

**TEKFEN HOLDİNG ANONİM ŞİRKETİ  
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE NINE MONTH  
INTERIM PERIOD  
ENDED 30 SEPTEMBER 2017

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

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**TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2017**

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

<b>ASSETS</b>	<b>Notes</b>	<b>Unreviewed 30 September 2017</b>	<b>Audited 31 December 2016</b>
<b>Current Assets</b>		<b>6.265.732</b>	<b>4.533.781</b>
Cash and cash equivalents	7	2.830.646	1.483.429
Financial investments		14.213	108.121
Trade receivables	8	1.709.933	1.075.322
- <i>Related party receivables</i>		19.441	20.680
- <i>Trade receivables</i>		1.690.492	1.054.642
Other receivables		41.323	61.083
- <i>Related party receivables</i>		32.898	53.922
- <i>Other receivables</i>		8.425	7.161
Receivables from ongoing construction contracts	10	232.375	391.944
Derivative instruments	21	2.303	2.245
Inventories	9	879.965	968.741
Prepaid expenses		263.750	91.213
- <i>Prepaid expenses</i>		263.750	91.213
Assets related with current tax		45.287	48.324
Other current assets		219.470	279.178
- <i>Other current assets</i>		219.470	279.178
		<b>6.239.265</b>	<b>4.509.600</b>
Assets classified as held for sale		26.467	24.181
<b>Non-Current Assets</b>		<b>2.102.935</b>	<b>2.135.028</b>
Financial investments		171.615	175.435
Trade receivables	8	24.391	152.542
- <i>Trade receivables</i>		24.391	152.542
Other receivables		3.137	3.823
- <i>Other receivables</i>		3.137	3.823
Investments valued by equity method	11	138.929	118.445
Investment property	12	81.481	82.559
Property, plant and equipment	12	1.506.574	1.487.673
Intangible assets	12	19.242	16.678
Prepaid expenses		24.997	6.348
- <i>Prepaid expenses</i>		24.997	6.348
Deferred tax assets		56.191	50.999
Other non-current assets		76.378	40.526
- <i>Other non-current assets</i>		76.378	40.526
<b>TOTAL ASSETS</b>		<b>8.368.667</b>	<b>6.668.809</b>

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

# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2017

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

LIABILITIES	Notes	Unreviewed 30 September 2017	Audited 31 December 2016
<b>Current Liabilities</b>		<b>5.163.517</b>	<b>3.896.563</b>
Short-term borrowings	13	763.396	920.641
Short-term portion of long-term borrowings		101.972	88.774
Trade payables	8	1.644.998	1.528.823
- <i>Related party payables</i>		4.210	10.919
- <i>Trade payables</i>		1.640.788	1.517.904
Payables related to employee benefits		80.752	70.449
Other payables		87.550	73.815
- <i>Other payables</i>		87.550	73.815
Payables to ongoing construction contracts	10	628.828	384.782
Derivative instruments	21	37.281	131
Deferred revenue	4(b)	1.691.754	685.253
- <i>Deferred revenue</i>		1.691.754	685.253
Current tax liability		38.608	57.062
Short-term provisions	14	87.966	82.935
- <i>Short-term provisions attributable to employee benefits</i>		61.214	72.905
- <i>Other short-term provisions</i>		26.752	10.030
Other short-term liabilities		412	3.898
- <i>Other short-term liabilities</i>		412	3.898
<b>Non-Current Liabilities</b>		<b>481.731</b>	<b>392.789</b>
Long-term borrowings	13	249.286	251.550
Trade payables	8	81.051	44.033
- <i>Trade payables</i>		81.051	44.033
Other payables		49.372	28.517
- <i>Other payables</i>		49.372	28.517
Government incentives and grants		1.134	1.194
Long-term provisions	14	48.962	40.135
- <i>Long-term provisions attributable to employee benefits</i>		48.894	40.054
- <i>Other long-term provisions</i>		68	81
Deferred tax liabilities		51.926	27.360
<b>TOTAL LIABILITIES</b>		<b>5.645.248</b>	<b>4.289.352</b>
<b>EQUITY</b>		<b>2.723.419</b>	<b>2.379.457</b>
<b>Equity Attributable To Owners Of The Parent</b>	5, 17	<b>2.692.447</b>	<b>2.349.681</b>
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		(1.360)	1.369
- <i>Gain (loss) on revaluation and remeasurement</i>		(1.360)	1.369
Accumulated other comprehensive income that will be reclassified to profit or loss		169.404	199.373
- <i>Currency translation reserve</i>		128.792	125.977
- <i>Hedging reserve</i>		(27.537)	1.621
- <i>Gain (loss) on revaluation and reclassification</i>		68.149	71.775
Legal reserves		197.002	194.145
Prior years' income		1.136.546	955.924
Net profit for the period		516.396	324.411
<b>Non-controlling Interests</b>		<b>30.972</b>	<b>29.776</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8.368.667</b>	<b>6.668.809</b>

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	Unreviewed 1 January- 30 September 2017	Unreviewed 1 July- 30 September 2017	Unreviewed 1 January - 30 September 2016	Unreviewed 1 July- 30 September 2016
Revenue		5.070.407	1.726.110	3.413.893	975.604
Cost of revenue (-)		(4.337.904)	(1.492.443)	(2.968.533)	(903.239)
<b>GROSS PROFIT</b>		<b>732.503</b>	<b>233.667</b>	<b>445.360</b>	<b>72.365</b>
General administrative expenses (-)		(147.492)	(50.837)	(127.932)	(36.459)
Marketing expenses (-)		(115.000)	(32.279)	(90.421)	(23.729)
Research and development expenses (-)		(1.407)	(1.320)	(1.227)	(327)
Other operating income	19	219.049	46.075	208.203	50.121
Other operating expenses (-)	19	(237.070)	(75.648)	(219.365)	(67.930)
Share on profit (loss) of investments valued using equity method	11	115.745	13.266	37.754	8.416
<b>OPERATING PROFIT</b>		<b>566.328</b>	<b>132.924</b>	<b>252.372</b>	<b>2.457</b>
Investment income		17.127	641	11.699	(168)
Investment expense (-)		(17)	(3)	(131)	(123)
<b>PROFIT BEFORE FINANCIAL INCOME (EXPENSES)</b>		<b>583.438</b>	<b>133.562</b>	<b>263.940</b>	<b>2.166</b>
Financial income	20	346.179	92.797	152.602	58.737
Financial expenses (-)	20	(302.825)	(70.427)	(125.311)	(42.697)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION</b>		<b>626.792</b>	<b>155.932</b>	<b>291.231</b>	<b>18.206</b>
<b>Tax Expense from Continuing Operations (-)</b>		<b>(110.688)</b>	<b>(24.964)</b>	<b>(76.943)</b>	<b>(28.103)</b>
Tax expense for the period (-)		(84.008)	(29.173)	(105.750)	(28.335)
Deferred tax (expense) income		(26.680)	4.209	28.807	232
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>		<b>516.104</b>	<b>130.968</b>	<b>214.288</b>	<b>(9.897)</b>
<b>Distribution of Profit (Loss) for the Period</b>					
Non-controlling interests		(292)	154	4.316	1.615
Owners of the parent		516.396	130.814	209.972	(11.512)
<b>Earnings (Loss) Per Share</b>	18	1,396	0,354	0,567	(0,031)

