

**ENGINEERING & CONSTRUCTION** 

**POWER** 

**REAL ESTATE** 

TRADE

South Caucasus Pipeline Expansion Project, Georgia







## Deloitte.

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

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## INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

#### To the Board of Directors of

#### Enka İnşaat ve Sanayi A.Ş.

#### Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Enka İnşaat ve Sanayi A.Ş. ("the Company"), its subsidiaries and its joint operations (together will be referred as "the Group") for the period ended 31 December 2016.

Management's Responsibility for the Annual Report

The Group Management is responsible for the preparation and fair presentation of the annual report which is consistent with the consolidated financial statements in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"), and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the Communiqué. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements, based on our audit report dated 1 March 2017.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

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

Opinion

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited consolidated financial statements.

#### Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Company may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜSAVİRLİK A.S.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED** 

Özkan Yıldırım, SMMM Partner Istanbul, 1 March 2017

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#### ENKA İnşaat ve Sanayi A.Ş. The Board of Directors' Annual Report

Reporting Period : 01.01.2016 - 31.12.2016

Registered Company Name : ENKA İnşaat ve Sanayi A.Ş.

: 1957 Registration or Incorporation

Registered Country : Istanbul / Turkey

Chamber of Commerce

: 68194 Registration Number

: 4.200.000.000 TL (Turkish Lira) 2.445.226.957 US Dollars (equivalent) Paid-in Capital

**BS EN ISO 9001** : 2008 Registered : FS 57544 Certificate No

BS EN ISO 14001 : 2004 Registered Certificate No : FS EMS 71388 : 2007 Registered OHSAS 18001 Certificate No : OHS 71389

ASME A : 2013 Registered

Certificate No : 45151

ASME U : 2013 Registered

Certificate No : 45152

ASME U2 : 2013 Registered

: 45153 Certificate No

ASME S : 2013 Registered

Certificate No : 45154

Corporate Governance Rating : 9.18 (November 2016 - Saha Kurumsal Yönetim ve Kredi

Derecelendirme A.Ş.)

Head Office Address : Balmumcu Mah., Zincirlikuyu Yolu No:10, 34349

Beşiktaş / İstanbul

Phone : +90 (212) 376 10 00 (pbx)

: +90 (212) 272 88 69 Fax Official Website : http://www.enka.com

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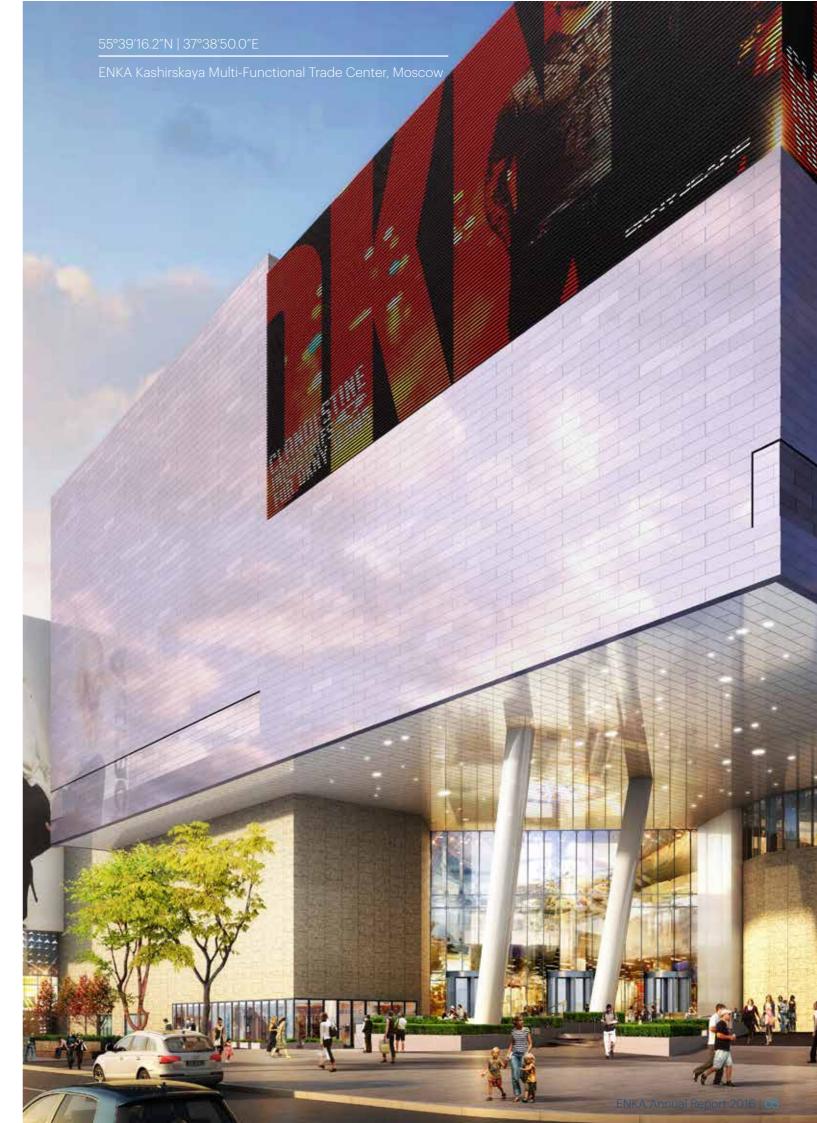












#### **COMPANIES**

#### **ENGINEERING & CONSTRUCTION**

- ENKA İnşaat ve Sanayi A.Ş.
- Çimtaş Çelik İmalat Montaj ve Tesisat A.Ş.
- · Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.
- · Çimtaş Boru İmalatları ve Ticaret Ltd. Şti.
- · Çimtaş (Ningbo) Steel Processing Co. Ltd.
- Capital City Investment B.V.
- Kasktaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit A.Ş.
- ENKA Teknik Genel Müteahhitlik Bakım İşletme Sevk ve İdare A.Ş.
- Titaş Toprak İnşaat ve Taahhüt A.Ş.
- ENKA Holding B.V.
- ENKA Construction and Development B.V.
- ENKA Power Systems B.V.

#### **POWFR**

- Adapazarı Elektrik Üretim Ltd. Şti.
- Gebze Elektrik Üretim Ltd. Şti.
- İzmir Elektrik Üretim Ltd. Şti.

#### REAL ESTATE

- Mosenka
- Moskva Krasnye Holmy
- ENKA Holding Investment S.A.
- · City Center Investment B.V.
- Limited Liability Company ENKA TC

#### **TRADE**

- ENKA Pazarlama İhracat İthalat A.S.
- Entaş Nakliyat ve Turizm A.Ş.
- Airenka Hava Taşımacılığı A.Ş.
- ENKA Finansal Kiralama A.Ş.

