	-	9.718		1.067.572
B. Net book value of assets that are due but not impaired	126	17.916	-	14		-
- Secured portion via guarantee or etc.	-	-	-	-		-
C. Net book value of impaired assets	-	5.799	-	-		-
- Over due (gross book value)	-	38.474	-	1.596		-
- Impairment (-)	-	(32.675)	-	(1.596)		-
- Secured net value via guarantee or etc.	-	-	-	-		-
- Not due (gross book value)	-	-	-	-		-
- Impairment (-)	-	-	-	-		-
- Secured net value via guarantee or etc.	-	-	-	-		-
31 December 2012						
Minimum credit risk exposure at balance sheet date (*)	10.244	729.347	-	12.057		1.033.698
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	87.929	-	-		-
A. Net book value of not due or not impaired financial assets	9.991	677.087	-	11.592		1.033.698
B. Net book value of assets that are due but not impaired	253	52.260	-	465		-
- Secured portion via guarantee or etc.	-	-	-	-		-
C. Net book value of impaired assets	-	-	-	-		-
- Over due (gross book value)	-	11.862	-	1.428		-
- Impairment (-)	-	(11.862)	-	(1.428)		-
- Secured net value via guarantee or etc.	-	-	-	-		-
- Not due (gross book value)	-	5.228	-	-		-
- Impairment (-)	-	(5.228)	-	-		-
- Secured net value via guarantee or etc.	-	-	-	-		-

(*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.

(**) Warrants consist of collateral bills, letters of guarantees and mortgages.

(***) Bank deposits include the times deposits classified under financial investments and other receivables.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors of the Group companies the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

31 December 2013	Trade Receivables	Other Receivables	Total
Not due receivables	850.073	9.718	859.791
Overdue by 1-30 days	3.218	-	3.218
Overdue by 1-3 months	9.055	-	9.055
Overdue by 3-12 months	16.238	-	16.238
Overdue 1-5 years	22.962	-	22.962
Overdue by more than 5 years	5.043	1.610	6.653
Total receivables	906.589	11.328	917.917
Total overdue receivables	56.516	1.610	58.126
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(32.675)	(1.596)	(34.271)
Total provision provided for overdue receivables	-	-	-
Secured portion of all impaired receivables via guarantee or etc.	-	-	-
31 December 2012	Trade Receivables	Other Receivables	Total
Not due receivables	692.306	11.592	703.898
Overdue by 1-30 days	4.181	-	4.181
Overdue by 1-3 months	2.864	-	2.864
Overdue by 3-12 months	46.689	-	46.689
Overdue 1-5 years	6.049	453	6.502
Overdue by more than 5 years	4.592	1.440	6.032
Total receivables	756.681	13.485	770.166
Total overdue receivables	64.375	1.893	66.268
Secured portion via guarantee or etc.	-	-	-
Total provision provided	(11.862)	(1.428)	(13.290)
Total provision provided for overdue receivables	(5.228)	-	(5.228)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

b) Financial Risk Factors (cont’d)

b.1) Credit risk management (cont’d)

As at the balance sheet date, there are no collaterals held for the past due trade receivables which are impaired or not impaired.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group’s short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group’s remaining maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk table:

<u>31 December 2013</u>					
<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Cash outflows according to agreements (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
Financial liabilities					
Bank loans	831.752	846.710	127.261	433.463	285.986
Finance lease obligations	79.174	83.027	15.181	45.074	22.772
Trade payables (due to related parties included)	1.169.261	1.172.628	664.953	484.000	23.675
Employee benefit payables	38.389	38.389	38.389	-	-
Other payables (due to related parties included)	37.140	37.140	15.078	1.320	20.742
Total liabilities	2.155.716	2.177.894	860.862	963.857	353.175
<u>31 December 2012</u>					
<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Cash outflows according to agreements (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
Financial liabilities					
Bank loans	336.098	340.536	97.319	181.008	62.209
Finance lease obligations	92.899	100.183	9.719	35.679	54.785
Trade payables (due to related parties included)	950.306	952.599	662.822	280.310	9.467
Employee benefit payables	23.457	23.457	23.457	-	-
Other payables	15.919	15.919	12.479	2.430	1.010
Total liabilities	1.418.679	1.432.694	805.796	499.427	127.471

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market risk management

The Group’s activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section b.3.1) and interest rates (refer to section b.3.2).

