

**TEKFEN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTH
INTERIM PERIOD
ENDED 31 MARCH 2019

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

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019**

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

ASSETS	Notes	Unreviewed 31 March 2019	Audited 31 December 2018
Current Assets		10.065.218	8.922.623
Cash and cash equivalents	7	4.520.425	4.581.600
Financial investments		453.004	132.101
Trade receivables	8	2.323.915	1.444.284
- Related party receivables		12.634	57.836
- Trade receivables		2.311.281	1.386.448
Other receivables		140.426	80.137
- Related party receivables		107.629	58.797
- Other receivables		32.797	21.340
Contract assets arising from ongoing construction works	9	481.833	348.014
Derivative instruments	21	32.647	37.639
Inventories	10	1.151.378	1.370.565
Prepaid expenses		477.161	506.939
- Prepaid expenses		477.161	506.939
Assets related with current tax		216.730	197.854
Other current assets		239.347	189.351
- Other current assets		239.347	189.351
		10.036.866	8.888.484
Assets classified as held for sale		28.352	34.139
Non-Current Assets		3.370.150	3.112.897
Financial investments		279.822	268.519
Trade receivables	8	271.366	194.565
- Trade receivables		271.366	194.565
Other receivables		7.759	6.551
- Other receivables		7.759	6.551
Investments valued by equity method	11	151.416	144.640
Investment property	12	118.174	108.349
Property, plant and equipment	12	2.044.829	1.989.226
Right-of-use assets	3(d)	46.425	-
Intangible assets	12	121.779	115.012
- Goodwill		85.478	79.896
- Other intangible assets		36.301	35.116
Prepaid expenses		12.623	680
- Prepaid expenses		12.623	680
Deferred tax assets		128.309	127.232
Other non-current assets		187.648	158.123
- Other non-current assets		187.648	158.123
TOTAL ASSETS		13.435.368	12.035.520

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

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019

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

LIABILITIES	Notes	Unreviewed 31 March 2019	Audited 31 December 2018
Current Liabilities		7.591.421	6.762.257
Short-term borrowings	13	537.246	740.233
Short-term portion of long-term borrowings		183.738	155.621
Trade payables	8	3.004.871	2.863.769
- <i>Related party payables</i>		638	29.518
- <i>Trade payables</i>		3.004.233	2.834.251
Payables related to employee benefits		128.984	89.288
Other payables		619.469	81.672
- <i>Related party payables</i>		216.696	539
- <i>Other payables</i>		402.773	81.133
Contract liabilities arising from ongoing construction works	9	1.495.826	1.003.858
Deferred revenue		1.154.666	1.273.216
- <i>Deferred revenue</i>		1.154.666	1.273.216
Current tax liability		212.698	236.761
Short-term provisions	14	249.028	307.941
- <i>Short-term provisions attributable to employee benefits</i>		90.291	111.070
- <i>Other short-term provisions</i>		158.737	196.871
Other short-term liabilities		4.895	9.898
- <i>Other short-term liabilities</i>		4.895	9.898
Non-Current Liabilities		969.726	848.868
Long-term borrowings	13	97.450	222.327
Trade payables	8	435.100	327.477
- <i>Trade payables</i>		435.100	327.477
Other payables		92.861	86.566
- <i>Other payables</i>		92.861	86.566
Government incentives and grants		1.132	1.132
Deferred revenue		91	-
- <i>Deferred revenue</i>		91	-
Long-term provisions	14	71.292	73.828
- <i>Long-term provisions attributable to employee benefits</i>		71.237	73.741
- <i>Other long-term provisions</i>		55	87
Deferred tax liabilities		271.800	137.538
TOTAL LIABILITIES		8.561.147	7.611.125
EQUITY		4.874.221	4.424.395
Equity Attributable To Owners Of The Parent	5, 17	4.815.899	4.367.587
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income (loss) that will not be reclassified to profit or loss		3.306	(1.346)
- <i>Gain (loss) on revaluation and remeasurement</i>		3.306	(1.346)
Accumulated other comprehensive income that will be reclassified to profit or loss		594.428	474.992
- <i>Currency translation reserve</i>		469.997	352.708
- <i>Hedging reserve</i>		25.460	29.353
- <i>Gain on revaluation and reclassification</i>		98.971	92.931
Legal reserves		278.423	231.271
Prior years' income		2.483.016	1.585.150
Net profit for the period		782.267	1.403.061
Non-controlling Interests		58.322	56.808
TOTAL LIABILITIES AND EQUITY		13.435.368	12.035.520

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

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

	Notes	Unreviewed 1 January- 31 March 2019	Unreviewed 1 January - 31 March 2018
Revenue		4.587.478	2.265.929
Cost of revenue (-)		(3.523.786)	(1.925.047)
GROSS PROFIT		1.063.692	340.882
General administrative expenses (-)		(95.896)	(56.349)
Marketing expenses (-)		(91.961)	(48.458)
Research and development expenses (-)		(1.343)	(543)
Other operating income	19	112.486	41.372
Other operating expenses (-)	19	(139.300)	(82.365)
Share on profit of investments valued using equity method	11	3.706	16.848
OPERATING PROFIT		851.384	211.387
Investment income		10.248	8.231
Investment expense (-)		(231)	(55)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		861.401	219.563
Financial income	20	171.474	126.373
Financial expenses (-)	20	(61.820)	(56.803)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		971.055	289.133
Tax Expense from Continuing Operations (-)		(190.150)	(48.078)
Tax expense for the period (-)		(68.359)	(26.087)
Deferred tax expense (-)		(121.791)	(21.991)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		780.905	241.055
Distribution of Profit for the Period			
Non-controlling interests		(1.362)	161
Owners of the parent		782.267	240.894
Earnings Per Share	18	2,114	0,651

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019**

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

	Unreviewed 1 January- 31 March 2019	Unreviewed 1 January - 31 March 2018
PROFIT FOR THE PERIOD	780.905	241.055
OTHER COMPREHENSIVE INCOME:		
<u>Items that will not be reclassified to profit or loss</u>	4.652	870
Profit on revaluation of defined benefit plans	5.815	1.088
Taxes based on other comprehensive income that will not be reclassified to profit or loss	(1.163)	(218)
- <i>Deferred tax expense (-)</i>	(1.163)	(218)
<u>Items that will be reclassified to profit or loss</u>	122.312	48.995
Currency translation reserve differences	120.165	38.069
Gains (loss) from fair value through other comprehensive income financial assets	6.358	(3.952)
Other comprehensive income (expenses) related to cash flow hedging (-)	(4.991)	18.958
Taxes based on other comprehensive income that will be reclassified to profit or loss	780	(4.080)
- <i>Deferred tax (expense) income</i>	780	(4.080)
OTHER COMPREHENSIVE INCOME	126.964	49.865
TOTAL COMPREHENSIVE INCOME	907.869	290.920
Distribution of Total Comprehensive Income for The Period		
Non-controlling interests	1.514	9.430
Owners of the parent	906.355	281.490