(The full list of the companies can be found in the Consolidated Financial Statements as of December 31, 2016)

#### THE GENERAL ASSEMBLY MEETING

Date : March 24, 2017

Time : 14:00

Adres : Balmumcu Mahallesi, Zincirlikuyu Yolu, No: 6

ENKA Konferans Salonu

Beşiktaş - İstanbul

#### **AGENDA**

- 1. Election of the General Assembly Presidential Board and authorization of the Presidential Board for signing the Minutes of the General Assembly Meeting;
- 2. Reading and discussing the Annual Report of the Board of Directors and the Financial Statements for the fiscal year 2016;
- 3. Reading and discussing the Report of Independent Auditors;
- 4. Regarding the regulations of Capital Markets Board, informing the shareholders about the donations made within the fiscal year 2016 under the framework of Company's current Donation and Aid Policy;
- 5. Approval of Balance Sheet and Income Statement Accounts of 2016;
- 6. Acquittal and release of the Board Members due to the Company's activities for the fiscal year 2016;
- 7. Election of the Board Members;
- 8. Regarding the regulations of Capital Markets Board, determining the attendance fee for the Board Members as 15.500 Turkish Liras per month according to the principles set in the Remuneration Policy Applicable to the Board Members and Administratively Responsible Managers;
- 9. Approval of the selection of the Independent Auditors recommended as Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) by the Board of Directors;
- 10. Regarding the regulations of Capital Markets Board, making decision on distribution of the Balance Sheet profit of 2016 according to the current Profit Distribution Policy of the Company;
- 11. Informing the shareholders that there are no guarantees, pledges, mortgages and encumbrances given to the benefit of third parties regarding the regulations of Capital Markets Board;
- 12. Approving the Authorization of the Board of Directors for deciding the distribution of the Advance Dividend for the fiscal year 2017 in accordance with the Article No.37 of the Articles of Association and within the scope of Capital Markets Board's Communiqué No.II-19.1 dated January 23, 2014 for advance dividends.
- 13. Discussion and approval of set off of the Dividend Advances to be distributed so, from any distributable resources as given in the annual financial situation statement for the fiscal year 2017, if no sufficient profits are realized or even losses are suffered at the end of the fiscal year 2017;
- 14. Authorization of the Board Members to engage in businesses mentioned in Articles 395 and 396 of the Turkish Code of Commerce and in compliance with the Corporate Governance Principles, informing the General Assembly on any businesses engaged in and performed by the same within such framework during the fiscal year 2016;
- 15. Requests and recommendations.

# Board of Directors

# **Executive Committee**

























Member of the

**Executive Committee** 





ENKA Annual Report 2016 | 09 08 | ENKA Annual Report 2016



# Chairman's Message

Dear Shareholders.

On behalf of the Board of Directors of ENKA İnşaat ve Sanayi A.Ş., we would like to extend to you our deepest respects, and to thank you for attending the Annual General Meeting, at which we gather to share our activities in 2016 and our expectations for 2017.

As of the end of 2016, ENKA's equity amounted to 5.7 billion US Dollars, its net cash position to 2.9 billion US Dollars, its consolidated turnover to 3.5 billion US Dollars, and its consolidated net profit close to 590 million US Dollars.

As in previous years, the sectors on which ENKA focused were engineering and construction, power generation, real estate investment and management as well as trading.

While growth continued to be a major problem throughout the World, oil prices picked up compared to the previous year. In the field of construction and engineering, in the regions in which we are active, we were therefore able to conclude a more positive year. Similarly, we are able to take a more positive view of 2017 and subsequent years, especially when we take into account the favourable developments in the projects that we are monitoring.

The turnover of the engineering and construction sector was almost unchanged by comparison with the previous year at around 1.5 billion US Dollars.

New projects undertaken in 2016 include two natural gas combined cycle power plants in Iraq, a medical centre for Rosneft in Russia, US embassy buildings in Sri Lanka, Saudi Arabia and India, and construction works on islands in the Kashagan region of Kazakhstan. Together with the projects undertaken by the group companies, ENKA's total share in new projects undertaken last year exceeds 1.3 billion US Dollars.

A positive development took place in the construction sector at the beginning of 2017. We have won the bid which we submitted together with Clean Energy Group of Norway for the Namakhvani Project in Georgia, a hydroelectric power plant with a total capacity of 433 MW to be constructed under the Build-Own-Operate model. The construction of the project, which will be carried out entirely by ENKA, will commence in 2018. The approximate contract value of the project will be in the range of 650 million US Dollars. In addition, a new US embassy project has been undertaken in Paraguay, in which ENKA's share is 83 million US Dollars.

With respect to energy generation, ENKA is Turkey's largest private sector electrical power generator. With its wholly-owned natural gas combined cycle power plants in Gebze, Adapazarı and İzmir, operated under the Build-Operate model with a total installed capacity of 3,854 MW, it is able to meet approximately 12% of Turkey's annual electricity needs. In 2016, the contribution of our energy segment to the consolidated turnover was 1.6 billion US Dollars. In the context of our efforts to carry out investments in energy, we are very excited by the Namakhvani Project which I referred above. Once the construction of this project has been completed, in which we will have ownership as investors, we will be creating revenue for our energy segment outside Turkey for the first time.

In the real estate sector, from which we derived revenues of 319 million US Dollars last year, we continue to invest in and manage Class A office buildings and shopping malls through our company established in Russia. In this segment, as of the end of the year, we owned approximately 370 thousand square metres of net rentable Class A office space, all of it in Moscow, a hotel, and shopping malls, all but one of them in Moscow, with a total rentable area of approximately 280 thousand square metres. In all the office buildings which we manage, we are host to some of the world's foremost international companies. Besides the fact that the name ENKA has become synonymous with quality, our success in the development and management of real estate has been compounded by our company's record of fulfilling all its promises without fail. The fact that we do not finance the investments which we carry out in this sector through debt, but make use of the revenues which we earn, is the prime characteristic that distinguishes us from other real estate investment companies. Among the large-scale investments which we are making in this segment, the reconstruction of the Kashirskaya Shopping Centre in Moscow is currently under way. Following the completion of this project, a start will be made on the reconstruction of the Maryina Roscha mall.

In terms of commercial activities, a turnover of 246 million US Dollars was achieved in 2016 under the leadership of ENKA Marketing, which trades in reliable global brands in the areas of construction equipment, heavy vehicles, agricultural machinery and industrial products.

The most important factor in our success at ENKA is our ability to perform our work on time and in line with the highest quality standards. Without sacrificing any of our criteria, we will continue to grow in the sectors on which we are focused, as far as conditions allow.

I would like to wish all our esteemed shareholders the best of health, happiness and success in 2017.

#### SINAN TARA

Chairman of the Board of Directors 24 February 2017

# ENKA İzmit Bay Crossing Suspension Bridge, Turkey **Engineering & Construction** Power Real Estate Trade Social Activities ENKA Annual Report 2016 | 13

# Engineering & Construction

Oil, Gas & Petrochemicals
Power Plants
Infrastructure
Civil Works
Group Companies



Development of Tengiz Oil Field, Kazakhstan

# OIL, GAS & PETROCHEMICALS

West Qurna I (WQI) Initial Oil Train Facility (IOT), Basrah, Iraq

South Caucasus Pipeline Expansion,

Crude Shipment Capacity New Tank Farm Project, Kazakhstan

Future Growth Project - Multi-Well Pads Civil Installation Works, Kazakhstan

Tengiz Base Business Works, Kazakhstan

Civil Works, Dredging and Backfilling Works Near A and D Islands in Kashagan Area of Caspian Sea, Kazakhstan

> Cargo Transportation Route Channel Dredging Works, Kazakhstan

Early Works, Site Preparartion, Loadin, Installation, Hook-up, Mechanical Completion, Pre-Commissioning and Commissioning of Topsides for EPC-3 Island in Kashagan Area of Caspian Sea, Kazakhstan







| ENKA Faailyet Raporu

# West Qurna I (WQI) Initial Oil Train Facility (IOT) Project



"ONE OF THE LARGEST OILFIELDS IN IRAQ WITH AN ESTIMATED 43 BILLION BARRELS OF RECOVERABLE RESERVES"

LOCATION: West Qurna 1 Oil Field, Basrah, Iraq

OWNER / CLIENT: ExxonMobil Iraq Limited

PROJECT DURATION: Aug 2015 – Oct 2017



In July 2015, ENKA was awarded a contract by Exxon-Mobil Iraq Limited (EMIL) for the construction of a new oil processing facility to increase production at EMIL's West Qurna 1 Oil Field in Iraq. The contract price is USD 200 million, and ENKA's share is USD 104 million.

ENKA and its partner are supplying front-end engineering design (FEED), detailed design engineering, procurement, fabrication, construction, commissioning and start-up services. The new facility will be capable of producing an annual average of 100,000 stock tank barrels of crude oil per day. It is to be constructed adjacent to the existing degassing station facility DS8. The final customer is the South Oil Company (SOC) of Iraq.