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Unreviewed 1 January- 30 September 2017	Unreviewed 1 July- 30 September 2017	Unreviewed 1 January - 30 September 2016	Unreviewed 1 July- 30 September 2016
<b>PROFIT FOR THE PERIOD</b>	<b>516.104</b>	<b>130.968</b>	<b>214.288</b>	<b>(9.897)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>				
<b><u>Items that will not be reclassified to profit or loss</u></b>	<b>(2.729)</b>	<b>175</b>	<b>590</b>	<b>889</b>
Profit (loss) on revaluation of defined benefit plans (-)	(3.411)	219	738	1.112
Taxes based on other comprehensive income that will not be reclassified to profit or loss	682	(44)	(148)	(223)
- <i>Deferred tax (expense) income</i>	682	(44)	(148)	(223)
<b><u>Items that will be reclassified to profit or loss</u></b>	<b>(28.481)</b>	<b>2.637</b>	<b>(3.710)</b>	<b>1.154</b>
Currency translation reserve differences	4.303	4.735	(6.998)	(2.130)
Gain (loss) on revaluation of available for sale financial assets	(3.817)	(4.621)	3.461	3.457
Other comprehensive income (expenses) related to cash flow hedging (-)	(36.448)	2.865	-	-
Taxes based on other comprehensive income that will be reclassified to profit or loss	7.481	(342)	(173)	(173)
- <i>Deferred tax (expense) income</i>	7.481	(342)	(173)	(173)
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>	<b>(31.210)</b>	<b>2.812</b>	<b>(3.120)</b>	<b>2.043</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>	<b>484.894</b>	<b>133.780</b>	<b>211.168</b>	<b>(7.854)</b>
<b>Distribution of Total Comprehensive Income (Expense) for The Period</b>				
Non-controlling interests	1.196	565	(1.559)	1.272
Owners of the parent	483.698	133.215	212.727	(9.126)

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(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
	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Gains (loss) on hedging	Gain on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period	Equity attributable to owners of the parent	Non-controlling interests	
<b>Unreviewed</b>													
<b>Opening balance as of 1 January 2016</b>	370.000	3.475	300.984	(376)	108.234	-	51.995	176.413	861.167	185.466	2.057.358	27.777	2.085.135
Transfers	-	-	-	-	-	-	-	17.732	167.734	(185.466)	-	-	-
Total comprehensive income (loss)	-	-	-	590	(1.123)	-	3.288	-	-	209.972	212.727	(1.559)	211.168
- Profit for the period	-	-	-	-	-	-	-	-	-	209.972	209.972	4.316	214.288
- Other comprehensive income (expense)	-	-	-	590	(1.123)	-	3.288	-	-	-	2.755	(5.875)	(3.120)
Dividends	-	-	-	-	-	-	-	-	(63.666)	-	(63.666)	-	(63.666)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	45	-	45	(72)	(27)
Other changes	-	-	-	-	-	-	-	-	(14.297)	-	(14.297)	-	(14.297)
<b>Closing balance as of 30 September 2016</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>214</b>	<b>107.111</b>	<b>-</b>	<b>55.283</b>	<b>194.145</b>	<b>950.983</b>	<b>209.972</b>	<b>2.192.167</b>	<b>26.146</b>	<b>2.218.313</b>
<b>Unreviewed</b>													
<b>Opening balance as of 1 January 2017</b>	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Transfers	-	-	-	-	-	-	-	2.857	321.554	(324.411)	-	-	-
Total comprehensive income (loss)	-	-	-	(2.729)	2.815	(29.158)	(3.626)	-	-	516.396	483.698	1.196	484.894
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	516.396	516.396	(292)	516.104
- Other comprehensive income (expense)	-	-	-	(2.729)	2.815	(29.158)	(3.626)	-	-	-	(32.698)	1.488	(31.210)
Dividends	-	-	-	-	-	-	-	-	(120.292)	-	(120.292)	-	(120.292)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	(244)	-	(244)	-	(244)
Other changes	-	-	-	-	-	-	-	-	(20.396)	-	(20.396)	-	(20.396)
<b>Closing balance as of 30 September 2017</b>	<b>370.000</b>	<b>3.475</b>	<b>300.984</b>	<b>(1.360)</b>	<b>128.792</b>	<b>(27.537)</b>	<b>68.149</b>	<b>197.002</b>	<b>1.136.546</b>	<b>516.396</b>	<b>2.692.447</b>	<b>30.972</b>	<b>2.723.419</b>

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	Unreviewed 1 January - 30 September 2017	Unreviewed 1 January - 30 September 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1.700.129</b>	<b>439.992</b>
Profit for the Period		516.104	214.288
Adjustments to Reconcile Net Profit		147.706	149.089
- Depreciation and Amortization	12	98.986	85.025
- Provision Adjustments	8, 14	78.913	61.872
- Dividend Income and Expenses		(8.477)	(8.973)
- Interest Income and Expense Adjustments	20	(8.663)	(25.428)
- Gain/Loss on Fair Valuation		647	2
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	11	(115.745)	(37.754)
- Allowance for Taxation		110.688	76.943
- Adjustments for Gain/Loss on Sale of Fixed Assets	12	(8.643)	(1.924)
- Adjustments for Other Items Causing Cash Flows from Investment or Financing Activities		-	(674)
Movements in Working Capital		1.151.667	264.230
- Changes in Financial Investments		93.908	-
- Changes in Trade Receivables	8	(507.778)	169.822
- Changes in Other Assets		48.322	(125.771)
- Changes in Receivables from Ongoing Construction Contracts	10	159.569	(40.868)
- Changes in Inventories	9	83.243	58.451
- Changes in Prepaid Expenses		(170.447)	(17.694)
- Changes in Trade Payables	8	153.193	(24.477)
- Changes in Payables Related to Employee Benefits		10.303	15.303
- Changes in Payables to Ongoing Construction Contracts	10	244.046	179.589
- Changes in Other Liabilities		30.807	6.398
- Changes in Deferred Revenue	4(b)	1.006.501	43.477
Cash Generated by Operating Activities		1.815.477	627.607
Interest Paid		(18.738)	(35.564)
Interest Received		71.391	50.786
Provision Paid Related to Employee Benefits	14	(67.793)	(30.570)
Other Provision Paid	14	(783)	(56.438)
Tax Paid/Return		(99.425)	(115.829)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(41.398)</b>	<b>(75.317)</b>
Proceeds from Disposal of Subsidiary Resulting in Loss of Control		-	2.638
Acquisition of Non-controlling Interests' Shares		(293)	(35)
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments		(20.159)	-
Proceeds from Sales of Tangible and Intangible Assets	12	9.108	2.938
Acquisition of Tangible and Intangible Assets	12	(109.699)	(98.461)
Acquisition of Investment Properties	12	(1.823)	(37.647)
Advances and Debts Given		(20.739)	1.525
Dividend Received		102.207	53.725
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(367.437)</b>	<b>(249.492)</b>
Proceeds from Borrowings		664.533	704.475
Repayments of Borrowings		(903.952)	(883.972)
Payments of Financial Lease Obligations		(7.726)	(6.329)
Dividend paid	5	(120.292)	(63.666)
<b>CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT</b>		<b>1.291.294</b>	<b>115.183</b>
<b>D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS</b>		55.923	34.521
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>1.347.217</b>	<b>149.704</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		1.483.429	1.032.202
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>		<b>2.830.646</b>	<b>1.181.906</b>

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# TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(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 Akçağlılar, Berker and Gökyiğit families. The Company and its subsidiaries are referred as “the Group” in the accompanying condensed consolidated financial statements.

As of 30 September 2017, the Group has 19.002 employees (31 December 2016: 14.295) 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 operations as of 30 September 2017:

The Company acquired 4,5% shares of its subsidiary Belpa on 2 January 2017. After the acquisition, direct share participation rate of the Company in Belpa has reached 100%.

A joint arrangement titled Tekfen – Al Jaber Engineering has been established between Tekfen İnşaat ve Tesisat A.Ş. and Al Jaber Engineering L.L.C. (50%-50%).

North Caspian Construction BV (NCC J.V.), a joint arrangement of the Group, has been liquidated within the period.

Tekfen Tarımsal Araştırma, Üretim ve Pazarlama A.Ş. (Tekfen Tarımsal) was established and registered on 9 August 2017. The Group owns the whole shares of Tekfen Tarımsal.

#### Approval of condensed consolidated financial statements:

The condensed consolidated financial statements are approved and published by the Board of Directors as of 3 November 2017.

### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the accounting principles in line with the Turkish Commercial Code (“TCC”) and Tax Legislation. Subsidiaries those are registered in foreign countries maintain their books of account and prepare their statutory financial statements in 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 30 September 2017 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 2016 and the related disclosures. Interim periods’ financial statements cannot be the sole indicator of the year-end results by themselves.

The Group continues to apply the same accounting policies and accounting estimate methods which are mentioned in the consolidated financial statements as of 31 December 2016.

Exchange rates used in the consolidation process as of 30 September 2017 are; 1 USD= 3,5521 TL, 1 EUR= 4,1924 TL, 1 MAD= 0,3795 TL, 1 SAR= 0,9472 TL, 1 QAR= 0,9732 TL (Exchange rates as of 31 December 2016 are; 1 USD= 3,5192 TL, 1 EUR= 3,7099 TL, 1 MAD= 0,3481 TL, 1 SAR= 0,9385 TL, 1 QAR= 0,9642 TL).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(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:**

None.

**(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2017, but not affecting the consolidated financial statements of the Group:**

None.

**(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 9, "Financial Instruments", will be effective for annual periods beginning after 1 January 2018.
- TFRS 15, "Revenue from Contracts with Customers" will be effective for annual periods beginning after 1 January 2018.

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

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

**(a) New Projects**

Tekfen İnşaat and BP Iraq N.V. have signed a unit-price based contract to provide man power and machinery for installation of Rumalia Oil Field Water Separation & Salt Separation Units. Duration of the project is 3 years. It is expected that the total amount of the works to be done according to the contract will reach approximately 351.658 (99 Million USD) by the end of the project period. The Company has given a letter of guarantee to the employer on behalf of Tekfen İnşaat in the amount of the contract price.

Tekfen-Al Jaber Engineering Joint Arrangement, which Tekfen İnşaat holds 50% partnership, has made an agreement with Qatar Supreme Committee for Delivery and Legacy to sign the contract worth 1.216.473 (1.250.000.000 Qatari Riyal) concerning turnkey engineering and construction work for the "Main Works for the Fifth Precinct Stadium" project which is one of the stadium complexes in Qatar where 2022 World Cup Finals will take place. The Company has given a letter of guarantee to the employer in the amount of the contract price.

Tekfen İnşaat secured approximately 710.031 (729.600.000 Qatari Riyal) deal from The Public Works Authority of the State of Qatar (Ashghal) for construction job of East Industrial Road. The duration of the project is 27 months.

**(b) Advances Received**

Tekfen Emlak recognized the advances taken as cash and notes receivable from the pre-sales of Esenyurt Project amounting to 31.578 under deferred revenue account (31 December 2016: 330.599).

The Group received cash advances from Al Khor Expressway project that was signed with Ministry of Municipality and Environment of the State of Qatar on 13 October 2016. Balance of the advances is amounting to 1.297.354 (1.333.111.000 Qatari Riyal) and is recognized under deferred revenue account as of 30 September 2017 (31 December 2016: None).

**(c) Other**

Construction process concerning HEP İstanbul housing project of Real Estate group has been completed. Deliveries of the project started on 23 January 2017 and as of 30 September 2017, sales of 924 independent sections has been completed. These sales have been recognized in the consolidated statement of profit and loss for the period ended 30 September 2017.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 5. SIGNIFICANT CHANGES IN EQUITY

##### Gain on Revaluation and Reclassification:

The negative change of 3.626 in the fair values of the financial investments of the Group, which have been traded in the stock exchange market, has been directly recognized in equity (30 September 2016: positive change of 3.288).

##### Legal Reserves:

In accordance with the resolutions taken during the Ordinary General Assemblies of Group companies as of 30 September 2017, 2.857 of legal reserves were transferred from prior years’ income in the condensed consolidated financial statements as of 30 September 2017 (30 September 2016: 17.732).

##### Profit Distribution:

Upon the resolution of Ordinary General Assembly held on 23 March 2017, it was decided to distribute 0,31 TL (2016: 0,16 TL) gross cash dividends per share attributable to the operations of the year of 2016. Profit shares of 113.546 (2016: 60.081) and 6.746 (2016: 3.585) in the aggregate 120.292 (2016: 63.666) was distributed to shareholders and holders of the redeemed shares, Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı, on 29 March 2017.

##### Hedging Reserve

The negative change of 29.158 (30 September 2016: None) in the fair values of the effective derivative instruments which the Group uses for cash flow hedging has been recognized in equity.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 6. SEGMENTAL REPORTING

##### a) Segmental results:

	1 January - 30 September 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	3.077.687	1.654.432	312.727	25.561	5.070.407
Cost of revenue (-)	(2.817.410)	(1.219.968)	(295.639)	(4.887)	(4.337.904)
<b>GROSS PROFIT</b>	<b>260.277</b>	<b>434.464</b>	<b>17.088</b>	<b>20.674</b>	<b>732.503</b>
General administrative expenses (-)	(81.459)	(26.737)	(6.094)	(33.202)	(147.492)
Marketing expenses (-)	(1.590)	(108.569)	(4.841)	-	(115.000)
Research and development expenses (-)	-	(1.299)	-	(108)	(1.407)
Other operating income	74.470	138.869	351	5.359	219.049
Other operating expenses (-)	(84.031)	(143.825)	(79)	(9.135)	(237.070)
Share on profit (loss) of investments valued using equity method	113.458	2.289	(2)	-	115.745
<b>OPERATING PROFIT (LOSS)</b>	<b>281.125</b>	<b>295.192</b>	<b>6.423</b>	<b>(16.412)</b>	<b>566.328</b>
Investment income	1.119	7.881	22	8.105	17.127
Investment expense (-)	-	(2)	-	(15)	(17)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>	<b>282.244</b>	<b>303.071</b>	<b>6.445</b>	<b>(8.322)</b>	<b>583.438</b>
Financial income	34.920	125.091	1.595	184.573	346.179
Financial expenses (-)	(22.069)	(127.433)	(8.589)	(144.734)	(302.825)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>295.095</b>	<b>300.729</b>	<b>(549)</b>	<b>31.517</b>	<b>626.792</b>
Tax (expense) income from continuing operations	(72.326)	(22.491)	266	(16.137)	(110.688)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>222.769</b>	<b>278.238</b>	<b>(283)</b>	<b>15.380</b>	<b>516.104</b>

The Group has 124.318 of revenue and 84.582 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 30 September 2017.

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

### 6. SEGMENTAL REPORTING (cont’d)

#### a) Segmental results (cont’d):

	1 July - 30 September 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.127.491	498.789	91.099	8.731	1.726.110
Cost of revenue (-)	(1.022.012)	(374.928)	(94.007)	(1.496)	(1.492.443)
<b>GROSS PROFIT (LOSS)</b>	<b>105.479</b>	<b>123.861</b>	<b>(2.908)</b>	<b>7.235</b>	<b>233.667</b>
General administrative expenses (-)	(27.191)	(10.700)	(2.149)	(10.797)	(50.837)
Marketing expenses (-)	(684)	(29.675)	(1.920)	-	(32.279)
Research and development expenses (-)	-	(1.299)	-	(21)	(1.320)
Other operating income	14.636	30.623	175	641	46.075
Other operating expenses (-)	(28.440)	(45.042)	(71)	(2.095)	(75.648)
Share on profit of investments valued using equity method	12.481	785	-	-	13.266
<b>OPERATING PROFIT (LOSS)</b>	<b>76.281</b>	<b>68.553</b>	<b>(6.873)</b>	<b>(5.037)</b>	<b>132.924</b>
Investment income	74	212	22	333	641
Investment expense (-)	-	(1)	-	(2)	(3)
<b>PROFIT BEFORE FINANCIAL INCOME (EXPENSE)</b>	<b>76.355</b>	<b>68.764</b>	<b>(6.851)</b>	<b>(4.706)</b>	<b>133.562</b>
Financial income	13.627	27.885	362	50.923	92.797
Financial expense (-)	(7.074)	(24.446)	(8.144)	(30.763)	(70.427)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>82.908</b>	<b>72.203</b>	<b>(14.633)</b>	<b>15.454</b>	<b>155.932</b>
Tax (expense) income from continuing operations	(19.999)	(1.690)	2.974	(6.249)	(24.964)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>62.909</b>	<b>70.513</b>	<b>(11.659)</b>	<b>9.205</b>	<b>130.968</b>

The Group has 47.219 of revenue and 34.946 of operating income from terminal operations classified as agricultural operation for the period of 1 July – 30 September 2017.