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

				Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss			Retained Earnings			Equity attributable to owners of the parent	Non- controlling interests	Equity
	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Gains (loss) on hedging	Gain (loss) on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period			
Unreviewed													
Opening balance as of 1 January 2018	370.000	3.475	300.984	(2.349)	154.480	(2.408)	67.240	197.180	1.115.816	771.299	2.975.717	32.597	3.008.314
Transfers	-	-	-	-	-	-	-	33.621	737.678	(771.299)	-	-	-
Total comprehensive income (loss)	-	-	-	870	28.800	15.166	(3.754)	-	-	240.894	281.976	9.430	291.406
- Profit for the period	-	-	-	-	-	-	-	-	-	240.894	240.894	161	241.055
- Other comprehensive income (expense)	-	-	-	870	28.800	15.166	(3.754)	-	-	-	41.082	9.269	50.351
Dividends	-	-	-	-	-	-	-	-	(248.693)	-	(248.693)	-	(248.693)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	105	105
Other changes	-	-	-	-	-	-	-	-	(194)	-	(194)	-	(194)
Closing balance as of 31 March 2018	370.000	3.475	300.984	(1.479)	183.280	12.758	63.486	230.801	1.604.607	240.894	3.008.806	42.132	3.050.938
Unreviewed													
Opening balance as of 1 January 2019	370.000	3.475	300.984	(1.346)	352.708	29.353	92.931	231.271	1.585.150	1.403.061	4.367.587	56.808	4.424.395
Transfers	-	-	-	-	-	-	-	47.152	1.355.909	(1.403.061)	-	-	-
Total comprehensive income (loss)	-	-	-	4.652	117.289	(3.893)	6.040	-	-	782.267	906.355	1.514	907.869
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	782.267	782.267	(1.362)	780.905
- Other comprehensive income (expense)	-	-	-	4.652	117.289	(3.893)	6.040	-	-	-	124.088	2.876	126.964
Dividends	-	-	-	-	-	-	-	-	(450.972)	-	(450.972)	-	(450.972)
Other changes	-	-	-	-	-	-	-	-	(7.071)	-	(7.071)	-	(7.071)
Closing balance as of 31 March 2019	370.000	3.475	300.984	3.306	469.997	25.460	98.971	278.423	2.483.016	782.267	4.815.899	58.322	4.874.221

The accompanying notes form an integral part of these condensed consolidated financial statements.
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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

	Notes	Unreviewed 1 January - 31 March 2019	Unreviewed 1 January - 31 March 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
		266.744	916.922
Profit for the Period		780.905	241.055
Adjustments to Reconcile Net Profit		203.569	77.003
- Depreciation and Amortization	12,3(d)	64.438	43.154
- Provision Adjustments	8, 14	(19.259)	6.674
- Dividend Income and Expenses		(8.857)	(8.191)
- Interest Income and Expense Adjustments	20	(19.730)	(582)
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	11	(3.706)	(16.848)
- Allowance for Taxation		190.373	52.781
- Adjustments for Gain/Loss on Sale of Fixed Assets	12	(1.160)	15
- Adjustments for Other Items Causing Cash Flows from Investment or Financing Activities		1.470	-
Movements in Working Capital		(564.490)	641.502
- Changes in Financial Investments		(320.903)	242.089
- Changes in Trade Receivables	8	(957.458)	305.273
- Changes in Other Assets		(132.165)	7.629
- Changes in Contract Assets Arising from Ongoing Construction Works	9	(133.819)	(74.360)
- Changes in Inventories	10	209.973	61.946
- Changes in Prepaid Expenses		26.906	(38.382)
- Changes in Trade Payables	8	249.526	(26.637)
- Changes in Payables Related to Employee Benefits		39.696	12.331
- Changes in Contract Liabilities Arising from Ongoing Construction Works	9	491.968	267.229
- Changes in Other Liabilities		80.245	2.028
- Changes in Deferred Revenue		(118.459)	(117.644)
Cash Generated by Operating Activities		419.984	959.560
Interest Paid		(34.694)	(21.581)
Interest Received		43.673	20.909
Provision Paid Related to Employee Benefits	14	(50.299)	(8.045)
Other Provision Paid	14	(622)	(470)
Tax Paid/Return		(111.298)	(33.451)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
		(69.281)	(91.227)
Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures	11	-	(201)
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments		-	(54.673)
Proceeds from Sales of Tangible and Intangible Assets	12	1.488	586
Acquisition of Tangible and Intangible Assets	12	(58.590)	(37.383)
Proceeds from Sales of Assets Held for Sale		-	281
Advances and Debts Given		(12.183)	64
Dividend Received		4	99
C. CASH FLOWS FROM FINANCING ACTIVITIES			
		(369.649)	(113.760)
Proceeds from Borrowings		144.453	300.131
Repayments of Borrowings		(513.131)	(412.520)
Payments of Lease Obligations		(971)	(1.371)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT			
		(172.186)	711.935
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS			
		111.011	62.849
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		(61.175)	774.784
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
		4.581.600	2.985.833
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)			
		4.520.425	3.760.617

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 31 March 2019, the Group has 16.885 employees (31 December 2018: 19.180) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

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

Changes in the Group's subsidiaries and joint arrangements as of 31 March 2019:

The Group's subsidiaries TST International Limited, Industrial Supply and Trading Company Limited and Petrofertil Trading Limited are liquidated on 29 January 2019.

Tubin-Tekfen Özdemir J.V., a joint arrangement of the Group, is liquidated during the current period.

Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 25 April 2019.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The Group has preferred to disclose its interim consolidated financial statements as of 31 March 2019 in condensed format in accordance with TAS 34 “Interim Financial Reporting” standard. The descriptions and disclosures which are needed in the financial statements prepared annually complying with TAS are summarized appropriately in accordance with TAS 34 or not mentioned.

The accompanying condensed consolidated financial statements have to be considered with the consolidated financial statements which are independently audited as of 31 December 2018 and the related disclosures. Interim periods' financial statements cannot be the sole indicator of the year-end results by themselves.

For the condensed consolidated financial statements, except the ones stated in note 3(d), The Group continues to apply the same accounting policies and accounting estimate methods which are mentioned in the consolidated financial statements as of 31 December 2018.

Exchange rates used in the consolidation process as of 31 March 2019 are; 1 USD= 5,6284 TL, 1 EUR= 6,3188 TL, 1 MAD= 0,5825 TL, 1 SAR= 1,5009 TL, 1 QAR= 1,5420 TL (Exchange rates as of 31 December 2018 are; 1 USD= 5,2609 TL, 1 EUR= 6,0280 TL, 1 MAD= 0,5520 TL, 1 SAR= 1,4029 TL, 1 QAR= 1,4413 TL).