The facility, located in the province of Al Basrah, is designed to process full well stream fluids from the production wellhead area and separate them into associated gas, untreated produced water and stable product crude for export. The contract requires maximum possible modularization of the facility in due consideration of the logistics constraints.

ENKA is fabricating the pipe rack modules of the facility through its subsidiary ÇİMTAŞ. The supply, fabrication, testing and trial assembly works are to be performed at the ÇİMTAŞ Module and Shipyard Facilities in Gölcük (Kocaeli, Turkey) and shipped to site directly from there.

As of the end of 2016, 23% of the engineering, design, procurement, construction and fabrication works had been completed. The design-engineering works were on the point of finalization.

The project milestone, "90% detailed design review", is due to be reached in February 2017. Meanwhile, site mobilization started in the first quarter of 2016 and construction activities commenced shortly afterwards.

The project has involved 280 personnel and as of the end of 2016, 390,000 man-hours had been worked without lost time incident (LTI).

At its peak, the project will involve 1,000 personnel working in Iraq. By the time of its completion, planned for October 2017, three million man-hours will have been worked.

Compressor Station Georgia 1 (CSG-1)

Compressor Station Georgia 2 (CSG-2) & Access Road (15 km)

AREA 81 - Pressure Reduction & Metering Station

# South Caucasus Pipeline Expansion Project



"WILL TRIPLE THE GAS VOLUMES
EXPORTED THROUGH THE PIPELINE
TO OVER 20 BILLION CUBIC METRES
PER YEAR"

LOCATION:

OWNER / CLIENT:
South Caucasus Pipeline
Company (SCP Co.)
(a Consortium between BP
(Technical Operator), SOCAR,
TPAO, Petronas, Lukoil, and
NICO)

PROJECT DURATION: Feb 2014 - Mar 2018 The South Caucasus Pipeline Expansion (SCPX) Project is designed to increase the capacity of the South Caucasus Pipeline System. The existing 690 km pipeline, which transports gas from the Sangachal terminal in Azerbaijan to markets in Georgia and Turkey, is 42" in diameter and has a system design capacity of 7.4 bcma. The expansion will increase the capacity of the system by approximately 16 bcma. The work involves laying a new 48" pipeline and connecting it to the Trans Anatolian Natural Gas Pipeline (TANAP).

A joint venture between ENKA and Bechtel (BEJV) was awarded the SCPX Early Works and Facilities contract on 7 February 2014. The client, the South Caucasus Pipeline Company (SCP), is an international consortium owned by British Petroleum-United Kingdom (28.8%), TPAO-Turkey (19%), SOCAR-Azerbaijan (16.7%), Petronas -Malaysia (15.5%), Lukoil-Russia (10%) and NICO-Iran (10%).

Under the contract, BEJV is responsible for all related early civil works and for the construction of two compressor stations and a pressure reduction and metering station at three different locations within Georgia.

The early works include the construction of a 15 km access road between the existing Millennium Highway and the second compressor station, CSG-2. The current contract value is USD 609 million, and the project is planned to be completed on 1 March 2018.

The year 2016 was the peak year for the SCPX Project in terms of both workforce employed and progress achieved. Work proceeded simultaneously at all three sites. As of the end of the year, the project had been under way for 1,059 days, and 7 million man-hours had been worked without lost time incident (LTI). BEJV has contributed to Georgian society and the Georgian economy by employing a total of 3,500 personnel of whom 70% were Georgian nationals.











## Compressor Station Georgia 1 (CSG-1)

#### Location: Gardabani, Georgia

Construction works on CSG-1 have continued at full speed. Total manpower for all multi-disciplinary works, reached 1,600 including both day and night shifts. The mechanical completion activities and joint pre-turnover inspections with SCP were started in the last quarter of 2016.

BEJV continued the civil works in 2016, achieving 98% completion of internal road surfacing and land-scaping. The architectural works commenced early in the year, in parallel with the progress made on the structural steel installations. Insulated cladding panel installation was followed by work on walls, doors, windows, painting, plastering and other elements. The architectural works are now 90% complete, with only some of the cladding and internal acoustic insulation of the compressor buildings still outstanding.

With respect to heating, ventilation and air conditioning (HVAC), all units have been installed and 95% progress has been achieved including the completed on-site duct fabrication and installation works.

The installation of mechanical and electrical equipment continued throughout 2016. The current rates of progress are 98% and 85% respectively. The related mechanical completion activities are under way. All off-site steel and pipe fabrication works included in the scope of the main contract were completed in 2016.

In addition, all other permanent materials to be supplied by BEJV have been completed successfully and delivered to the site.

The structural steel installation works at the worksite have come to an end and work to complete punch items is ongoing.

With the completion of 27,500 dia inches of welding, progress on the piping works reached 97%. The

hydro testing and reinstatement activities are continuing.

Consequently, work has commenced on the final activity, the heat tracing and insulation of the completed piping.

In 2016, significant progress was made on electrical and instrumentation works. As a result, 35 km of cable trays/ladders (98% of the total) and 720 km of cables (85% of total) have been installed.

Cable termination activities are being carried out simultaneously. Overall, progress on the electrical, instrumentation and telecommunication installation works has reached 80%, and the mechanical completion activities are under way.

The CSG-1 compressor station is due to be handed over in May 2017 following the completion of the mechanical works.



# Compressor Station Georgia 2 (CSG-2) & Access Road (15 km)

#### Location: Tsalka, Georgia

The construction of safe access track to the CSG-2 worksite was completed in 2014 and the construction of temporary camp and permanent facility pads in 2015.

In 2016, BEJV was able to make a rapid start, since the compressor station construction works had commenced earlier than planned in the last quarter of 2015. The amount of concrete poured reached 29,000 m³, or 85% of the total, and civil works realization rate of 73% was achieved.

BEJV completed all the excavation and filling activities for the Access Road in 2016 and commenced asphalting activities, which are now 70% completed.

Due to the early onset of winter, the remaining asphalting work, road markings, approach roads and landscaping are now scheduled for completion in 2017.

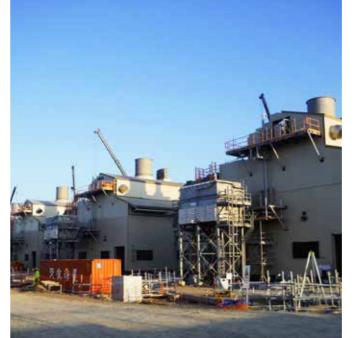
The off-site steel and pipe fabrication works commenced in the first guarter of 2016.

As of the end of 2016, 95% of the 6,000-ton steel fabrication works and 90% of the 2,800-ton spool fabrication works had been completed.

A progress rate of 80% has been achieved in the fabrication of stainless steel HVAC ducts, which is another off-site fabrication activity.

The overall rate of progress on CSG-2 was put at 35%. Work will intensify in 2017, when the level of manpower at the site will reach its peak.

The target date for the completion of the mechanical works for the CSG-2 Compressor Station has been brought forward to the end of 2017. The date stated in the contract is March 2018.



#### AREA 81 – Pressure Reduction & Metering Station

#### Location: Vale, Georgia

BEJV made rapid progress on the permanent facilities of the Area 81 Pressure Reduction and Metering Station in 2016, reaching the peak manpower level of 700 workers, following the early completion of the construction pads in 2015.

The civil works are 95% complete. Only the internal roads and landscaping remain to be completed. The facilities building, the single closed structure at the Area 81 worksite, has been completed structurally and cladded with insulated panels. The architectural works inside the building have commenced and a rate of progress of 73% has been achieved, including HVAC installation works.

All the mechanical equipment installations have been completed. The installation of electrical equipment is proceeding in line with deliveries by SCP. Overall progress on installation works has reached 60%.

The off-site steel and pipe fabrication works have been completed. All the supplies for which BEJV is responsible have been ordered and delivered. Steel installation works at the worksite are 99% complete. Work continues on punch items. The rate of progress on pipe installation works has reached 75% and 97% of the 8,100 dia inches of pipe welding has been completed. Hydro testing and reinstatement activities for the piping works are currently under way.