There has been no change to the Group’s exposure to market risks or the manner which it manages and measures the risks.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The details of the Group’s foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of balance sheet date are shown below:

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market risk management (cont’d)

b.3.1) Foreign currency risk management (cont’d)

31 December 2013	Equivalent of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	130.707	43.778	10.353	-	6.870
2. Monetary Financial Assets	374.626	171.720	1.476	6	3.769
3. Other	90.020	25.533	11.216	31	2.480
4. CURRENT ASSETS	595.353	241.031	23.045	37	13.119
5. Trade Receivables	41.194	1.912	12.242	-	1.165
6. Monetary Financial Assets	4.215	-	-	-	4.215
7. Other	75.505	19.607	11.462	-	-
8. NON CURRENT ASSETS	120.914	21.519	23.704	-	5.380
9. TOTAL ASSETS	716.267	262.550	46.749	37	18.499
10. Trade Payables	632.858	197.885	38.225	101	97.910
11. Financial Liabilities	185.510	41.125	5.908	-	80.388
12. Monetary Other Liabilities	132.074	22.256	7.054	-	63.859
12b. Non Monetary Other Liabilities	9	4	-	-	-
13. CURRENT LIABILITIES	950.451	261.270	51.187	101	242.157
14. Trade Payables	8.632	-	192	-	8.068
15. Financial Liabilities	117.027	2.096	38.329	-	-
16. Monetary Other Liabilities	12.999	464	-	-	12.009
17. NON CURRENT LIABILITIES	138.658	2.560	38.521	-	20.077
18. TOTAL LIABILITIES	1.089.109	263.830	89.708	101	262.234
19. Net foreign currency assets/(liabilities) position	(372.842)	(1.280)	(42.959)	(64)	(243.735)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(538.358)	(46.416)	(65.637)	(95)	(246.215)

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market risk management (cont’d)

b.3.1) Foreign currency risk management (cont’d)

31 December 2012	Equivalent of Thousands of TRY	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	295.223	25.232	75.515	1	72.653
2. Monetary Financial Assets	211.232	97.721	6.850	15	20.882
3. Other	67.135	27.477	2.196	47	12.855
4. CURRENT ASSETS	573.590	150.430	84.561	63	106.390
5. Trade Receivables	24.694	-	8.089	-	5.671
6. Monetary Financial Assets	4.875	-	17	-	4.835
7. Other	15.247	61	6.437	-	-
8. NON CURRENT ASSETS	44.816	61	14.543	-	10.506
9. TOTAL ASSETS	618.406	150.491	99.104	63	116.896
10. Trade Payables	655.707	153.652	62.328	348	234.231
11. Financial Liabilities	70.296	25.336	9.440	-	2.932
12. Monetary Other Liabilities	111.426	91	16.742	-	71.892
12b. Non Monetary Other Liabilities	2.187	1.215	9	-	-
13. CURRENT LIABILITIES	839.616	180.294	88.519	348	309.055
14. Trade Payables	2.985	-	12	-	2.957
15. Financial Liabilities	21.860	1.262	7.984	-	834
16. Monetary Other Liabilities	11.353	479	-	-	10.499
17. NON CURRENT LIABILITIES	36.198	1.741	7.996	-	14.290
18. TOTAL LIABILITIES	875.814	182.035	96.515	348	323.345
19. Net foreign currency assets/(liabilities) position	(257.408)	(31.544)	2.589	(285)	(206.449)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(337.603)	(57.867)	(6.035)	(332)	(219.304)

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market risk management (cont’d)

b.3.1) Foreign currency risk management (cont’d)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group’s sensitivity to a 5% increase and decrease in the US Dollars and Euro. 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 period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2013	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 5% changed vs TL	
US Dollars net assets / liabilities	(137)	137
	If Euro 5% changed vs TL	
Euro net assets / liabilities	(6.307)	6.307
	If Other foreign currencies 5% changed vs TL	
Other foreign currency net assets / liabilities	(12.198)	12.198
TOTAL	(18.642)	18.642
	31 December 2012	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 5% changed vs TL	
US Dollars net assets / liabilities	(2.812)	2.812
	If Euro 5% changed vs TL	
Euro net assets / liabilities	304	(304)
	If Other foreign currencies 5% changed vs TL	
Other foreign currency net assets / liabilities	(10.362)	10.362
TOTAL	(12.870)	12.870

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market risk management (cont’d)

b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group’s financial instruments exposed to interest rate sensitivity is as follows:

	Interest Position Table	
	31 December 2013	31 December 2012
Financial liabilities - Fixed Interest Rate Instruments	807.738	427.653
Financial liabilities - Floating Interest Rate Instruments	103.189	1.344

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The Group management does not expect any significant changes in interest rates.