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

3. ADOPTION OF NEW AND REVISED STANDARDS

New and revised standards and interpretations are presented below:

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

- TFRS 16, “Leases”, effective for annual periods beginning after 1 January 2019.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2019, but not affecting the consolidated financial statements of the Group:

- TFRS interpretation 23, “Uncertainty over Income Tax Treatments”, effective for annual periods beginning after 1 January 2019.
- TFRS 9 (amendments) , “Financial Instruments”, effective for annual periods beginning after 1 January 2019.
- Annual Improvements to TFRS 2015-2017 Cycle (TFRS 3,TFRS 11, TAS 12, TAS 23), effective for annual periods beginning after 1 January 2019.
- TAS 28 (amendments), “Long-term Interests in Associates and Joint Ventures”, effective for annual periods beginning after 1 January 2019.
- TAS 19 (amendments), “Plan Amendment, Curtailment or Settlement”, effective for annual periods beginning after 1 January 2019.

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

- TFRS 17 “Insurance Contracts”, effective for annual periods beginning after 1 January 2021.

The Group evaluates the effects of these standards on the consolidated financial statements.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

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

(d) First Time Adoption of TFRS 16:

The Group adopted TFRS 16 Leases standard for the first time as of 1 January 2019. As of 1 January 2019, for the leases previously classified as operational leases under TAS 17, the Group recognized right-of-use assets in the condensed consolidated financial statements at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. In this context, implementation of TFRS 16 Leases standard has no effect on retained earnings as of 1 January 2019. Balances of right-of-use assets and depreciation expenses as of 1 January and 31 March 2019 is as follows:

Right of Use Assets	2019	2018
Opening balance as of 1 January	51.002	-
Additions	1.073	-
Charge for the period	(5.650)	-
Closing balance as of 31 March	46.425	-

Effects of TFRS 16 implementation to the condensed consolidated balance sheet as of 31 March 2019 is as follows:

	31 March 2019		
	Before TFRS 16 Effects	TFRS 16 Effects	After TFRS 16 Effects
Current Assets	10.068.330	(3.112)	10.065.218
Trade receivables	2.323.915	-	2.323.915
Prepaid expenses	480.273	(3.112)	477.161
Other current assets items	7.264.142	-	7.264.142
Non-Current Assets	3.323.502	46.648	3.370.150
Right-of-use assets	-	46.425	46.425
Prepaid expenses	12.623	-	12.623
Deferred tax assets	128.086	223	128.309
Other non-current assets items	3.182.793	-	3.182.793
TOTAL ASSETS	13.391.832	43.536	13.435.368
Current Liabilities	7.567.225	24.196	7.591.421
Short-term portion of long-term borrowings	159.542	24.196	183.738
Other short-term liabilities items	7.407.683	-	7.407.683
Non-Current Liabilities	948.916	20.810	969.726
Long-term borrowings	76.640	20.810	97.450
Other long-term liabilities items	872.276	-	872.276
EQUITY	4.875.691	(1.470)	4.874.221
Equity Attributable To Owners Of The Parent	4.817.369	(1.470)	4.815.899
Prior years’ income	2.483.016	-	2.483.016
Net profit for the period	783.737	(1.470)	782.267
Other equity items	1.550.616	-	1.550.616
Kontrol Gücü Olmayan Paylar	58.322	-	58.322
TOPLAM KAYNAKLAR	13.391.832	43.536	13.435.368

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

(d) First Time Adoption of TFRS 16 (cont’d):

Effects of TFRS 16 implementation to the condensed consolidated statement of profit or loss for the three month interim period ended 31 March 2019 is as follows:

	1 January - 31 March 2019		
	Before TFRS 16 Effects	TFRS 16 Effects	After TFRS 16 Effects
Revenue	4.587.478	-	4.587.478
Cost of revenue (-)	(3.524.731)	945	(3.523.786)
GROSS PROFIT	1.062.747	945	1.063.692
General administrative expenses (-)	(95.874)	(22)	(95.896)
Marketing expenses (-)	(91.997)	36	(91.961)
Research and development expenses (-)	(1.343)	-	(1.343)
Other operating income/(expenses),net	(26.814)	-	(26.814)
Share on profit of investments valued using equity method	3.706	-	3.706
OPERATING PROFIT	850.425	959	851.384
Investment income/(expenses),net	10.017	-	10.017
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)	860.442	959	861.401
Financial income/(expenses),net	112.306	(2.652)	109.654
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	972.748	(1.693)	971.055
Tax Expense from Continuing Operations (-)	(190.373)	223	(190.150)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	782.375	(1.470)	780.905
Distribution of Profit for the Period			
Non-controlling interests	(1.362)	-	(1.362)
Owners of the parent	783.737	(1.470)	782.267

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

Business Combinations

Tekfen İnşaat, which holds %50 of the shares of Gate İnşaat Taahhüt San. ve Tic. A.Ş. (“Gate”), purchased %50 of the shares of Gate, which belongs to Gama Endüstri Tesisleri İmalat ve Montaj A.Ş. in accordance with the agreement made on 25 July 2018 worth 113.357 (21.547.000 USD). Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the condensed consolidated financial statements as of 31 March 2019 (Note 12).

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5. SIGNIFICANT CHANGES IN EQUITY

Gain (Loss) on Revaluation and Reclassification:

The positive change of 6.040 in the fair values of the financial investments of the Group has been directly recognized in equity (31 March 2018: negative change of 3.754).

Legal Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 31 March 2019, 47.152 of legal reserves were transferred from retained earnings in the condensed consolidated financial statements as of 31 March 2019 (31 March 2018: 33.621).

Profit Distribution:

Upon the resolution of Ordinary General Assembly held on 27 March 2019, it is decided to distribute 1,14 TRY (2018: 0,63 TRY) gross cash dividends per share attributable to the operations of the year of 2018. Profit shares of 421.526 (2018: 232.530) and 29.446 (2018: 16.163) in the aggregate 450.972 (2018: 248.693) was distributed on 2 April 2019 respectively to the owners of the parent and Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed share. 215.356 portion of dividend payable amounting to 450.972 which was distributed on 2 April 2019 is recognized under other payables to related parties account where 235.616 is recognized under other payables account in the condensed consolidated financial statements as of 31 March 2019.

Hedging Reserve

The negative change of 3.893 (31 March 2018: positive 15.166) in the fair values of the effective derivative instruments which the Group uses for cash flow hedging has been recognized in equity.