Overall progress on electrical, instrumentation and telecommunication works has reached 70%. Eight km of cable trays/ladders have been installed (82% of the total) along with 150 km of cable (70% of the total). Cable termination and pipe heat tracing and insulation installation works will be completed in 2017.

The scheduled completion date for the mechanical works falling under BEJV's contract for Area 81 is September 2017, but the target has now been brought forward to May 2017, subject to the delivery of materials by SCP.



Crude Shipment Capacity New Tank Farm Project
Future Growth Project – Multi-Well Pads Civil Installation Works
Tengiz Base Business Works, Kazakhstan

## Development of Tengiz Oil Field



"EXTENSIVE RANGE OF ENGINEERING,
PROCUREMENT AND CONSTRUCTION
SERVICES IN THE WESTERN REGION OF THE
REPUBLIC OF KAZAKHSTAN SINCE 1993"

LOCATION: Tengiz, Republic of Kazakhstan

OWNER / CLIENT: Tengizchevroil (TCO) (a Joint Venture between Chevron, ExxonMobil, LukArco and KazMunayGas, the Kazakh state oil company

#### **CRUDE SHIPMENT CAPACITY PROJECT**

The Crude Shipment Capacity (CSC) Project is being carried out for Tengiz Chevroil Limited (TCO). The total contract value of the project is 394 million US Dollars and ENKA's share is 50%.

The contract awarded to ENKA and Bechtel encompasses the engineering, procurement and construction activities for TCO's Crude Shipment Capacity (CSC) Project. The project will provide additional storage and export capabilities through the addition of new crude oil storage tanks, switching manifolds and export pumps together with all their associated piping systems, utilities and control systems.

#### 1. Greenfield Construction

Both greenfield and brownfield construction works were carried out under the CSC project within the year 2016. With respect to greenfield works, the hydro testing of tank TKO32 was completed and the draining of the water is under way. Sand-blasting and painting inside the tank TKO31 is also continuing. For tank TKO34, the erection, fitting up and welding of the last shell plates including the tank components are ongoing. The erection of tank TKO33 has been completed. In addition to these activities, outstanding tasks for the installation of underground services such as valve boxes, firehydrants, riser protection boxes and underground pipes were near completion as of the end of December 2016. The installation of above-ground piping in the North-South pipe rack and switching manifold is under way in parallel with the spool fabrication and pipe deliveries. The installation of the cable trays on the North-South pipe rack has begun in anticipation of the home run cable pulling from the substation to the TKO31 and TKO32 tank area distribution boards. For the monitoring building, roof trusses, the UPS battery charger and earthing cables are installed and the first power cable pulling activity has commenced. The roof of the instrument air building has been completed and earthing cables have been installed. The pump house civil works have been completed and steel erection is

under way. The RIE building and substation have been positioned, and the installation of access platforms for both is under way. The closed drain sump vessel has been installed.

#### 2. Brownfield Construction

The East-West pipe rack foundations are almost complete along with piping in phase 1 of the North-South pipe rack. Boring activities under the Sarykamys highway have been completed. The construction team continues to set foundations in the East-West cable tray to RIE and MPS. The structural steel activities are due to commence in order to finish the piping in phase 1 of the North-South pipe rack. Work is also about to commence on the extension to the switching manifold foundation. The RIE building has been positioned and work is ongoing on platforms and sidewalks.

By the end of 2016, a total of 3,200 tons of tank erection work had been completed within the scope of the greenfield and brownfield construction works. In addition, 6,300 m³ of concrete had been poured, 163,000 m³ of excavation and 210,000 m³ of backfilling had been completed, 485 tons of structural steel had been erected, 1,390 tons of above-ground piping had been installed, 6,300 meters of underground water piping had been installed, 1,460 tons of pipe spool fabrication had been completed, 26,300 meters of cable had been pulled and 21,800 meters of cable tray had been installed.

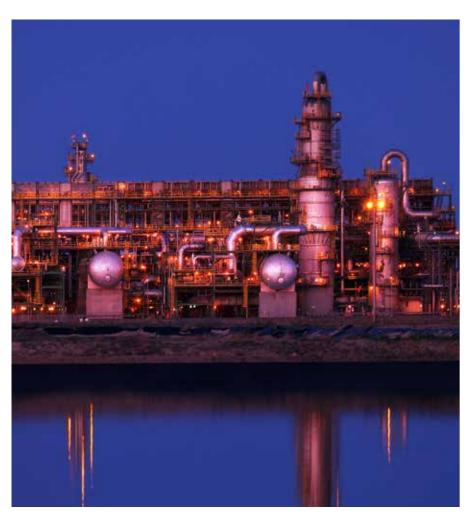
As of the end of 2016, 66% of the greenfield works and 37% of the brownfield works under the project were completed.

The planned completion date of the project (excluding the guarantee period) is August 2017.

The number of employees working on the project reached 1,140 by the end of 2016.

As of the end of 2016, the project had been under way for 895 working days and 4,017,337 man-hours had been worked without lost time incident (LTI).







## FGP MULTI-WELL PADS CIVIL INSTALLATION

The total contract value of the project is 71 million US Dollars. The share of the ENKA-Bechtel amounts to 51 million US Dollars.

The work to be carried out under the project includes site preparation, piling and civil works for the production of well pads WP 52-1, WP 52-2, WP 53-1, WP 53-2 and WP 54-1, for metering stations MS 52, MS 53 and MS 31, and for a 110/35kV substation, a 35/6kV substation, the central field manifold, the field operations office and the main manifold areas.

Works carried out under the project within the year 2016 included road construction, worksite clearing and grubbing, site preparation, excavation, installation of grounding, construction of wellhead cellars, pile driving, pile testing and cropping, construction of pile



cap and pre-cast foundations, construction of emergency flare pits, construction of reserve and technical water pits, and the construction of an HDPE technical water line.

By the end of 2016, 30,000 m³ of excavation, 70,000 m³ of 1B(t) sand backfilling and 20,000 m³ of 6F(d) mixed gravel backfilling had been completed, 2,885 m of HDPE pipeline had been installed, 1,900 m³ of structural concrete had been poured, 1,520 concrete piles had been driven and 3,500 m of gravel roads had been completed.

The completion rate of the project as of the end of 2016 was 30%.

The planned completion of the project is April 2019.

The number of employees working on the project reached 422 by the end of 2016.

As of the end of 2016, the project had been under way for 439 working days and 884,065 manhours had been worked without lost time incident (LTI).





The total contract value of the project is USD 175 million, and the share of ENKA is 50%.

The work to be carried out under the project includes: engineering; procurement; construction works such as civil works, structural works, piping, pipeline-laying and mechanical, electrical and instrumentation works; and maintenance of the client's oil and gas processing facilities

The works carried out under the project within the year 2016 included the following:

KTL Seasonal Gap Reduction (SGR)

- Piling, foundations and underground services;
- Piping prefabrication, testing and painting works;
- Mechanical installation, structural steel, piping, and electrical and instrumentation works;
- Drain hub and piping installation works at KTL 1 & 2;
- Civil and structural works associated with power and water supply;

Second Generation Enhancement (SGE)

 SGP PU-760 civil, piping and electrical and instrumentation works;



- SGP U200 pump house piping, structural, HVAC and electrical and instrumentation works;
- Chemical dozing building and boiler pump house civil, structural and HVAC works;
- PU-760, U200 and EA-206 turnaround works;

Facilities Engineering (FE)

- SGP U300 piping metallurgy upgrade, pipe prefabrication and turnaround works;
- · Field new flow line and hook-up works;
- · Field pipeline repair works;

Turnaround Special Projects (TASP)

Field and SGI and SGP 2016 turnaround works;

Water Handling Upgrade (WHU)