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 6. SEGMENTAL REPORTING (cont'd)

##### a) Segmental results (cont'd):

	1 January - 30 September 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	1.974.864	1.393.470	23.590	21.969	3.413.893
Cost of revenue (-)	(1.837.979)	(1.102.720)	(21.562)	(6.272)	(2.968.533)
<b>GROSS PROFIT</b>	<b>136.885</b>	<b>290.750</b>	<b>2.028</b>	<b>15.697</b>	<b>445.360</b>
General administrative expenses (-)	(75.837)	(20.053)	(7.040)	(25.002)	(127.932)
Marketing expenses (-)	(1.309)	(85.539)	(3.573)	-	(90.421)
Research and development expenses (-)	-	-	-	(1.227)	(1.227)
Other operating income	116.805	88.894	430	2.074	208.203
Other operating expenses (-)	(123.442)	(90.715)	(89)	(5.119)	(219.365)
Share on profit of investments valued using equity method	34.290	3.464	-	-	37.754
<b>OPERATING PROFIT (LOSS)</b>	<b>87.392</b>	<b>186.801</b>	<b>(8.244)</b>	<b>(13.577)</b>	<b>252.372</b>
Investment income	900	1.679	-	9.120	11.699
Investment expense (-)	(117)	(1)	-	(13)	(131)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>	<b>88.175</b>	<b>188.479</b>	<b>(8.244)</b>	<b>(4.470)</b>	<b>263.940</b>
Financial income	3.639	42.483	1.957	104.523	152.602
Financial expenses (-)	(22.725)	(52.705)	(3.307)	(46.574)	(125.311)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>69.089</b>	<b>178.257</b>	<b>(9.594)</b>	<b>53.479</b>	<b>291.231</b>
Tax (expense) income from continuing operations	(55.680)	(5.082)	2.015	(18.196)	(76.943)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>13.409</b>	<b>173.175</b>	<b>(7.579)</b>	<b>35.283</b>	<b>214.288</b>

The Group has 99.188 of revenue and 60.005 of operating income from terminal operations classified as agricultural operation for the period of 1 January – 30 September 2016.

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 6. SEGMENTAL REPORTING (cont’d)

##### a) Segmental results (cont’d):

	1 July - 30 September 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	656.937	302.040	9.103	7.524	975.604
Cost of revenue (-)	(649.509)	(243.569)	(8.393)	(1.768)	(903.239)
<b>GROSS PROFIT</b>	<b>7.428</b>	<b>58.471</b>	<b>710</b>	<b>5.756</b>	<b>72.365</b>
General administrative expenses (-)	(20.203)	(6.754)	(1.649)	(7.853)	(36.459)
Marketing expenses (-)	(336)	(22.534)	(865)	6	(23.729)
Research and development expenses (-)	-	-	-	(327)	(327)
Other operating income	30.623	18.708	180	610	50.121
Other operating expenses (-)	(30.074)	(35.609)	(84)	(2.163)	(67.930)
Share on profit of investments valued using equity method	6.601	1.815	-	-	8.416
<b>OPERATING PROFIT (LOSS)</b>	<b>(5.961)</b>	<b>14.097</b>	<b>(1.708)</b>	<b>(3.971)</b>	<b>2.457</b>
Investment income	5	112	-	(285)	(168)
Investment expense (-)	(117)	(1)	-	(5)	(123)
<b>PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)</b>	<b>(6.073)</b>	<b>14.208</b>	<b>(1.708)</b>	<b>(4.261)</b>	<b>2.166</b>
Financial income	1.112	15.893	608	41.124	58.737
Financial expense (-)	(6.922)	(24.479)	(1.413)	(9.883)	(42.697)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION</b>	<b>(11.883)</b>	<b>5.622</b>	<b>(2.513)</b>	<b>26.980</b>	<b>18.206</b>
Tax (expense) income from continuing operations	(24.220)	3.117	530	(7.530)	(28.103)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>	<b>(36.103)</b>	<b>8.739</b>	<b>(1.983)</b>	<b>19.450</b>	<b>(9.897)</b>

The Group has 31.176 of revenue and 18.068 of operating income from terminal operations classified as agricultural operation for the period of 1 July – 30 September 2016.

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 6. SEGMENTAL REPORTING (cont’d)

##### b) Segmental assets and liabilities:

Balance sheet	30 September 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	4.254.829	2.568.069	403.665	1.142.104	8.368.667
Current and non-current liabilities	3.852.305	1.254.687	432.645	105.611	5.645.248
Equity attributable to owners of the parent	52.386	1.088.828	12.390	1.538.843	2.692.447
Non-controlling interests	30.728	231	-	13	30.972

  

Balance sheet	31 December 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.620.960	2.273.292	583.594	1.190.963	6.668.809
Current and non-current liabilities	2.432.790	1.129.705	598.783	128.074	4.289.352
Equity attributable to owners of the parent	(133.072)	868.149	12.970	1.601.634	2.349.681
Non-controlling interests	29.632	192	-	(48)	29.776

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## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 6. SEGMENTAL REPORTING (cont'd)

##### c) Segmental information related to property, plant and equipment, intangible assets, investment property, and revenue:

	1 January - 30 September 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	66.617	42.307	498	2.100	111.522
Depreciation and amortization expense for the period (**)	50.083	45.144	775	2.984	98.986
Intra-segment revenue	51.548	29.186	58	3.452	84.244
Inter-segment revenue	554	862	1.008	11.117	13.541
	1 July - 30 September 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	17.620	7.849	150	310	25.929
Depreciation and amortization expense for the period (**)	17.371	16.751	247	1.021	35.390
Intra-segment revenue	33.744	9.651	16	1.011	44.422
Inter-segment revenue	554	323	388	3.818	5.083
	1 January - 30 September 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	12.891	86.647	38.580	627	138.745
Depreciation and amortization expense for the period (**)	45.305	36.058	575	3.087	85.025
Intra-segment revenue	25.334	24.864	34	215	50.447
Inter-segment revenue	3	664	1.166	7.571	9.404
	1 July - 30 September 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	5.521	13.739	1.125	24	20.409
Depreciation and amortization expense for the period (**)	14.045	13.932	208	971	29.156
Intra-segment revenue	6.132	8.075	12	72	14.291
Inter-segment revenue	3	247	386	2.520	3.156

(\*) Borrowings costs are included (2017: None, 2016: capitalized 2.637).

(\*\*) Depreciation expense of 507 is deducted from the cost of inventory (30 September 2016: 5.061 added to the cost of inventory).

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## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 6. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information is as follows:

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 30 September 2017)	3.388.631	614.985	-	1.145.067	19.509	(97.785)	5.070.407
Total Assets (30 September 2017)	9.170.742	2.510.087	42.673	2.152.171	107.634	(5.614.640)	8.368.667
Capital Expenditures (1 January - 30 September 2017) (*)	82.086	9.403	-	19.954	79	-	111.522
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 July - 30 September 2017)	1.138.368	167.160	-	456.738	13.349	(49.505)	1.726.110
Capital Expenditures (1 July - 30 September 2017) (*)	13.832	3.888	-	8.200	9	-	25.929
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 30 September 2016)	2.013.920	750.640	(1.366)	706.864	3.686	(59.851)	3.413.893
Total Assets (31 December 2016)	9.041.938	2.484.914	52.655	727.912	99.883	(5.738.493)	6.668.809
Capital Expenditures (1 January - 30 September 2016) (*)	137.503	1.130	-	112	-	-	138.745
	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 July - 30 September 2016)	548.266	261.806	478	181.231	1.270	(17.447)	975.604
Capital Expenditures (1 July - 30 September 2016) (*)	20.217	195	-	(3)	-	-	20.409

(\*) Borrowings costs are included (2017: None, 2016: capitalized 2.637).