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6. SEGMENTAL REPORTING

a) Segmental results:

	1 January - 31 March 2019				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	3.288.463	1.241.391	45.705	11.919	4.587.478
Cost of revenue (-)	(2.489.082)	(997.390)	(35.435)	(1.879)	(3.523.786)
GROSS PROFIT	799.381	244.001	10.270	10.040	1.063.692
General administrative expenses (-)	(38.487)	(14.900)	(4.524)	(37.985)	(95.896)
Marketing expenses (-)	(1.008)	(89.281)	(1.672)	-	(91.961)
Research and development expenses (-)	(157)	(1.186)	-	-	(1.343)
Other operating income	29.249	80.891	877	1.469	112.486
Other operating expenses (-)	(40.416)	(96.907)	(6)	(1.971)	(139.300)
Share on profit (loss) of investments valued using equity method	3.415	293	(2)	-	3.706
OPERATING PROFIT (LOSS)	751.977	122.911	4.943	(28.447)	851.384
Investment income	1.071	304	15	8.858	10.248
Investment expense (-)	(231)	-	-	-	(231)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	752.817	123.215	4.958	(19.589)	861.401
Financial income	27.717	48.676	14.257	80.824	171.474
Financial expenses (-)	(5.147)	(32.657)	(10.590)	(13.426)	(61.820)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	775.387	139.234	8.625	47.809	971.055
Tax expense from continuing operations (-)	(150.604)	(22.607)	(1.641)	(15.298)	(190.150)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	624.783	116.627	6.984	32.511	780.905

For the three month interim period ended 31 March 2019, revenue amounting 1.826.795 was obtained from a non-related client of construction segment which constitute 39,8% of the Group's revenue.

The Group has 22.613 of revenue and 12.404 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 31 March 2019.

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6. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd):

	1 January - 31 March 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.488.323	743.749	24.297	9.560	2.265.929
Cost of revenue (-)	(1.332.560)	(570.903)	(19.892)	(1.692)	(1.925.047)
GROSS PROFIT	155.763	172.846	4.405	7.868	340.882
General administrative expenses (-)	(30.428)	(11.832)	(1.992)	(12.097)	(56.349)
Marketing expenses (-)	(719)	(45.680)	(2.059)	-	(48.458)
Research and development expenses (-)	(17)	(526)	-	-	(543)
Other operating income	12.418	28.180	171	603	41.372
Other operating expenses (-)	(16.153)	(62.978)	(1.825)	(1.409)	(82.365)
Share on profit (loss) of investments valued using equity method	16.154	698	(4)	-	16.848
OPERATING PROFIT (LOSS)	137.018	80.708	(1.304)	(5.035)	211.387
Investment income	-	50	-	8.181	8.231
Investment expense (-)	-	-	-	(55)	(55)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	137.018	80.758	(1.304)	3.091	219.563
Financial income	21.965	51.062	452	52.894	126.373
Financial expenses (-)	(4.805)	(30.188)	(11.101)	(10.709)	(56.803)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	154.178	101.632	(11.953)	45.276	289.133
Tax (expense) income from continuing operations	(24.053)	(13.655)	2.678	(13.048)	(48.078)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	130.125	87.977	(9.275)	32.228	241.055

For the three month interim period ended 31 March 2018, revenue amounting 845.110 was obtained from a non-related client of construction segment which constitute 37,3% of the Group's revenue.

The Group has 30.572 of revenue and 20.290 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 31 March 2018.

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6. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities:

Balance sheet	31 March 2019				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	7.722.557	3.382.839	528.246	1.801.726	13.435.368
Current and non-current liabilities	5.773.449	1.783.417	299.481	704.800	8.561.147
Equity attributable to owners of the parent	1.360.539	1.751.910	(24.255)	1.727.705	4.815.899
Non-controlling interests	45.219	13.091	-	12	58.322

Balance sheet	31 December 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	6.600.474	3.431.421	598.124	1.405.501	12.035.520
Current and non-current liabilities	5.384.173	1.631.851	375.695	219.406	7.611.125
Equity attributable to owners of the parent	959.375	1.653.408	(30.148)	1.784.952	4.367.587
Non-controlling interests	42.994	13.802	-	12	56.808

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

	1 January - 31 March 2019				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	32.511	24.629	45	1.405	58.590
Depreciation and amortization expense for the period (*)	39.793	22.853	427	1.365	64.438
Intra-segment revenue	31.024	18.640	9	1.901	51.574
Inter-segment revenue	-	473	394	5.779	6.646

	1 January - 31 March 2018				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures	35.138	1.342	283	620	37.383
Depreciation and amortization expense for the period (*)	21.279	20.527	293	1.055	43.154
Intra-segment revenue	50.050	11.083	8	1.345	62.486
Inter-segment revenue	-	414	307	4.670	5.391

(*) Depreciation expense of 3.436 is deducted from the cost of inventory (31 March 2018: 4.480 deducted from the cost of inventory).

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6. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information is as follows:

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 March 2019)	2.220.479	271.903	-	2.146.880	6.436	(58.220)	4.587.478
Total Assets (31 March 2019)	14.260.036	3.135.778	2.113	4.600.917	297.763	(8.861.239)	13.435.368
Capital Expenditures (1 January - 31 March 2019)	35.916	12.335	-	10.313	26	-	58.590

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 March 2018)	1.268.231	122.269	-	927.722	15.584	(67.877)	2.265.929
Total Assets (31 December 2018)	12.862.220	2.908.298	10.059	3.904.142	277.311	(7.926.510)	12.035.520
Capital Expenditures (1 January - 31 March 2018)	7.659	6.021	-	23.231	472	-	37.383

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7. CASH AND CASH EQUIVALENTS

Time deposits with maturity of three months or less constitute the part of the cash and cash equivalents amounting to 4.024.694 (31 December 2018: 4.290.273). Demand deposits and other cash equivalents with maturity of three months or less constitute the rest of the cash and cash equivalents.

8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

	31 March 2019	31 December 2018
<u>Short-term trade receivables</u>		
Receivables from Contracting group operations	1.328.715	806.231
Receivables from Agriculture group operations	534.270	212.235
Receivables from Real Estate group operations	28.936	31.223
Receivables from Other group operations	7.347	7.425
Provision for doubtful receivables (-)	(40.083)	(39.568)
Retention receivables (Note: 9)	443.890	361.038
Due from related parties	12.634	57.836
Other	8.206	7.864
	<u>2.323.915</u>	<u>1.444.284</u>
<u>Long-term trade receivables</u>		
Retention receivables (Note: 9)	254.877	177.941
Receivables from Real Estate group operations	16.489	16.624
	<u>271.366</u>	<u>194.565</u>

Postdated cheques amounting to 228.844 (31 December 2018: 79.168), notes receivables amounting to 42.026 (31 December 2018: 44.697), negative foreign currency differences amounting to 1.485 (31 December 2018: negative foreign currency differences amounting to 2.581) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2018: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 54 days (31 December 2018: 82 days), for domestic projects is 55 days (31 December 2018: 44 days), for Agriculture group is 42 days (31 December 2018: 47 days), for Real Estate group for short-term trade receivables are 144 days, long-term trade receivables are 719 days (31 December 2018: short-term trade receivables is 148 days, long-term trade receivables are 764 days) and for other segment is approximately 24 days (31 December 2018: 24 days).