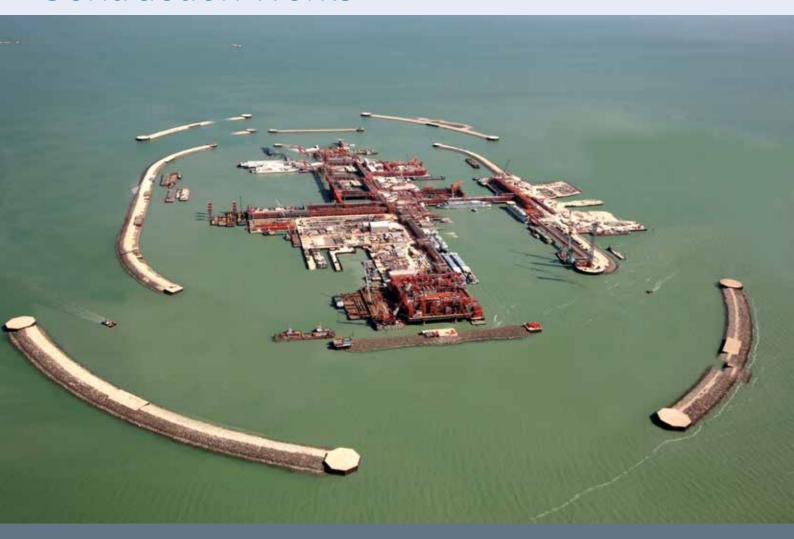
• Structural, architectural, electrical and instrumentation, piping and mechanical works.

As of the end of 2016, the project was 92% complete. The planned completion date of the project is December 2017. The number of employees working on the project reached 1,420.

As of the end of 2016, the project had been under way for 439 working days and 7,652,346 man-hours had been worked without lost time incident (LTI).

Civil Works, Dredging and Backfilling Works Near A and D Islands
Cargo Transportation Route Channel Dredging Works – Subcontract Works
Early Works, Site Preparartion, Load-in, Installation, Hook-up, Mechanical
Completion, Pre-Commissioning and Commissioning of Topsides for EPC-3

# Kashagan Offshore Civil Contruction Works



"THE DEVELOPMENT OF KASHAGAN, IN THE HARSH OFFSHORE ENVIRONMENT OF THE NORTHERN PART OF THE CASPIAN SEA"

LOCATION: Kashagan, North Caspian Sea, Kazakhstan Civil Works, Dredging and Backfilling Works Near A and D Islands in Kashagan Area of Caspian Sea

Client: ERSAI Caspian Contractor LLC

• Contract no: 1037071

Contract amount: 36 million US Dollars

Project duration: April 2015 - September 2016

Contract no: 1103298

Contract amount: 34 million US Dollars

Project duration: March 2016 - September 2016



ENKA signed the contracts (no: 1037071 and 1103298) with ERSAI for civil works, dredging and backfilling works near A and D Islands in Kashagan Area of Caspian Sea.

Within the scope of the contracts, ENKA has undertaken excavation and backfilling works, sheet pile and tubular pile installation and removal, precast installation, in-situ concreting activities and various civil works. ENKA has also undertaken sea-bed trench excavation and sea bottom backfilling work in connection with pipeline-laying.

ENKA provided all the equipment, marine vessels, personnel and materials required for the execution of the works excluding their design.

The development of the Kashagan Oil Field was completed in 2013 but the first attempt to extract oil failed due to leakage from cracks on the available pipelines.

The North Caspian Operating Company (NCOC) N.V., the consortium responsible for operating the field, decided to install two additional pipelines instead of repairing the existing ones.

The pipeline replacement project is going ahead on both onshore and offshore sites. ERSAI is the main contractor and has been responsible for the design and installation of the new pipelines since late 2014.

ENKA undertook to execute civil works and offshore dredging works on D-Island, which is the main hub for the offshore production stage, and A-island, in preparation for the installation of new pipeline between these two islands. ENKA was also responsible for the excavation of a trench on the sea bottom for the laying of the pipeline, and for its backfilling.

- Contract no: 1037071: ENKA achieved 795,250 man-hours without lost time incident (LTI).
- Contract no: 1103298: ENKA achieved 369,478 man-hours without lost time incident (LTI).









Cargo Transportation Route Channel Dredging Works - Subcontract Works

Client: Van Oord Dredging and Marine Contractors Kazakhstan Branch

Contract no: CaTRo-EN-VO-001

Contract amount: 68 million US Dollars

ENKA was awarded this contract by Van Oord on 1 October 2014. It involves the execution of subcontracting works for Van Oord in the context of their dredging activities for Tengiz Servis LLP/Chevron.

Within the scope of this project, Van Oord is dredging a channel below sea level to facilitate marine logistic support for Chevron's future growth projects on the Tengiz Oil Field.

ENKA's responsibilities under the contract consist of vessel chartering, provision of office/accommodation premises and equipment support to Van Oord.

In addition, ENKA will supply and install offshore mooring structures under the contract, which requires extensive know-how in the area of offshore construction works.

Chevron is successfully producing oil from the Tengiz field, which is located on the Caspian shore of Kazakhstan. Its Future Growth Project aims to double the rate of production.

The Cargo Transportation Route Channel Project will serve as a route for transporting pre-fabricated pipe rack modules for use in the construction works of the Future Growth Project. Once these construction works are over, it will become a trade point.

The subcontract and the related works commenced on 1 October 2014 and the planned completion date is 1 October 2017.

As of 31 December 2016, the overall rate of progress for the contract was 65% and the number of personnel working offshore directly related to the project was 132. ENKA achieved 1,072,436 man-hours without Lost Time Incident (LTI) until the end of 2016.



Early Works, Site Preparation, Load-in, Installation, Hook-up, Mechanical Completion, Pre-Commissioning and Commissioning of Topsides for EPC-3 Island in Kashagan Area of Caspian Sea

Client: NCOC (North Caspian Operating Company) N.V.

Contract no: NCOC N.V. / 2016-0001
Contract amount: 56 million US Dollars

The ENKA-MSS joint venture was awarded the contract by NCOC in May 2016. It involves the execution of civil, mechanical, electrical, pre-commissioning and commissioning works on EPC-3 Island in the Kashagan area of the Caspian Sea.

Within the scope of the contract, ENKA-MSS JV has been carrying out survey work, precast and in-situ concrete works, excavation and backfilling activities, the load-in and installation of major equipment provided by the client, and mechanical completion, electrical, pre-commissioning and commissioning works.

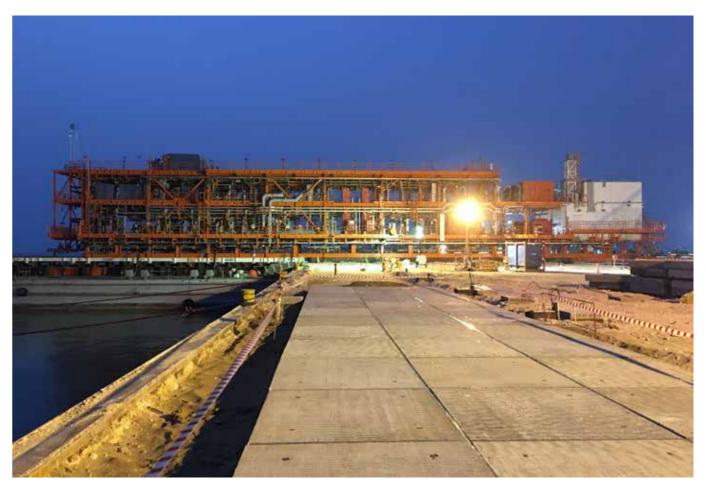
ENKA-MSS JV provides all the construction equipment, marine vessels, personnel and materials necessary for the execution of the works excluding their design. However, some project materials such as production modules and pumps, and some marine vessels including an accommodation vessel and transportation barges are provided by the client.