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

### 7. CASH AND CASH EQUIVALENTS

Time deposits with maturity of three months or less constitute the part of the cash and cash equivalents amounting to 2.502.570 (31 December 2016: 1.305.930). Demand deposits and other cash equivalents with maturity of three months or less constitute the rest of the cash and cash equivalents.

### 8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

	30 September 2017	31 December 2016
<b>Short-term trade receivables</b>		
Receivables from Contracting group operations	1.148.130	842.204
Receivables from Agriculture group operations	279.087	92.569
Receivables from Real Estate group operations	15.869	36.933
Receivables from Other group operations	8.833	7.566
Provision for doubtful receivables (-)	(32.168)	(30.850)
Retention receivables (Note: 10)	264.551	98.056
Due from related parties	19.441	20.680
Other	6.190	8.164
	<u>1.709.933</u>	<u>1.075.322</u>
<b>Long-term trade receivables</b>		
Retention receivables (Note: 10)	13.149	143.163
Receivables from Real Estate group operations	11.242	9.379
	<u>24.391</u>	<u>152.542</u>

Postdated cheques amounting to 173.051 (31 December 2016: 59.339), notes receivables amounting to 22.178 (31 December 2016: 42.269), negative foreign currency differences amounting to 71 (31 December 2016: positive foreign currency differences amounting to 155), and due date differences amounting to 1 (31 December 2016: 110) 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 131 days (31 December 2016: 123 days), for domestic projects is 62 days (31 December 2016: 47 days), for Agriculture group is 42 days (31 December 2016: 40 days), for Real Estate group for short-term trade receivables are 166 days, long-term trade receivables are 784 days (31 December 2016: short-term trade receivables is 84 days, long-term trade receivables are 647 days) and for other segment is approximately 29 days (31 December 2016: 30 days).

The amount of overdue receivables included in short and long-term trade receivables from non-related parties is 447.366 (31 December 2016: 437.068). 1.780 (31 December 2016: 1.115), 3.127 (31 December 2016: 406.105) and 423.291 (31 December 2016: 1.072) of these receivables are overdue by 1-3 months, by 3-12 months, and by longer than 1 year respectively. Provision for these total overdue trade receivables amounts to 32.042 (31 December 2016: 30.711).

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

	2017	2016
Provision as of 1 January	(30.850)	(26.068)
Charge for the period	(1.757)	(2.716)
Collected	808	43
Write off of bad debt	6	-
Currency translation effect	(375)	(542)
Provision as of 30 September	<u>(32.168)</u>	<u>(29.283)</u>

992 and 765 of doubtful receivable expense has been charged to cost of revenue and general administrative expenses respectively (2016: Doubtful receivable charge for the period has been charged to general administrative expenses).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts are expressed in thousands of Turkish Lira ("TL") 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:

	30 September 2017	31 December 2016
<b>Short-term trade payables</b>		
Trade payables from Contracting group operations	818.736	718.254
Trade payables from Agriculture group operations	709.867	677.546
Trade payables from Real Estate group operations	6.624	27.315
Payables from Other group operations	9.251	14.300
Due to related parties	4.210	10.919
Retention payables (Note: 10)	96.168	80.457
Other trade payables	142	32
	<u>1.644.998</u>	<u>1.528.823</u>
<b>Long-term trade payables</b>		
Payables from Agriculture group operations	56.286	30.684
Retention payables (Note: 10)	23.983	12.979
Trade payables from Contracting group operations	782	370
	<u>81.051</u>	<u>44.033</u>

Foreign currency differences amounting to 154.032 (31 December 2016: 176.147) are included in short and long-term trade payables. There are not any notes payable (31 December 2016: 533) and postdated cheques in the current period (31 December 2016: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2016: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 205 days (31 December 2016: 219 days) whereas average payable period for domestic purchases is 30 days (31 December 2016: 30 days). For Contracting group, import purchases through letter of credit constitute 5% (31 December 2016: 7%) of trade payables as at balance sheet date. The average payable period for these import purchases is 86 days (31 December 2016: 88 days) whereas the average payable period for other purchases is 97 days (31 December 2016: 122 days). The average payable period for Real Estate group is 36 days (31 December 2016: 31 days). For the other operations of the Group, the average payable period is 61 days (31 December 2016: 59 days).

#### 9. INVENTORIES

	30 September 2017	31 December 2016
Raw materials	90.169	103.605
Work in progress	143.018	171.762
Finished goods	51.212	26.635
Trading goods	46.918	41.922
Goods in transit	39.108	35.846
Inventory from real estate projects	274.052	432.253
Inventory at construction sites	188.528	115.721
Other inventories	46.960	40.997
	<u>879.965</u>	<u>968.741</u>

For the nine month interim period ended 30 September 2017, borrowing costs deducted from inventory amount to 5.026 (31 December 2016: Borrowing costs capitalized 15.901).

The Group does not have any inventories whose net realizable value is less than its current cost. Accordingly, there is not any provision for allowance for impairment on inventory (30 September 2016: None).

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 10. CONSTRUCTION CONTRACTS

	30 September 2017	31 December 2016
Cost incurred on ongoing contracts	13.574.077	13.884.066
Recognised gain less losses (net)	970.982	784.831
	<u>14.545.059</u>	<u>14.668.897</u>
Less: Billings to date (-)	(14.941.512)	(14.661.735)
	<u>(396.453)</u>	<u>7.162</u>

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

	30 September 2017	31 December 2016
Receivables from ongoing construction contracts	232.375	391.944
Payables to ongoing construction contracts	(628.828)	(384.782)
	<u>(396.453)</u>	<u>7.162</u>

	30 September 2017	31 December 2016
<u>Receivables from ongoing construction contracts</u>		
Contracts undersigned abroad	177.461	340.773
Contracts undersigned in Turkey	54.914	51.171
	<u>232.375</u>	<u>391.944</u>
<u>Payables to ongoing construction contracts</u>		
Contracts undersigned abroad	(304.280)	(20.511)
Contracts undersigned in Turkey	(324.548)	(364.271)
	<u>(628.828)</u>	<u>(384.782)</u>
	<u>(396.453)</u>	<u>7.162</u>

The Group has 230.487 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2016: 48.437). Also, the Group has 1.563.679 of advances received for contracting projects classified in deferred revenue (31 December 2016: 302.765).

As of 30 September 2017, the Group has 120.151 of retention payables to subcontractors (31 December 2016: 93.436). Also, the amount of retention receivables is 277.700 (31 December 2016: 241.219) (Note: 8).