As of 31 March 2019, receivables amounting 982.656 was obtained from a non-related client which constitute 38% of the Group’s receivables (31 December 2018: 425.220, 27%).

As of 31 March 2019, 40.083 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (31 March 2018: 33.627).

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

	2019	2018
Provision as of 1 January	(39.568)	(32.998)
Charge for the period	(927)	(362)
Collected	1.199	317
Provision released	511	-
Currency translation effect	(1.298)	(584)
Provision as of 31 March	<u>(40.083)</u>	<u>(33.627)</u>

Doubtful receivable charge for the period has been charged to general administrative expenses (2018: Doubtful receivable expense has been charged to general administrative expenses).

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

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

	31 March 2019	31 December 2018
Short-term trade payables		
Payables from Contracting group operations	1.751.350	1.592.437
Payables from Agriculture group operations	1.143.576	1.113.727
Payables from Real Estate group operations	3.180	3.090
Payables from Other group operations	20.655	24.151
Due to related parties	638	29.518
Retention payables (Note: 9)	85.305	100.653
Other	167	193
	<u>3.004.871</u>	<u>2.863.769</u>
Long-term trade payables		
Payables from Agriculture group operations	48.655	46.416
Retention payables (Note: 9)	385.609	280.281
Payables from Contracting group operations	836	780
	<u>435.100</u>	<u>327.477</u>

Notes payables amounting to 821 (31 December 2018: 784), and foreign currency differences amounting to 75.602 (31 December 2018: 520.220) are included in short and long-term trade payables. There are not any postdated cheques in the current period (31 December 2018: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 94% (31 December 2018: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 138 days (31 December 2018: 107 days) whereas average payable period for domestic purchases is 30 days (31 December 2018: 30 days). For Contracting group, import purchases through letter of credit constitute 1% (31 December 2018: 1%) of trade payables as at balance sheet date. The average payable period for these import purchases is 122 days (31 December 2018: 137 days) whereas the average payable period for other purchases is 73 days (31 December 2018: 79 days). The average payable period for Real Estate group is 41 days (31 December 2018: 38 days). For the other operations of the Group, the average payable period is 69 days (31 December 2018: 67 days).

9. CONTRACT ASSETS AND LIABILITIES ARISING FROM ONGOING CONSTRUCTION WORKS

	31 March 2019	31 December 2018
Cost incurred on ongoing contracts	26.461.144	22.386.831
Recognised gain less losses (net)	2.993.167	2.067.774
	<u>29.454.311</u>	<u>24.454.605</u>
Less: Billings to date (-)	(30.468.304)	(25.110.449)
	<u>(1.013.993)</u>	<u>(655.844)</u>

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

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

	31 March 2019	31 December 2018
Receivables from ongoing construction contracts	481.833	348.014
Payables to ongoing construction contracts	(1.495.826)	(1.003.858)
	<u>(1.013.993)</u>	<u>(655.844)</u>
	31 March 2019	31 December 2018
<u>Receivables from ongoing construction contracts</u>		
Contracts undersigned abroad	420.595	295.951
Contracts undersigned in Turkey	61.238	52.063
	<u>481.833</u>	<u>348.014</u>
<u>Payables to ongoing construction contracts</u>		
Contracts undersigned abroad	(1.195.400)	(907.743)
Contracts undersigned in Turkey	(300.426)	(96.115)
	<u>(1.495.826)</u>	<u>(1.003.858)</u>
	<u>(1.013.993)</u>	<u>(655.844)</u>

The Group has 350.888 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2018: 389.274). Also, the Group has 985.769 of advances received for contracting projects classified in deferred revenue (31 December 2018: 1.229.353).

As of 31 March 2019, the Group has 470.914 of retention payables to subcontractors (31 December 2018: 380.934). Also, the amount of retention receivables is 698.767 (31 December 2018: 538.979) (Note: 8).

10. INVENTORIES

	31 March 2019	31 December 2018
Raw materials	183.091	217.894
Work in progress	203.820	358.159
Finished goods	31.688	37.502
Trading goods	148.264	169.888
Goods in transit	36.012	13.817
Inventory from real estate projects	193.149	216.287
Inventory at construction sites	297.525	300.278
Other inventories	57.829	56.740
	<u>1.151.378</u>	<u>1.370.565</u>

For the three month interim period ended 31 March 2019, borrowing costs added to inventory amount to 119 (31 December 2018: Borrowing costs added 15.990).

The Group does not have any inventories whose net realizable value is less than its current cost. Accordingly, there is not any provision for allowance for impairment on inventory (31 March 2018: None).

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11. INVESTMENTS VALUED BY EQUITY METHOD

Joint Ventures	Location of foundation and operation	31 March 2019		31 December 2018		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
H-T Fidecilik	Turkey	50%	11.080	50%	10.530	50%	Agriculture
Azfen	Azerbaijan	40%	31.187	40%	24.597	40%	Construction
Black Sea Gübre	Turkey	30%	1.030	30%	1.077	30%	Fertilizer Trade
Florya Gayrimenkul	Turkey	50%	88.235	50%	88.252	50%	Real Estate
Denkmal Dahlem	Germany	45%	19.884	45%	20.184	45%	Construction
			<u>151.416</u>		<u>144.640</u>		

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

	2019	2018
Opening balance as of 1 January	144.640	194.510
Group's share on profit	3.706	16.848
Group's share on other comprehensive income	210	58
Capital increases	-	201
Currency translation effect	2.875	5.018
Profit eliminations	(15)	(5)
Closing balance as of 31 March	<u>151.416</u>	<u>216.630</u>

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

H-T Fidecilik	340	736
Azfen	4.644	16.154
Black Sea Gübre	(47)	(38)
Florya Gayrimenkul	(2)	(4)
Denkmal Dahlem	(1.229)	-
Shares on profit of joint ventures consolidated by equity method	<u>3.706</u>	<u>16.848</u>

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

Information related to balance sheet:

31 March 2019	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Denkmal Dahlem	Total
Cash and cash equivalents	101	84.032	2.661	10	2.622	89.426
Other current assets	59.139	268.485	833	58.442	161.174	548.073
Non-current assets	20.698	62.780	7	122.658	1.965	208.108
Total Assets	79.938	415.297	3.501	181.110	165.761	845.607
Short-term borrowings	32.939	-	-	-	64.812	97.751
Other short-term liabilities	23.170	323.093	50	2.152	1.409	349.874
Long-term borrowings	88	-	-	-	-	88
Other long-term liabilities	1.581	14.237	17	2.488	55.353	73.676
Total Liabilities	57.778	337.330	67	4.640	121.574	521.389
Net Assets	22.160	77.967	3.434	176.470	44.187	324.218
Group's Ownership Rate	50%	40%	30%	50%	45%	
Group's Share on Net Assets	11.080	31.187	1.030	88.235	19.884	151.416
31 December 2018	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Denkmal Dahlem	Total
Cash and cash equivalents	95	87.257	2.854	2	319	90.527
Other current assets	54.576	289.362	784	58.342	155.378	558.442
Non-current assets	21.293	58.207	9	121.766	1.905	203.180
Total Assets	75.964	434.826	3.647	180.110	157.602	852.149
Short-term borrowings	30.814	-	-	-	60.714	91.528
Other short-term liabilities	22.107	362.874	40	1.122	1.039	387.182
Long-term borrowings	138	-	-	-	-	138
Other long-term liabilities	1.846	10.460	17	2.484	50.995	65.802
Total Liabilities	54.905	373.334	57	3.606	112.748	544.650
Net Assets	21.059	61.492	3.590	176.504	44.854	307.499
Group's Ownership Rate	50%	40%	30%	50%	45%	
Group's Share on Net Assets	10.530	24.597	1.077	88.252	20.184	144.640

Translated into English from the report originally issued in Turkish.

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

Information related to statement of profit or loss:

1 January - 31 March 2019	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Denkmal Dahlem	Total
Revenue	20.583	54.109	-	-	-	74.692
Depreciation and amortization expense	639	9.215	-	-	37	9.891
Operating profit (loss)	2.610	14.502	(354)	-	(1.359)	15.399
Financial income	1	-	242	-	-	243
Financial expense (-)	(1.721)	-	(32)	-	(1.371)	(3.124)
Tax expense (-)	(211)	(2.902)	-	(4)	-	(3.117)
Profit (Loss) for the Period	680	11.610	(155)	(4)	(2.730)	9.401
Group's Ownership Rate	50%	40%	30%	50%	%45	
Group's Share on Profit (Loss) for the Period	340	4.644	(47)	(2)	(1.229)	3.706

1 January - 31 March 2018	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Denkmal Dahlem	Total
Revenue	16.682	323.719	-	-	-	340.401
Depreciation and amortization expense	613	6.594	1	-	-	7.208
Operating profit (loss)	2.661	51.939	(264)	-	-	54.336
Financial income	-	354	173	1	-	528
Financial expense (-)	(796)	-	(38)	-	-	(834)
Tax (expense) income	(409)	(11.907)	1	(9)	-	(12.324)
Profit (Loss) for the Period	1.471	40.386	(128)	(7)	-	41.722
Group's Ownership Rate	50%	40%	30%	50%	%45	
Group's Share on Profit (Loss) for the Period	736	16.154	(38)	(4)	-	16.848

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

(a) Property, Plant and Equipment, Other Intangible Assets and Investment Property

	Property, Plant and Equipment	Other Intangible Assets	Investment Property
Cost Value			
Opening balance as of 1 January 2019	4.691.268	84.622	142.130
Currency translation effect	177.446	3.651	2.845
Additions	55.808	2.782	-
Disposals	(113.809)	-	-
Transfers from assets classified as held for sale	-	-	7.229
Transfers from inventory	-	-	247
Closing balance as of 31 March 2019	<u>4.810.713</u>	<u>91.055</u>	<u>152.451</u>
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2019	(2.702.042)	(49.506)	(33.781)
Currency translation effect	(124.846)	(2.869)	-
Charge for the period	(52.477)	(2.379)	(496)
Disposals	113.481	-	-
Closing balance as of 31 March 2019	<u>(2.765.884)</u>	<u>(54.754)</u>	<u>(34.277)</u>
Carrying value as of 31 March 2019	<u>2.044.829</u>	<u>36.301</u>	<u>118.174</u>

	Property, Plant and Equipment	Other Intangible Assets	Investment Property
Cost Value			
Opening balance as of 1 January 2018	3.609.694	54.954	135.511
Currency translation effect	84.753	1.631	1.196
Additions	36.198	1.185	-
Acquired through business combination	35.367	4.666	-
Disposals	(1.434)	(261)	(102)
Closing balance as of 31 March 2018	<u>3.764.578</u>	<u>62.175</u>	<u>136.605</u>
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2018	(2.012.383)	(34.718)	(31.645)
Currency translation effect	(60.856)	(1.278)	-
Charge for the period	(37.256)	(707)	(711)
Disposals	1.167	-	29
Closing balance as of 31 March 2018	<u>(2.109.328)</u>	<u>(36.703)</u>	<u>(32.327)</u>
Carrying value as of 31 March 2018	<u>1.655.250</u>	<u>25.472</u>	<u>104.278</u>

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise which has no connection with the Group and is one of the independent valuers accredited by Capital Market Board. Valuation work has been concluded based on fair value of similar properties. The fair value of the investment properties as of 31 March 2019 is 501.359 (31 March 2018: 492.243) according to the valuation carried out by independent expert. There are not any restrictions on the realizability of property, plant and equipment, intangible assets and investment property or any remittances of income and proceeds of disposal.

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12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY (cont’d)

(b) Goodwill

The identifiable assets and liabilities detailed below are temporarily reported under TFRS provisions. During the measurement period allowed by the standard, the assets and liabilities will be reevaluated.

Subsidiary Acquired	Nature of Business	Ratio of Shares Acquired	Acquisition Price
Gate	Construction	50%	113.357
			113.357

Breakdown of the acquisition price is as follows:

	Gate
Paid in cash	113.357
Acquisition liability	-
Acquisition price	113.357

The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

Gate	25 July 2018
Current assets	215.388
Cash and cash equivalents	11.495
Other current assets	203.893
Non-current assets	141.242
Tangible and intangible assets	67.466
Other non-current assets	73.776
Current liabilities	286.282
Non-current liabilities	3.430
Net assets	66.918

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

	25 July 2018
Acquisition price	113.357
Fair value of previously-held interest in the acquired company	33.457
Less: Fair value of net assets of the acquired company	(66.918)
Goodwill	79.896

Net cash outflow concerning the acquisition is as follows:

	25 July 2018
Paid in cash	113.357
Less: Cash and cash equivalents of the acquired company	(5.748)
Net cash outflow	107.609

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12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY (cont'd)

(b) Goodwill (cont'd)

Movement of Goodwill is as follows:

	2019	2018
Opening balance as of 1 January	79.896	-
Currency translation effect	5.582	-
Closing balance as of 31 March	<u>85.478</u>	<u>-</u>

13. SHORT AND LONG-TERM BORROWINGS

The Company's bank loans are reclassified as long-term whose maturities passed 31 March 2020 according to their opening dates. Annual weighted average interest rate of the existing short-term loans is 5,88% for US Dollars, 2,62% for EUR and 16,72% for TL (31 December 2018: 5,05% for US Dollars, 1,29% for EUR and 16,52% for TL). There is not any long-term loan in terms of US Dollars and Turkish Liras, weighted average interest rate of the existing long-term loans is 2,64% for EUR (31 December 2018: USD None, EUR 2,64%, TL 17,54%).