EPC-3 Island was constructed by ENKA in 2007 for the client's drilling activities. At the beginning of 2016, ENKA-MSS JV signed a contract with the client for re-configuration works. Once the works under this contract are completed, it will be possible to use EPC-3 Island as a production island and this island will be connected to the main production and processing center, D-Island, which is also known as Hub-1.

ENKA-MSS JV started the activities under this contract in May 2016. The planned completion date is January 2017.

As of 31 December 2016, the overall rate of progress for the contract was 98% and the number of personnel who worked directly on the project was 203.

ENKA achieved 631,514 man-hours without Lost Time Incident (LTI) up to 31 December 2016.





# Besmaya Combined Cycle Power Plant Project



"FIRST IPP PROJECT IN CENTRAL IRAQ"

"DESIGNED AS A WORLD-CLASS POWER GENERATION FACILITY UTILIZING THE LATEST TECHNOLOGY IN THE MARKET" LOCATION: Baghdad, Iraq

OWNER / CLIENT: Mass Group Holding Ltd.

> PROJECT DURATION: Oct 2014 – Oct 2017

The Baghdad Combined Cycle Electrical Power Station (Besmaya) Project was undertaken by ENKA on a "Lump Sum Turn Key EPC" basis under a contract signed between ENKA and Mass Group Holding Ltd. in the last quarter of 2014.

ENKA's responsibilities under this contract include engineering, procurement, fabrication, transport and logistics, construction, erection, installation, commissioning, start-up and testing works for the whole power plant, as well as the training of operating and maintenance personnel and the provision of technical support for the operation of the plant.

Located 25 km southeast of Baghdad, the Besmaya Power Plant is designed as a duel fuel-fired combined cycle plant with a nominal capacity of 1,500 MW.

The simple cycle part of the plant consists of four GE 9FA series gas turbines, each nominally rated 250

MW, together with all auxiliaries and associated plant equipment. The combined cycle part of the plant consists of four heat recovery steam generators (HRSG) with surface-type condensers, two steam turbine generators (STG), each nominally rated 250 MW, two wet type mechanical draft cooling towers and all the requisite equipment and systems for a safe, reliable and efficient combined cycle power generating facility.

The plant is being commissioned and put into operation in two phases. In the first phase, both blocks of gas turbine generators (4x250 MW) are to be commissioned and run in simple cycle mode, and are to be commercially operational by February 2017, generating electrical power for

the grid at a nominal capacity of 1,000 MW. Eight months later, in October 2017, the installed capacity will be increased to 1,500 MW through the completion and commissioning of the steam cycle, which constitutes the second phase.







As of the end of 2016, a total of 3,000 people, 400 staff and 2,600 laborers, were working on the Besmaya project. The design, engineering and procurement activities are substantially complete, with a rate of progress of approximately 99%.

Most of the civil construction works have been completed with the exception of some landscaping, architectural finishing works and general works, and some secondary buildings. The mechanical and electrical installation works for the gas and liquid fuel systems have been completed. The erection works for all the fuel and water storage tanks have also been completed.

All the mechanical and electrical installation and commissioning works related to Block-1 (the simple cycle) have been completed, and gas turbines 1 and 2 have been fired. Operational start-up and testing works for commercial operation are under way. Gas turbines 3 and 4, related to Block-2, are being prepared for first fire through the completion of the mechanical and electrical erection and commissioning activities in line with their priorities. Work is continuing on the erection of the Block 1 and Block 2 steam turbines, HRSGs and cooling towers.

A total of 74,000 m³ of concrete has been poured, 9,850 tons of structural steel and 3,300 tons of storage tank have been erected, 70,000 weld diameter inches of pipe welding has been carried out and 730,000 linear meters of cable has been pulled.

The overall rates of progress are 94% for all the EPC activities and 89% for the construction works.



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# Bazyan Simple Cycle Power Plant Project



"UTILIZATION OF MULTI-FUEL WITH NATURAL GAS AS THE PRIMARY FUEL AND LIGHT FUEL OIL AS THE BACK-UP FUEL" LOCATION: Sulaymaniyah, Northen Iraq

> OWNER / CLIENT: Qaiwan Group

PROJECT DURATION: Sep 2014 - Mar 2016 ENKA was awarded the contract for the construction of the Bazyan 500 MW Simple Cycle Power Plant on a Turn Key EPC basis by the Qaiwan Group on 28 August 2014. The project occupies a greenfield site in the province of Sulaymaniyah in the Kurdistan Autonomous Region of Iraq.

The works envisaged in the contract encompassed the design and engineering, procurement, construction, commissioning and testing of a simple cycle power plant with a capacity of 500 MW. The plant consists of four GE gas turbine generators, bypass stacks, a fuel conditioning system, a 132 kV switchyard and necessary auxiliaries, and provides expansion capability.

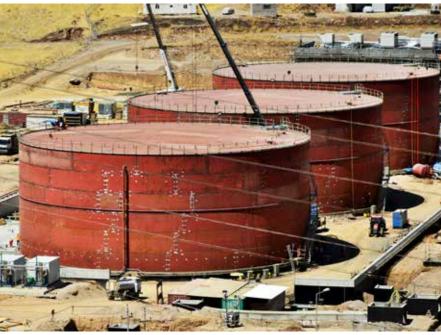
Performance tests, classroom training of

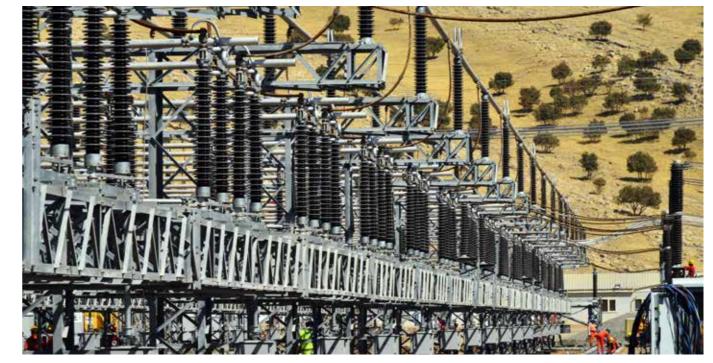
operating and maintenance (O&M) personnel and the preparation of integrated O&M manuals were also within ENKA's scope. The facility is designed for baseload operations with an efficient operating life of 25-30 years. It is designed to work with natural gas as the primary fuel source and light fuel oil as backup fuel. A 15-day supply of fuel oil (47,000 m³) can be stored on site.

The ENKA workforce reached 1,180 employees at peak periods of work on the project.

The project was completed in March 2016. A total of 3.5 million man-hours were worked without lost time incident (LTI).







# Sulaymaniyah Combined Cycle Power Plant Project



"3,000,000 WORKHOURS WITHOUT A LOST TIME INCIDENT"

LOCATION: Sulaymaniyah, Northen Iraq

OWNER / CLIENT: Mass Group Holding Ltd.

> PROJECT DURATION: Jul 2013 - Jul 2016

ENKA was awarded a contract by Mass Group Holding Ltd. (MGH) to convert an existing power plant in northern Iraq from simple cycle technology to combined cycle technology. The plant is situated 40 kilometers south of the city of Sulaymaniyah.

The existing simple cycle plant was developed by MGH using eight GE-9E gas turbines with a total capacity of 1,000 MW. Two GE steam turbines were used to convert the plant into a combined cycle power plant with additional capacity of 500 MW.

The major areas of work envisaged in the contract were the design, procurement, installation, start-up and commissioning of eight heat recovery steam generators (HRSG), two steam turbine generators (STG) each nominally rated 250 MW, two generator step-up transformers (GSU) and all other equipment needed to convert the simple cycle plant into a 4x4x1, two block configuration combined cycle plant, together with all related civil works and erection works.

In addition to these works, the contract called for a demonstration of parallel operation for the grid at the required net output level. ENKA was also responsible for performance tests, classroom training of the operating and maintenance (O&M) personnel, and the preparation of integrated O&M manuals. The facility is designed for baseload operations with an efficient operating life of 30 years.