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 11. INVESTMENTS VALUED BY EQUITY METHOD

Joint Ventures	Location of foundation and operation	30 September 2017		31 December 2016		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
H-T Fidecilik	Turkey	50%	12.341	50%	10.039	50%	Agriculture
Azfen	Azerbaijan	40%	67.357	40%	47.608	40%	Construction
Black Sea Gübre	Turkey	30%	1.021	30%	1.034	30%	Fertilizer Trade
Florya Gayrimenkul	Turkey	50%	58.210	50%	59.764	50%	Real Estate
			<u>138.929</u>		<u>118.445</u>		

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

	2017	2016
Opening balance as of 1 January	118.445	147.848
Group’s share on profit	115.745	37.754
Dividends received	(97.750)	(87.971)
Currency translation effect	4.041	68
Profit eliminations	(1.552)	(727)
Closing balance as of 30 September	<u>138.929</u>	<u>96.972</u>

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

H-T Fidecilik	2.302	3.158
Azfen	113.458	34.290
Black Sea Gübre	(13)	306
Florya Gayrimenkul	(2)	-
Shares on profit of joint ventures consolidated by equity method	<u>115.745</u>	<u>37.754</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

##### Information related to financial position:

30 September 2017	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	71	287.308	63.305	12	350.696
Other current assets	53.782	334.617	818	57.649	446.866
Non-current assets	21.350	64.632	19	119.534	205.535
<b>Total Assets</b>	<b>75.203</b>	<b>686.557</b>	<b>64.142</b>	<b>177.195</b>	<b>1.003.097</b>
Short-term borrowings	32.485	-	-	-	32.485
Other short-term liabilities	15.901	518.164	60.715	58.311	653.091
Long-term borrowings	154	-	-	-	154
Other long-term liabilities	1.982	-	25	2.465	4.472
<b>Total Liabilities</b>	<b>50.522</b>	<b>518.164</b>	<b>60.740</b>	<b>60.776</b>	<b>690.202</b>
Net Assets	24.681	168.393	3.402	116.419	312.895
Group's Ownership Rate	50%	40%	30%	50%	
<b>Group's Share on Net Assets</b>	<b>12.341</b>	<b>67.357</b>	<b>1.021</b>	<b>58.210</b>	<b>138.929</b>
31 December 2016	H-T Fidecilik	Azfen	Black Sea Gübre	Florya Gayrimenkul	Total
Cash and cash equivalents	58	103.072	8.000	83	111.213
Other current assets	41.183	732.506	663	57.652	832.004
Non-current assets	18.326	123.338	31	114.585	256.280
<b>Total Assets</b>	<b>59.567</b>	<b>958.916</b>	<b>8.694</b>	<b>172.320</b>	<b>1.199.497</b>
Short-term borrowings	21.107	-	-	-	21.107
Other short-term liabilities	16.919	839.895	5.237	50.335	912.386
Long-term borrowings	244	-	-	-	244
Other long-term liabilities	1.220	-	10	2.458	3.688
<b>Total Liabilities</b>	<b>39.490</b>	<b>839.895</b>	<b>5.247</b>	<b>52.793</b>	<b>937.425</b>
Net Assets	20.077	119.021	3.447	119.527	262.072
Group's Ownership Rate	50%	40%	30%	50%	
<b>Group's Share on Net Assets</b>	<b>10.039</b>	<b>47.608</b>	<b>1.034</b>	<b>59.764</b>	<b>118.445</b>

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

##### Information related to profit or loss statement:

<u>1 January - 30 September 2017</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	59.931	1.124.813	138.708	-	1.323.452
Depreciation and amortization expense	1.457	20.934	15	-	22.406
Operating profit	8.128	405.602	480	-	414.210
Financial income	-	597	4.091	4	4.692
Financial expense (-)	(2.265)	-	(4.616)	-	(6.881)
Tax (expense) income	(1.258)	(121.130)	3	(7)	(122.392)
Profit (Loss) for the Period	<u>4.603</u>	<u>283.644</u>	<u>(43)</u>	<u>(3)</u>	<u>288.201</u>
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit (Loss) for the Period	<u>2.302</u>	<u>113.458</u>	<u>(13)</u>	<u>(2)</u>	<u>115.745</u>
<u>1 July - 30 September 2017</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	20.488	318.640	60.207	-	399.335
Depreciation and amortization expense	503	7.018	5	-	7.526
Operating profit	2.817	45.341	302	-	48.460
Financial income	-	484	2.534	2	3.020
Financial expense (-)	(938)	-	(2.670)	-	(3.608)
Tax (expense) income	(430)	(14.630)	39	-	(15.021)
Profit for the Period	<u>1.448</u>	<u>31.202</u>	<u>204</u>	<u>1</u>	<u>32.855</u>
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit for the Period	<u>724</u>	<u>12.481</u>	<u>61</u>	<u>-</u>	<u>13.266</u>

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

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

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

<u>1 January - 30 September 2016</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	45.174	1.261.580	225.514	-	1.532.268
Depreciation and amortization expense	1.261	17.989	94	-	19.344
Operating profit	9.055	110.870	708	-	120.633
Financial income	3	-	3.494	1	3.498
Financial expense (-)	(1.690)	-	(3.129)	(1)	(4.820)
Tax expense (-)	(1.052)	(25.143)	(54)	-	(26.249)
Profit for the Period	<u>6.315</u>	<u>85.726</u>	<u>1.020</u>	<u>-</u>	<u>93.061</u>
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit for the Period	<u>3.158</u>	<u>34.290</u>	<u>306</u>	<u>-</u>	<u>37.754</u>
<u>1 July - 30 September 2016</u>	<u>H-T Fidecilik</u>	<u>Azfen</u>	<u>Black Sea Gübre</u>	<u>Florya Gayrimenkul</u>	<u>Total</u>
Revenue	17.307	426.812	161.951	-	606.070
Depreciation and amortization expense	428	6.514	32	-	6.974
Operating profit	3.789	22.613	717	-	27.119
Financial income	2	-	3.154	1	3.157
Financial expense (-)	(582)	-	(2.427)	(1)	(3.010)
Tax expense (-)	(445)	(6.109)	(2)	-	(6.556)
Profit for the Period	<u>2.763</u>	<u>16.503</u>	<u>1.443</u>	<u>-</u>	<u>20.709</u>
Group's Ownership Rate	50%	40%	30%	50%	
Group's Share on Profit for the Period	<u>1.382</u>	<u>6.601</u>	<u>433</u>	<u>-</u>	<u>8.416</u>

Translated into English from the report originally issued in Turkish.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

Cost Value	Property, Plant and		
	Equipment	Intangible Assets	Investment Property
Opening balance as of 1 January 2017	3.298.646	46.920	112.711
Currency translation effect	24.130	251	(48)
Additions	105.650	4.049	1.823
Disposals	(13.525)	(82)	-
Transfers	774	320	(1.094)
Closing balance as of 30 September 2017	3.415.675	51.458	113.392
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2017	(1.810.973)	(30.242)	(30.152)
Currency translation effect	(16.279)	(245)	-
Charge for the period	(94.611)	(1.811)	(2.057)
Disposals	13.060	82	-
Transfers	(298)	-	298
Closing balance as of 30 September 2017	(1.909.101)	(32.216)	(31.911)
Carrying value as of 30 September 2017	1.506.574	19.242	81.481
Property, Plant and			
Cost Value	Equipment	Intangible Assets	Investment Property
	Opening balance as of 1 January 2016	2.945.143	38.663
Currency translation effect	36.348	667	(26)
Additions	99.527	1.571	37.647
Disposals	(28.859)	-	-
Closing balance as of 30 September 2016	3.052.159	40.901	158.013
Accumulated Depreciation and Amortization			
Opening balance as of 1 January 2016	(1.565.899)	(24.059)	(31.562)
Currency translation effect	(28.198)	(591)	-
Charge for the period	(86.394)	(1.532)	(2.160)
Disposals	27.845	-	-
Closing balance as of 30 September 2016	(1.652.646)	(26.182)	(33.722)
Carrying value as of 30 September 2016	1.399.513	14.719	124.291

Property, plant and equipment include fixed assets with carrying value of 8.859 purchased through financial lease (30 September 2016: 15.516). 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, there are not any property, plant and equipment purchases through financial lease (30 September 2016: None). For the period ended as of 30 September 2017, there are no additional capitalized borrowing costs (30 September 2016: 2.637 additional capitalized borrowing costs, capitalization rate 18,75% are included in property, plant and equipment).

The fair value of the Group's investment property has been determined 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 30 September 2017 is 469.709 (30 September 2016: 581.401) according to the valuation carried out by independent expert.

#### 13. SHORT AND LONG-TERM BORROWINGS

The Company's bank loans are reclassified as long-term whose maturities passed 30 September 2018 according to their opening dates. Annual weighted average interest rate of the existing short-term loans is 4,38% for US Dollars, 1,25% for EUR and 13,20% for TL (31 December 2016: 3,70% for US Dollars, 2,14% for EUR and 12,75% for TL). There is not any long term loan in terms of US Dollars, weighted average interest rate of the existing long-term loans is 2,67% for EUR and 16,07% for TL (31 December 2016: USD None, EUR 2,76%, TL: None).