Within the scope of TFRS 16 Leases standard implementation, lease liabilities of 24.196 and 20.810 in the aggregate 45.006 included in short-term and long-term borrowings respectively (Note: 3d).

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) and ECA (Hermes) bank loans from Unicredit Bank Austria AG in August 2013 and Deutsche Bank AG in January 2014 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criterias obliged due to the agreement as of 31 March 2019. As of 31 March 2019, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 105.423 (16.684 Thousand EUR) and 119.286 (18.878 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the year ended 31 March 2019 is 35.139 (5.561 Thousand EUR) and 39.764 (6.293 Thousand EUR) respectively.

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 March 2019	31 December 2018
Short-term provisions	249.028	307.941
Long-term provisions	71.292	73.828
Total provisions	<u>320.320</u>	<u>381.769</u>
Employment termination benefits provision	102.640	106.638
Unused vacation pay liability provision	45.665	40.841
Premium provision	13.223	37.332
Total provisions attributable to employee benefits	<u>161.528</u>	<u>184.811</u>
Provision for litigation	14.009	12.803
Other liability provisions	144.783	184.155
Other provisions	158.792	196.958
Total provisions	<u>320.320</u>	<u>381.769</u>

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

	Employment Termination Benefits Provision	Unused Vacation Pay Liability Provision	Premium Provision	Total Provisions Attributable to Employee Benefits
Opening balance as of 1 January 2019	106.638	40.841	37.332	184.811
Currency translation effect	3.527	1.815	(222)	5.120
Charge for the period	4.939	5.689	17.806	28.434
Interest expense	926	-	-	926
Provision paid during the period	(7.810)	(2.566)	(39.923)	(50.299)
Provision released	-	(114)	(1.770)	(1.884)
Actuarial gain	(5.580)	-	-	(5.580)
Closing balance as of 31 March 2019	<u>102.640</u>	<u>45.665</u>	<u>13.223</u>	<u>161.528</u>
Opening balance as of 1 January 2018	76.735	25.268	21.534	123.537
Currency translation effect	2.211	906	637	3.754
Charge for the period	8.307	3.553	4.490	16.350
Interest expense	506	-	-	506
Provision paid during the period	(6.209)	(1.698)	(138)	(8.045)
Provision released	(128)	(201)	-	(329)
Actuarial gain	(733)	-	-	(733)
Closing balance as of 31 March 2018	<u>80.689</u>	<u>27.828</u>	<u>26.523</u>	<u>135.040</u>

The amount payable to employee calculated by one month salary is limited to a maximum 6.017,60 TL (31 December 2018: 6.017,60 TL) as of 31 March 2019.

	Provision for Litigation	Other Liability Provisions	Total Other Provisions
Opening balance as of 1 January 2019	12.803	184.155	196.958
Currency translation effect	202	8.717	8.919
Charge for the period	2.226	23.747	25.973
Provision paid during the period	(590)	(32)	(622)
Provision released	(632)	(71.804)	(72.436)
Closing balance as of 31 March 2019	<u>14.009</u>	<u>144.783</u>	<u>158.792</u>
Opening balance as of 1 January 2018	17.873	94.653	112.526
Currency translation effect	144	4.086	4.230
Charge for the period	1.011	873	1.884
Provision paid during the period	(470)	-	(470)
Provision released	(4.837)	(6.945)	(11.782)
Closing balance as of 31 March 2018	<u>13.721</u>	<u>92.667</u>	<u>106.388</u>

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

Litigations:

As of 31 March 2019, lawsuit filed against the Group is totally 197.885 (31 December 2018: 186.701) and it has been decided to accrue 14.009 (31 December 2018: 12.803) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group.

Libya Arbitration Claim

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

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

The Tekfen TML J.V. will submit the above-mentioned additional petition, will continue the arbitration process, and will begin the process of enforcement of the above-mentioned enforceable figures. The decision of the ICC is final, and the parties have the right to file an annulment action with the Swiss Federal Court in Switzerland, the seat of legal arbitration. Since Tekfen TML J.V. claims the Libyan state is also responsible for the loss, it filed a lawsuit with the Swiss Federal Court for annulment of the decision of the ICC concerning contrary situation.

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

Above mentioned arbitration case is the judicial remedy for the Contract between the Tekfen TML J.V. and the MMRA/Libya. An additional ongoing arbitration that is based on the Agreement on the Mutual Promotion and Protection of Investments between Turkey and Libya, is currently in progress; and the hearings will take place in May 2019.

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15. COMMITMENTS

The guarantee, pledge and mortgage ("GPM") position tables of the Group as of 31 March 2019 and 31 December 2018 are as follows:

	Equivalent of Thousands TL	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TL)</i>
31 March 2019				
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	14.972.052	1.838.105	66.618	4.205.516
-Guarantee	14.864.050	1.838.105	50.238	4.201.016
-Pledge	-	-	-	-
-Mortgage	108.002	-	16.380	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	44.990	-	-	44.990
-Guarantee	44.990	-	-	44.990
-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 March 2019	15.017.042	1.838.105	66.618	4.250.506
31 December 2018				
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	14.706.497	1.958.995	63.763	4.016.059
-Guarantee	14.603.258	1.958.995	47.383	4.011.559
-Pledge	-	-	-	-
-Mortgage	103.239	-	16.380	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	51.517	-	-	51.517
-Guarantee	51.517	-	-	51.517
-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 2018	14.758.014	1.958.995	63.763	4.067.576

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

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16. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Transactions with related parties are distinct and measurable.

17. EQUITY

Capital / Capital Structure Adjustment

The capital structure as of 31 March 2019 and 31 December 2018 is as follows:

Shareholders	(%)	31 March 2019	(%)	31 December 2018
Berker family	22,55%	83.422	22,55%	83.422
Gökyiğit family	22,02%	81.480	22,02%	81.480
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,54%	5.683	1,54%	5.683
Publicly traded	47,24%	174.804	47,24%	174.804
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustment		3.475		3.475
Restated capital		<u>373.475</u>		<u>373.475</u>

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

18. EARNINGS PER SHARE

	1 January- 31 March 2019	1 January - 31 March 2018
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the parent (Thousands TL)	782.267	240.894
Earnings per share from continuing operations (TL)	2,114	0,651

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19. OTHER OPERATING INCOME AND EXPENSES