The simple cycle power plant was designed to work with natural gas as the primary fuel, and diesel as the secondary fuel source. While converting the plant to combined cycle technology, all the necessary arrangements were made accordingly.











The Sulaymaniyah Combined Cycle Power Plant is capable of any combination of baseload operation throughout the service life period for which it was designed.

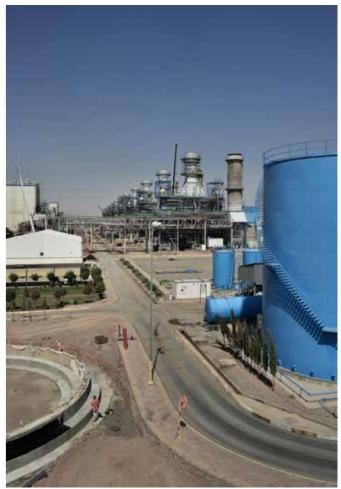
A direct air cooled condenser (ACC) system is used for the cooling system, which consists of two blocks each with approximately 40 cells. The scope of works under the contract also included a 400kV AIS switchyard for which the interconnection point would be a dead-end structure to be erected by the Ministry of Electricity.

The project started on 15 July 2013 and the first structural concrete was poured on 14 September 2013. By the end of 2015, 98% of the construction and erection works had been completed, and testing and commissioning works had commenced.

As of May 2016, the number of man-hours worked on the Sulaymaniyah Combined Cycle Power Plant reached 3,005,866 without lost time incident (LTI).

During the peak periods of work on the project, the workforce reached 1,245 employees. ENKA also provided operating and maintenance training to Mass Group personnel.

The provisional acceptance of the project went ahead on 27 July 2016.





# Erbil Combined Cycle Power Plant Project



"FIRST CONVERSION PROJECT FROM SIMPLE CYCLE TO COMBINED CYCLE IN IRAQ" LOCATION:

OWNER / CLIENT: Mass Group Holding Ltd.

> PROJECT DURATION: Apr 2012 - Oct 2015

ENKA was awarded a contract by Mass Group Holding Ltd. (MGH) to convert the existing power plant, 20 kilometers south of the city of Erbil in Iraq from simple cycle to combined cycle technology.

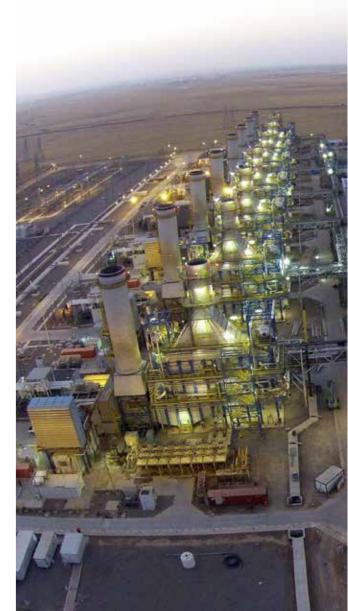
The existing simple cycle plant was developed by MGH using eight GE-9E gas turbines with a total capacity of 1,000 MW. Two GE steam turbines were used to convert the plant into a combined cycle power plant with additional capacity of 500 MW.

The major areas of work envisaged in the contract were the design and engineering, procurement, installation, start-up and commissioning of eight heat recovery steam generators (HRSG), two steam turbine generators (STG) each nominally rated 250 MW, two generator step-up transformers (GSU) and all other equipment needed to convert the simple cycle plant into a 4x4x1, two-block configuration combined cycle plant, together with all related civil works and erection works.

In addition to these works, the contract called for a demonstration of parallel operation for the grid at the required net output level. ENKA was also responsible for performance tests, classroom training of the operating and maintenance (O&M) personnel and the preparation of integrated O&M manuals.

The facility is designed for baseload operations with an efficient operating life of 30 years.

The existing simple cycle power plant was designed to work with natural gas as the primary fuel source and diesel as the secondary fuel source. While converting the plant to combined cycle technology, all the necessary arrangements were made accordingly.







The Erbil Combined Cycle Power Plant is capable of any combination of baseload operation throughout the service life period for which it was designed.

A direct air cooled condenser (ACC) system is used for the cooling system, which consists of two blocks, each with approximately 40 cells. The scope of works under the contract also included a 400 kV AIS switchyard for which the interconnection point is a dead-end structure erected by the Ministry of Electricity.

The workforce reached 2,100 employees during the peak periods of work on the project. ENKA also provided operating and maintenance training to Mass Group personnel.

The project commenced in April 2012 and was successfully completed in October 2015.

The project was the first simple-cycle-to-combined-cycle conversion project in Iraq. The plant also became the country's first synchronized combined cycle power plant.

At the time of its completion, the plant was the largest in Iraq. With its output of 1,500 MW, the plant met approximately 25% of the demand for power in the Kurdistan Autonomous Region of Iraq.









# Pristina - Hani i Elezit Motorway Project (Route 6)



"A PART OF THE SOUTH – EAST EUROPE CORE ROAD NETWORK"

LOCATION: Prishtine – Hani I Elezit, Kosovo

OWNER / CLIENT: Ministry of Infrastructure of the Government of Kosovo

> PROJECT DURATION: July 2014- Dec 2018

The contract for the Pristina-Hani i Elezit Motorway was signed between the Bechtel-ENKA General Partnership (BEGP) and the Ministry of Infrastructure of the Government of Kosovo in July 2014. The contract is an EPC contract and BEGP is responsible for the engineering, procurement and construction of the overall project. It is BEGP's second project in Kosovo.

The motorway project is part of the South-East Europe Core Road Network, in which it is referred to as Route 6. The project will cross Kosovo from north to south, linking to Pristina in the north and stretching south as far as Hani i Elezit on the border with Macedonia. The motorway is expected to have significant strategic and economic benefits. Kosovo will be connected to Skopje and will have access to Corridor 10, facilitating its trade with the rest of the world. The economic benefits will not be limited to Kosovo. The motorway is part of a European network of roads and is expected to contribute to economic integration throughout the region.

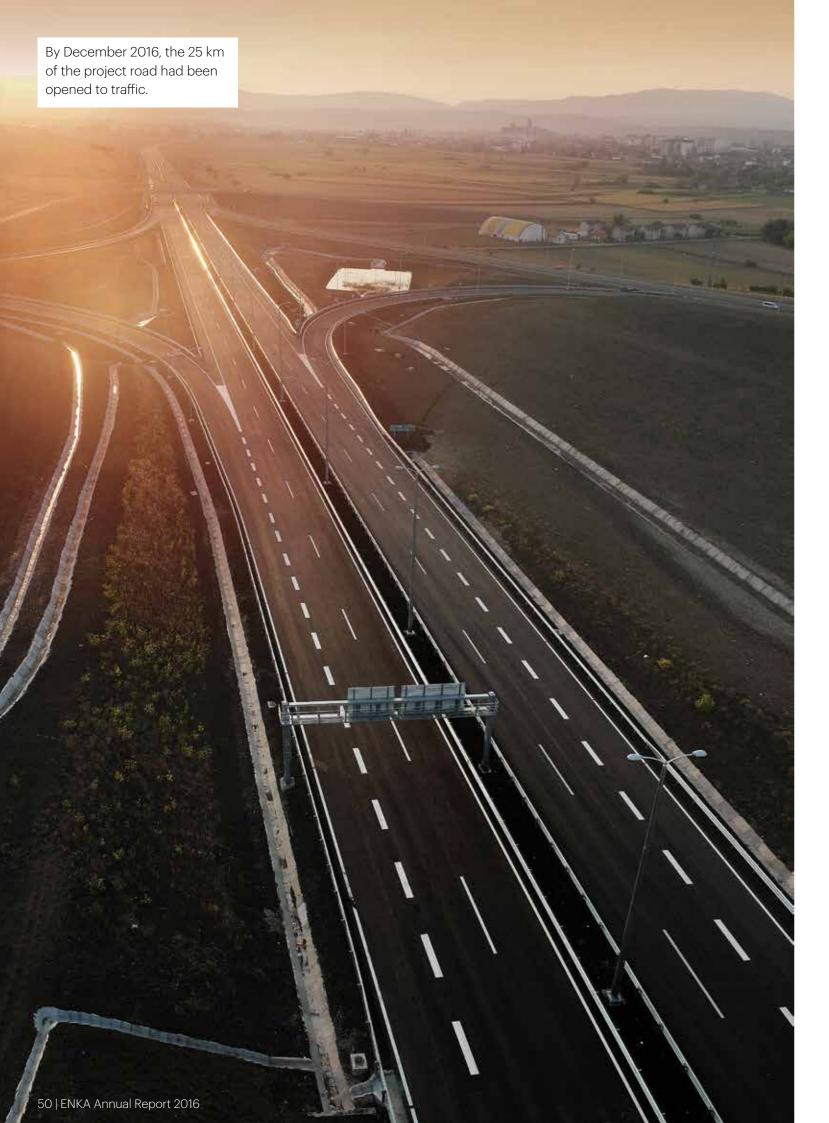
The contract has a value of EUR 608 million. ENKA and Bechtel have equal shares. The project is to be completed by December 2018.