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#### 13. SHORT AND LONG-TERM BORROWINGS (cont'd)

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 criteris obliged due to the agreement as of 30 September 2017. As of 30 September 2017, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 139.896 (33.369 Thousand EUR) and 158.284 (37.755 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the period ended 30 September 2017 is 46.632 (11.123 Thousand EUR) and 50.087 (11.947 Thousand EUR) respectively.

#### 14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 September 2017	31 December 2016		
Short-term provisions	87.966	82.935		
Long-term provisions	48.962	40.135		
Total provisions	<u>136.928</u>	<u>123.070</u>		
Employment termination benefits provision	78.952	80.537		
Unused vacation pay liability provision	23.260	18.453		
Premium provision	7.896	13.969		
Total provisions attributable to employee benefits	<u>110.108</u>	<u>112.959</u>		
Provision for litigation	9.865	9.998		
Other liability provisions	16.955	113		
Other provisions	26.820	10.111		
Total provisions	<u>136.928</u>	<u>123.070</u>		
			Total	
	Employment Termination Benefits Provision	Unused Vacation Pay Liability Provision	Premium Provision	Total Provisions Attributable to Employee Benefits
Opening balance as of 1 January 2017	80.537	18.453	13.969	112.959
Currency translation effect	1.067	65	102	1.234
Charge for the period	29.451	16.805	13.013	59.269
Interest expense	1.544	-	-	1.544
Provision paid during the period	(37.040)	(11.565)	(19.188)	(67.793)
Provision released	-	(498)	-	(498)
Actuarial loss	3.393	-	-	3.393
Closing balance as of 30 September 2017	<u>78.952</u>	<u>23.260</u>	<u>7.896</u>	<u>110.108</u>
Opening balance as of 1 January 2016	65.510	13.594	14.284	93.388
Currency translation effect	1.476	274	(209)	1.541
Charge for the period	29.313	7.557	9.666	46.536
Interest expense	1.115	-	-	1.115
Provision paid during the period	(13.765)	(4.696)	(12.109)	(30.570)
Provision released	(202)	(411)	(982)	(1.595)
Actuarial gain	(742)	-	-	(742)
Closing balance as of 30 September 2016	<u>82.705</u>	<u>16.318</u>	<u>10.650</u>	<u>109.673</u>

The amount payable to employee calculated by one month salary is limited to a maximum 4.732,48 TL (31 December 2016: 4.426,16 TL) as of 30 September 2017.

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

	Provision for Litigation	Other Liability Provisions	Total Other Provisions
Opening balance as of 1 January 2017	9.998	113	10.111
Currency translation effect	34	(197)	(163)
Charge for the period	638	17.057	17.695
Provision paid during the period	(765)	(18)	(783)
Provision released	(40)	-	(40)
Closing balance as of 30 September 2017	<u>9.865</u>	<u>16.955</u>	<u>26.820</u>
Opening balance as of 1 January 2016	64.904	447	65.351
Currency translation effect	1.152	183	1.335
Charge for the period	6.312	7.331	13.643
Provision paid during the period	(56.438)	-	(56.438)
Provision released	(500)	-	(500)
Closing balance as of 30 September 2016	<u>15.430</u>	<u>7.961</u>	<u>23.391</u>

#### Litigations:

As of 30 September 2017, except Libya counterclaim, lawsuit filed against the Group is totally 130.675 (31 December 2016: 106.822) and it has been decided to accrue 9.865 (31 December 2016: 9.998) 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*

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 from 2011 February for an uncertain period of time due to the civil unrest in the country.

The Group resolved to proceed with an International Arbitration claim for recovery of project-related rights, receivables and assets in Libya. In line with this decision, on 16 June 2015, a plea of commercial arbitration was placed with the International Court of Arbitration of the International Chamber of Commerce (ICC) against the contracting management for the project, Libyan Man-Made River Authority (MMRA), and Libyan State via offering “Request for Arbitration”.

Besides, an additional plea of commercial arbitration was placed with ICC against Libyan State in the context of Treaty on Bilateral Investment Protection signed between Libyan and Turkish States. MMRA initiated a counterclaim against Tekfen TML J.V. with ICC.

Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group. Letters of guarantees given related to Libya project to various institutions amount to 140.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 15. COMMITMENTS

The guarantee, pledge and mortgage ("GPM") position tables of the Group as of 30 September 2017 and 31 December 2016 are as follows:

	Equivalent of Thousands TL	Thousands of US Dollars	Thousands of EUR	Other (Equivalent of Thousands TL)
<b>30 September 2017</b>				
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	8.930.743	1.630.512	44.729	2.951.479
-Guarantee	8.926.243	1.630.512	44.729	2.946.979
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	131.263	-	-	131.263
-Guarantee	131.263	-	-	131.263
-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	-	-	-	-
<b>Total as of 30 September 2017</b>	<b>9.062.006</b>	<b>1.630.512</b>	<b>44.729</b>	<b>3.082.743</b>
	Equivalent of Thousands TL	Thousands of US Dollars	Thousands of EUR	Other (Equivalent of Thousands TL)
<b>31 December 2016</b>				
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	8.763.286	1.554.919	67.676	3.040.146
-Guarantee	8.758.786	1.554.919	67.676	3.035.646
-Pledge	-	-	-	-
-Mortgage	4.500	-	-	4.500
C. GPM given in order to guarantee third parties' debts for the routine trade operations	125.662	-	-	125.662
-Guarantee	125.662	-	-	125.662
-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	-	-	-	-
<b>Total as of 31 December 2016</b>	<b>8.888.948</b>	<b>1.554.919</b>	<b>67.676</b>	<b>3.165.808</b>

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

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

#### 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 30 September 2017 and 31 December 2016 is as follows:

Shareholders	(%)	30 September 2017	(%)	31 December 2016
Gökyiğit family	22,78%	84.272	22,78%	84.272
Berker family	22,28%	82.422	22,28%	82.422
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,97%	7.279	4,61%	17.043
Publicly traded	46,33%	171.416	43,69%	161.652
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- 30 September 2017	1 July- 30 September 2017	1 January - 30 September 2016	1 July- 30 September 2016
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000	370.000.000	370.000.000
Net profit for the period attributable to owners of the parent (Thousands TL)	516.396	130.814	209.972	(11.512)
Earnings per share from continuing operations (TL)	1,396	0,354	0,567	(0,031)

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

#### 19. OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 September 2017	1 July- 30 September 2017	1 January - 30 September 2016	1 July- 30 September 2016
<b>Other operating income</b>				
Foreign exchange income from operations	177.225	37.571	176.213	45.049
Due date difference income	21.296	7.203	18.249	3.883
Discount income	1.836	(5.590)	2.285	(134)
Rental income	3.193	1.056	3.104	1.013
Scrap sales income	723	137	1.127	183
Government grants and incentives income	2.303	139	243	146
Indemnity income	3.782	721	205	(1.412)
Reversal of litigation provision (Note: 14)	40	(1)	500	1
Other income	8.651	4.839	6.277	1.392
	<u>219.049</u>	<u>46.075</u>	<u>208.203</u>	<u>50.121</u>
	1 January- 30 September 2017	1 July- 30 September 2017	1 January - 30 September 2016	1 July- 30 September 2016
<b>Other operating expenses (-)</b>				
Foreign exchange losses from operations	(196.283)	(56.170)	(195.586)	(60.880)
Discount expenses	(3.980)	(1.715)	(3.045)	(508)
Grants and contributions	(2.333)	(1.432)	(4.058)	(2.281)
Due date difference expenses	(10.089)	(362)	(6.210)	(2.521)
Litigation provision (Note: 14)	(638)	(194)	(3.434)	(184)
Damages subject to litigation	(97)	-	-	-
Additional tax expense	(54)	(17)	(50)	(16)
Other expenses	(23.596)	(15.758)	(6.982)	(1.540)
	<u>(237.070)</u>	<u>(75.648)</u>	<u>(219.365)</u>	<u>(67.930)</u>