	1 January- 31 March 2019	1 January - 31 March 2018
Other operating income		
Foreign exchange income from operations	37.141	17.730
Hedging income (Note: 21)	29.165	32
Due date difference income	28.020	10.434
Discount income	9.258	7.776
Government grants and incentives income	1.029	-
Reversal of other provisions (Note: 14)	794	-
Reversal of litigation provision (Note: 14)	632	1.268
Social security premium refund income	501	703
Rental income	412	1.135
Scrap sales income	400	336
Other income	5.134	1.958
	<u>112.486</u>	<u>41.372</u>
	1 January- 31 March 2019	1 January - 31 March 2018
Other operating expenses (-)		
Foreign exchange losses from operations	(112.895)	(59.617)
Discount expenses	(8.926)	(5.728)
Due date difference expenses	(8.805)	(1.465)
Litigation provision (Note: 14)	(2.226)	(1.011)
Hedging expenses (Note: 21)	(615)	(11.149)
Grants and contributions	(99)	(684)
Damages subject to litigation	(80)	-
Other expenses	(5.654)	(2.711)
	<u>(139.300)</u>	<u>(82.365)</u>

20. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January- 31 March 2019	1 January - 31 March 2018
Financial income		
Foreign exchange gains	114.037	86.729
Interest income	52.925	30.421
Currency translation reserve gains	4.354	9.220
Other financial income	158	3
	<u>171.474</u>	<u>126.373</u>
	1 January- 31 March 2019	1 January - 31 March 2018
Financial expenses (-)		
Foreign exchange losses	(34.894)	(35.051)
Interest expenses	(23.959)	(24.788)
Other financial expenses	(3.086)	(1.411)
Currency translation reserve losses	-	(143)
Less: Financial expenses included in costs of inventories	119	4.590
	<u>(61.820)</u>	<u>(56.803)</u>

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21. DERIVATIVE INSTRUMENTS

	31 March 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	32.647	-	37.639	-
Current	32.647	-	37.639	-
Non-current	-	-	-	-
	<u>32.647</u>	<u>-</u>	<u>37.639</u>	<u>-</u>

Currency derivatives:

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

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which Toros Tarım is committed are as follows:

	31 March 2019	31 December 2018
Forward foreign exchange contracts	702.360	446.476
	<u>702.360</u>	<u>446.476</u>

As of 31 March 2019, the fair value of the Toros Tarım’s currency derivatives is estimated to be 32.647 assets which is positive 32.647 (31 December 2018: assets 37.639). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classification of derivative instruments is Level 2 (31 December 2018: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to positive 25.460 has been deferred in equity (31 December 2018: positive 29.353). There are no ineffective cash flow hedges for the period (31 March 2018: None). Gains amounting to 29.165 and expenses amounting to 615 concerning matured derivative contracts during the period have been recognized in profit or loss (31 March 2018: Gains amounting to 32 and expenses amounting to 11.149 concerning matured derivative contracts during the period have been recognized in profit or loss).

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22. FOREIGN CURRENCY POSITION

31 March 2019	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	250.458	11.036	16.227	30	85.588
2. Monetary Financial Assets	1.594.144	192.044	79.533	10	10.617
3. Other	11.811	1.072	604	-	1.961
4. CURRENT ASSETS	1.856.413	204.152	96.364	40	98.166
5. Trade Receivables	28	-	-	-	28
6. Monetary Financial Assets	608	-	-	-	608
7. Other	56	10	-	-	-
8. NON-CURRENT ASSETS	692	10	-	-	636
9. TOTAL ASSETS	1.857.105	204.162	96.364	40	98.802
10. Trade Payables	1.480.402	189.796	13.276	43	327.950
11. Financial Liabilities	152.101	90	23.991	-	-
12. Monetary Other Liabilities	159.647	1.139	2.556	-	137.085
12b. Non-Monetary Other Liabilities	10.837	1.519	362	-	-
13. CURRENT LIABILITIES	1.802.987	192.544	40.185	43	465.035
14. Trade Payables	11.788	-	467	-	8.837
15. Financial Liabilities	74.903	-	11.854	-	-
16. Monetary Other Liabilities	21.804	845	4	-	17.023
17. NON-CURRENT LIABILITIES	108.495	845	12.325	-	25.860
18. TOTAL LIABILITIES	1.911.482	193.389	52.510	43	490.895
19. Net Position of Off-balance Sheet Derivative Instruments (19a-19b)	689.226	122.455	-	-	-
19a. Derivative Assets	689.226	122.455	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	634.849	133.228	43.854	(3)	(392.093)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	(55.407)	11.210	43.612	(3)	(394.054)
22. Fair Value of Derivative Instruments Held for Hedging	32.647	5.800	-	-	-

Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

22. FOREIGN CURRENCY POSITION (cont'd)

31 December 2018	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	311.151	17.525	17.795	281	109.816
2. Monetary Financial Assets	1.841.640	240.541	91.838	8	22.525
3. Other	13.273	1.144	741	13	2.701
4. CURRENT ASSETS	2.166.064	259.210	110.374	302	135.042
5. Trade Receivables	647	-	-	-	647
6. Monetary Financial Assets	594	-	-	-	594
7. Other	113	10	10	-	-
8. NON-CURRENT ASSETS	1.354	10	10	-	1.241
9. TOTAL ASSETS	2.167.418	259.220	110.384	302	136.283
10. Trade Payables	1.570.204	199.239	20.100	17	400.752
11. Financial Liabilities	167.735	1.509	26.509	-	-
12. Monetary Other Liabilities	160.182	101	3.079	-	141.090
12b. Non-Monetary Other Liabilities	11.669	1.453	558	78	142
13. CURRENT LIABILITIES	1.909.790	202.302	50.246	95	541.984
14. Trade Payables	17.135	-	714	-	12.831
15. Financial Liabilities	143.810	-	23.857	-	-
16. Monetary Other Liabilities	26.815	1.058	4	-	21.225
17. NON-CURRENT LIABILITIES	187.760	1.058	24.575	-	34.056
18. TOTAL LIABILITIES	2.097.550	203.360	74.821	95	576.040
19. Net Position of Off-balance Sheet Derivative Instruments (19a-19b)	466.921	88.753	-	-	-
19a. Derivative Assets	466.921	88.753	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	536.789	144.613	35.563	207	(439.757)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	68.151	56.159	35.370	272	(442.316)
22. Fair Value of Derivative Instruments Held for Hedging	37.639	7.155	-	-	-

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2019

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

22. FOREIGN CURRENCY POSITION (cont'd)

Foreign currency sensitivity

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

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

	31 March 2019	
	Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	37.494	(37.494)
	If Euro changes 5% against TL	
Euro net assets / liabilities	13.855	(13.855)
	If other foreign currencies changes 5% against TL	
Other foreign currency assets / liabilities	(19.607)	19.607
TOTAL	31.742	(31.742)
	31 December 2018	
	Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	38.040	(38.040)
	If Euro changes 5% against TL	
Euro net assets / liabilities	10.719	(10.719)
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(21.920)	21.920
TOTAL	26.839	(26.839)

23. SUBSEQUENT EVENTS

None.