At 31 December 2013 if the TRY denominated interest rate had been 50 basis points higher/lower and all other variables held constant, loss before tax and non-controlling interest would decrease/increase by 516 (31 December 2012: 7).

b.3.3) Other price risks

Equity pricing sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks for stock.

At reporting date, if variables used in valuation methods had been 10% higher/lower and all other variables held constant:

- As at 31 December 2013, unless available for sale financial investments are disposed of and if are not subject to any impairment, they will have no effect over net profit/loss.
- There will be an increase/decrease of 5.873 (31 December 2012: 8.782 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of stocks classified as available for sale.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

34. FINANCIAL INSTRUMENTS

31 December 2013	Loans and receivables (including cash and cash equivalents)	Available for sale investments	Financial liabilities at amortized cost	Carrying value (*)	Note
Financial assets					
Cash and cash equivalents	1.055.153	-	-	1.055.153	5
Trade receivables (due from related parties included)	873.914	-	-	873.914	8, 33
Financial investments	49.119	63.593	-	112.712	6
Other current and non current assets	9.732	-	-	9.732	9, 33
Financial liabilities					
Financial debts	-	-	910.927	910.927	7, 33
Trade payables (due to related parties included)	-	-	1.169.261	1.169.261	8, 33
Employee benefit payables	-	-	38.389	38.389	20
Other short and long term liabilities (due to related parties included)	-	-	37.140	37.140	9, 33
31 December 2012					
Financial assets					
Cash and cash equivalents	1.063.761	-	-	1.063.761	5
Trade receivables (due from related parties included)	739.591	-	-	739.591	8, 33
Financial investments	-	94.213	-	94.213	6
Other current and non current assets	12.057	-	-	12.057	9, 33
Financial liabilities					
Financial debts	-	-	428.997	428.997	7, 33
Trade payables (due to related parties included)	-	-	950.306	950.306	8, 33
Employee benefit payables	-	-	23.457	23.457	20
Other short and long term liabilities	-	-	15.919	15.919	9, 33

(*) The Group believes that the carrying values of its financial instruments reflect their fair values.

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

34. FINANCIAL INSTRUMENTS (cont’d)

Fair Value of 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.

The fair values of financial assets are as follows:

	31 December	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
<u>Financial investments</u>	<u>2013</u>			
Assets held for sale financial investments	61.892	61.892	-	-
Total	<u>61.892</u>	<u>61.892</u>	<u>-</u>	<u>-</u>
		Fair value level as of reporting date		
	31 December	Level 1	Level 2	Level 3
<u>Financial investments</u>	<u>2012</u>			
Assets held for sale financial investments	92.513	92.513	-	-
Total	<u>92.513</u>	<u>92.513</u>	<u>-</u>	<u>-</u>

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

35. EVENTS AND TRANSACTIONS POSSIBLY AFFECTING FINANCIAL STATEMENTS BY LEVEL OF SIGNIFICANCE

a) Developments in Libya

Tekfen-TML J.V., a joint operation of which 67% is owned by the Group, had to suspend its operations and evacuate its sites in Libya for an uncertain period of time due to the civil unrest in the country. As of 31 December 2013, the negotiations are continuing to be held about the outlook of the operations and the accompanying consolidated financial statements include total assets of 220.003 (USD 103.080 thousand), total debt of 49.516 (USD 23.200 thousand), resulting a net asset of 170.487 (USD 79.880 thousand). The related net asset is as follows:

ASSETS	31 December 2013	31 December 2012
Current Assets	177.855	149.490
Cash and cash equivalents	2.896	1.096
Trade receivables	11.630	16.744
Due from related parties	2.119	1.765
Receivables from ongoing construction contracts	161.103	129.677
Other receivables	75	62
Other current assets	32	146
Non Current Assets	42.148	36.259
Trade receivables	3.639	3.022
Property, plant and equipment	38.509	33.237
TOTAL ASSETS	220.003	185.749
	31 December 2013	31 December 2012
LIABILITIES		
Current Liabilities	49.516	42.777
Trade payables	5.916	6.993
Other payables	1.906	1.471
Other current liabilities	41.694	34.313
TOTAL LIABILITIES	49.516	42.777
NET ASSETS	170.487	142.972

Letters of guarantees given related to such projects to various institutions amount to 34.820 (16.314 thousand US Dollars). In accordance with the Council of Ministers’ decree no: 2011/2001 issued on 21 June 2011 and until a new resolution replaces resolutions no: 1970 and 1973 of the United Nations Security Council and their requirements, resolution no: 1973 requires disregarding compensation claims of guarantees given to the contractor, hence the expired letter of guarantees do not bear any risk exposure for the Group.

b) Toros Tarım Capital Expenditure

With Toros Tarım’s Board of Directors’ resolution dated 20 June 2012, it is decided that an investment amounting to 495.158 (232 million US Dollars) will be made and 40% of this amount will be met by shareholders’ equity. With Toros Tarım’s Board of Directors’ resolution dated 7 January 2013, the amount of the investment is increased by 145.132 (68 million US Dollars) and the total amount of the investment is 640.290 (300 million US Dollars). As of the balance sheet date, ongoing investments are worth around 138 Million TRY, besides 61.355 amounting advance payment classified under prepaid expenses is done for these investments. ECA (SACE) bank loan is obtained from Unicredit Bank Austria AG for related investments in August 2013. The amount used until the balance sheet date is 99.841 (34 Million EUR). In the subsequent period, an additional bank loan worth 13.801 (4.7 Million EUR) is borrowed.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

35. EVENTS AND TRANSACTIONS POSSIBLY AFFECTING FINANCIAL STATEMENTS BY LEVEL OF SIGNIFICANCE (cont’d)

c) Other

Tekfen Gayrimenkul, one of subsidiaries of the Company, makes capital contribution to Florya Gayrimenkul with tangible assets amounting to 12.477 in return for acquiring 50% equity interest by the way of partial split in the year, 2013. The fair value of these tangible assets is 61.560 according to the valuation carried out by independent expert accredited by Capital Market Board. The difference between the fair value and the cost value of the tangible assets amounting to 49.083 is presented under “Investment income” at the accompanying consolidated financial statements.

Tekfen Emlak, one of the subsidiaries of the company, acquired a land with a value of TL 90 million on 15 May 2013 for the purpose of developing real estate project predominantly consisting of residential estate. The land is recognized under “Inventories” at the accompanying consolidated financial statements.

The shares of Sümer Holding A.Ş. representing 20% of Türk Arap Gübre A.Ş.’s capital and whose nominal value amounting to 44, are acquired by Toros Tarım Sanayi ve Ticaret A.Ş. (“Toros Tarım”) with a consideration of 4.059 on 29 January 2013. The amount is paid on 12 February 2013.

Contracting Group has declared a net loss amount of 217.391 during the year ended as of 31 December 2013. This loss is due to unexpected project alterations of Contracting group’s some projects during the year 2013, additional costs related to these alterations, increased labor and general expenses arising from the extension of the duration of the projects. The compensation for these losses is claimed from the authorities and negotiations are continuing.

36. SUBSEQUENT EVENTS

As of 6 March 2014, there is a positive change of 10.050 in the fair value of Akmerkez Gayrimenkul Yatırım Ortaklığı, whose shares are publicly traded.

The Company donated one of its subsidiaries, Tekfen Kültür, which is consolidated with full consolidation method, to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı based on board of directors’ resolution dated 31 January 2014. The amount of net total assets of Tekfen Kültür is 152 on financial statements as of 31 December 2013.

Toros Tarım, one of the subsidiaries of the Company, signed a new ECA loan agreement with Deutsche Bank/Hermes on 21 January 2014. The Company has given bail with an amount of 207.904 (70,8 Million Euro) in favor of Toros Tarım regarding the mentioned loan.