#### 20. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January- 30 September 2017	1 July- 30 September 2017	1 January - 30 September 2016	1 July- 30 September 2016
<b>Financial income</b>				
Foreign exchange gains	263.840	62.795	100.967	42.618
Interest income	80.020	27.683	51.150	16.036
Currency translation reserve gains	2.318	2.318	457	76
Other finance income	1	1	28	7
	<u>346.179</u>	<u>92.797</u>	<u>152.602</u>	<u>58.737</u>
	1 January- 30 September 2017	1 July- 30 September 2017	1 January - 30 September 2016	1 July- 30 September 2016
<b>Financial expenses (-)</b>				
Foreign exchange losses	(258.691)	(51.061)	(95.726)	(32.475)
Interest expenses	(52.818)	(16.865)	(30.350)	(10.890)
Currency translation reserve losses	(2.289)	(24)	(2.983)	(1.092)
Other finance expenses	(9.615)	(5.603)	(7.712)	(3.633)
Less: Financial expenses included in costs of property, plant and equipment and inventories	20.588	3.126	11.460	5.393
	<u>(302.825)</u>	<u>(70.427)</u>	<u>(125.311)</u>	<u>(42.697)</u>

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 21. DERIVATIVE INSTRUMENTS

	30 September 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	2.303	37.281	2.245	131
Current	2.303	37.281	2.245	131
Non-current	-	-	-	-
	<u>2.303</u>	<u>37.281</u>	<u>2.245</u>	<u>131</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:

	30 September 2017	31 December 2016
Forward foreign exchange contracts	561.711	51.082
	<u>561.711</u>	<u>51.082</u>

As of 30 September 2017, the fair value of the Toros Tarım’s currency derivatives is estimated to be 2.303 assets and 37.281 liabilities which is negative 34.978 (31 December 2016: assets 2.245, liabilities 131, positive 2.114). 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 2016: 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 negative 27.537 has been deferred in equity (31 December 2016: positive 1.621). Expenses amounting to 638 of ineffective part have been recognized in profit or loss (30 September 2016: None). Gains amounting to 1.470 and expenses amounting to 12.043 concerning matured derivative contracts during the period have been recognized in profit or loss (30 September 2016: None).



## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 22. FOREIGN CURRENCY POSITION

30 September 2017	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	94.696	3.500	1.641	-	75.384
2. Monetary Financial Assets	1.196.501	244.428	76.674	28	6.687
3. Other	49.622	544	649	58	44.693
4. CURRENT ASSETS	1.340.819	248.472	78.964	86	126.764
5. Trade Receivables	-	-	-	-	-
6. Monetary Financial Assets	575	-	-	-	575
7. Other	7.552	10	1.793	-	-
8. NON-CURRENT ASSETS	8.127	10	1.793	-	575
9. TOTAL ASSETS	1.348.946	248.482	80.757	86	127.339
10. Trade Payables	1.136.116	196.056	26.103	14	330.205
11. Financial Liabilities	100.648	195	23.842	-	-
12. Monetary Other Liabilities	89.186	740	4.339	-	68.367
12b. Non-Monetary Other Liabilities	10.082	2.829	8	-	-
13. CURRENT LIABILITIES	1.336.032	199.820	54.292	14	398.572
14. Trade Payables	3.938	-	3	-	3.925
15. Financial Liabilities	198.787	-	47.416	-	-
16. Monetary Other Liabilities	22.957	927	4	-	19.647
17. NON-CURRENT LIABILITIES	225.682	927	47.423	-	23.572
18. TOTAL LIABILITIES	1.561.714	200.747	101.715	14	422.144
19. Off-balance Sheet Derivative Instruments Net Position (19a-19b)	501.130	141.080	-	-	-
19a. Derivative Assets	501.130	141.080	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	288.362	188.815	(20.958)	72	(294.805)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	(259.860)	50.010	(23.392)	14	(339.498)
22. Fair Value of Derivative Instruments Held for Hedging	(34.978)	(9.847)	-	-	-

Translated into English from the report originally issued in Turkish.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

#### 22. FOREIGN CURRENCY POSITION (cont’d)

31 December 2016	Equivalent of Thousands of TL	Thousands of US Dollars	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TL)
1. Trade Receivables	114.991	17.771	3.785	-	38.409
2. Monetary Financial Assets	1.151.256	295.031	24.330	10	22.678
3. Other	14.265	224	862	564	7.853
4. CURRENT ASSETS	1.280.512	313.026	28.977	574	68.940
5. Trade Receivables	25	-	-	-	25
6. Monetary Financial Assets	538	-	-	-	538
7. Other	9.588	10	2.575	-	-
8. NON-CURRENT ASSETS	10.151	10	2.575	-	563
9. TOTAL ASSETS	1.290.663	313.036	31.552	574	69.503
10. Trade Payables	1.081.847	196.647	16.528	152	327.836
11. Financial Liabilities	90.161	1.056	23.301	-	-
12. Monetary Other Liabilities	107.273	127	8.613	-	74.873
12b. Non-Monetary Other Liabilities	414	107	10	-	-
13. CURRENT LIABILITIES	1.279.695	197.937	48.452	152	402.709
14. Trade Payables	313	-	-	-	313
15. Financial Liabilities	250.003	98	67.295	-	-
16. Monetary Other Liabilities	21.161	885	4	-	18.032
17. NON-CURRENT LIABILITIES	271.477	983	67.299	-	18.345
18. TOTAL LIABILITIES	1.551.172	198.920	115.751	152	421.054
19. Off-balance Sheet Derivative Instruments Net Position (19a-19b)	50.194	14.263	-	-	-
19a. Derivative Assets	50.194	14.263	-	-	-
19b. Derivative Liabilities	-	-	-	-	-
20. Net Foreign Currency Assets / Liabilities Position	(210.315)	128.379	(84.199)	422	(351.551)
21. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2+5+6-10-11-12-14-15-16)	(283.948)	113.989	(87.626)	(142)	(359.404)
22. Fair Value of Derivative Instruments Held for Hedging	2.115	601	-	-	-

Translated into English from the report originally issued in Turkish.

## TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts are expressed in thousands of Turkish Lira ("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 nine month interim period end for a 5% change in foreign currency rates. Positive number indicates an increase in profit or loss.

	30 September 2017	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	33.534	(33.534)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(4.393)	4.393
	If other foreign currencies changes 5% against TL	
Other foreign currency assets / liabilities	(14.722)	14.722
TOTAL	14.419	(14.419)
	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	22.590	(22.590)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.618)	15.618
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(17.488)	17.488
TOTAL	(10.516)	10.516

#### 23. SUBSEQUENT EVENTS

Tekfen Ventures L.P. ,a subsidiary of the Group, made a financial investment worth 7.104 (2.000.040 USD) after the balance sheet date.

Tekfen İnşaat and TSGI Mühendislik İnşaat Limited Şirketi have signed the final agreement worth 550.576 (155.000.000 USD) concerning the completion of electromechanical works on a unit-price basis of the Coker Unit at the Star Refinery which is under construction in Aliğa-Izmir as proceeding of previously announced protocol of intent. The duration of the project is 19 months.

Tekfen İnşaat, has received a letter of intent for a unit price contract award from Petrofac Turkey, a branch of Petrofac International UAE LLC and the main project contractor of TurkStream project, within the framework of the TurkStream Gas Pipeline Project construction works of the gas receiving terminal to be built near Kıyıköy, Turkey. Construction is scheduled to start in January 2018. The value of the 24-month contract is 410.855 (98.000.000 Euro).

As of reporting date, there is a positive change of 8.200 in the fair value of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş., the Company's associate, whose shares are publicly traded.