The project envisages the construction of 65 km of 2x2-lane motorway, designed in three stages. The first two stages of the motorway have a platform width of 27.5 meters in fill sections and 29.0 meters in cut sections. For the third stage, which is located in a mountainous region, the platform width is reduced to 25.5 meters in fill sections and 27.3 meters in cut sections, and climbing lanes are provided as necessary. The motorway has been designed in accordance with Trans-European Motorway (TEM) standards as well as Croatian standards, and construction works are going ahead in accordance with the 2011 general technical requirements (GTR) of the Croatian Road Authority.











The project includes eight interchanges and junctions with 21 overpasses and 15 underpasses, 20 bridges, two service areas and one maintenance area. During the course of the project, 20 million m³ of excavation works, 10.7 million m³ of filling works and 375,000 m³ of concrete casting will be carried out, and 820,000 m³ of sub-base and cement mixture base, 620,000 tons of asphalt, and 175,000 meters of guardrail will be put in place.

As of December 2016, 60 km of the 65-kilometer route had been expropriated. The expropriation of the remainder is expected to take place in early 2017. The design works are 71% complete. ENKA is currently concentrating on the design of the last stage of the motorway, which passes through mountainous terrain and constitutes the most challenging part of the project. For this stage, ENKA plans to build 13 bridges with a total length of 3,100 meters, to construct 57,000 m<sup>2</sup> of reinforced soil walls, to implement 122,000 m<sup>2</sup> of slope stabilization, to secure 250,000 meters of anchor bolts and to conduct 5.5 million m<sup>3</sup> of excavation works.

As of December 2016, three bridges, 16 overpasses, 12 underpasses, 146 box and pipe culverts, 8.8 million m³ of total excavation works and 5.8 million m³ of earth and rock fill had been completed, while 135,000 m³ of concrete, 373,000 m³ of sub-base and cement-treated

base (CTB), 275,000 tons of asphalt and 81 km of guardrail had been used. The overall project completion rate is 52%. The number of personnel reached 2,061 at its peak, including citizens of 11 different countries such as Kosovo, Turkey, Albania, Romania, Macedonia and the United States. Citizens of Kosovo made up 78% of the total. The total number of machines is 1,184, and supplementary machinery is used when necessary. There are two camp sites with a combined capacity to accommodate 967 people.

By the end of 2016, over 5.5 million man-hours had been worked. BEGP has provided all the personnel working on the project with training in safety and quality. Due to these training activities, over 3,000,000 man-hours were achieved without lost time incident (LTI). In 2015, 15,472 people received a total of 24,560 hours of training in 57 different skills or aspects of health, safety and environment (HSE).

By December 2016, the construction of 25 km of road had been completed. The first 5 km of the project, including the major Route-6/Route-7 interchange, had already been opened to traffic. The remaining 20 km was fully ready for opening and ENKA was waiting only for the client to announce the opening date.



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## Kashirskaya Multi-Functional Trade Center



AS OF THE END OF 2016, THE PROJECT HAD BEEN UNDER WAY FOR 488 DAYS AND THE NUMBER OF MANHOURS WORKED WITHOUT LOST TIME INCIDENT (LTI) REACHED 4,000,000

LOCATION: Moscow, Russian Federation

OWNER / CLIENT: ENKA TC

PROJECT DURATION: Oct 2015-Aug 2017



The project involves mobilization works, relocation of the existing external utilities, reinforced concrete diaphragm wall construction works, excavation works, the preparation of working drawings, concrete works, steel works, mechanical and electrical works, facade works, the installation of lifts and conveyors, and architectural works.

As of 31 December 2016, the existing building had been disassembled and demolished, and infrastructure works had been carried out including bored piles, jet grout columns and anchors, excavations and sub-base works. Work had commenced on the main reinforced concrete frame structure and 65% of the concrete pouring had been completed.

More specifically, ENKA has achieved: the complete relocation of 10 kV electrical lines and the relocation of all radio transmission lines. The renewal of the Ø1200 water line has also been completed. In addition, 5,549 meters of reinforced concrete piles and 4,032 meters of jet grouted columns are in place, while 14,301 meters of

anchorage placement into the soil has been carried out. The volume of excavation woks completed is 363,668 m³. Since the project commenced, ENKA has used 2,343 tons of cement and poured 87,060 m³ of concrete. It has also completed 14,620 tons of reinforcement processing, 3,170 m² of screed pouring, 65,724 m² of wall and ceiling surface preparation, and 17,448 m² of autoclaved aerated concrete block wall construction.

The completion rate of the project as of the end of 2016 was 23%.

The planned completion date of the project is 8 December 2017.

The number of employees working on the project by the end of 2016 was 1,990.

As of the end of 2016, the project had been under way for 488 days and the number of man-hours worked without lost time incident (LTI) was 4,069,883.



# The US Embassy Projects



RUSSIA
NETHERLANDS
DJIBOUTI
MAURITANIA
TURKMENISTAN
AFGHANISTAN
SRI LANKA
SAUDI ARABIA
INDIA



ENKA has an agreement with Caddell Construction Co. of the USA to provide consultancy and project services in contracts for the construction of US embassy buildings undertaken by the American company. The agreement was reached after ENKA and Caddell collaborated on the construction of the US Consulate building project in Istinye Istanbul, which was completed in 2003.

Under the agreement, ENKA contributed to the completion of US embassy building projects in Cameroon in 2005, Guinea, Mali and Sierra Leone in 2006, Algeria and Nepal in 2007, Bosnia and Herzegovina in 2010, Djibouti in 2011, Burundi in 2012, Equatorial Guinea in 2013 and the Dominican Republic in 2014. A project for Papua New Guinea was cancelled. The client for all these projects is the Bureau of Overseas Construction Operations of the US State Department (OBO).

Further projects were awarded to Caddell Construction Co. for embassy buildings and similar works in Afghanistan (Kabul) in 2010, Russia (Moscow), the Netherlands (the Hague), Mauritania (Nouakchott) and Djibouti (US Navy Camp Lemonnier) in 2013, Turkmenistan (Ashgabat) in 2014, and Sri Lanka (Colombo), India (Hyderabad) and the Kingdom of Saudi Arabia (Dhahran) in 2016. ENKA and Caddell are currently cooperating on these nine projects, which have a total value close to 2 billion US Dollars.

As of the end of 2016, the first phase of the project in Afghanistan is almost complete. For the second phase of the project, concreting works have been completed and the overall rate of progress has reached 55%. It is planned to complete the second phase in the last quarter of 2017.

Meanwhile, the Djibouti project is 99% complete and handover is imminent. The overall rate of progress is 96% for the project in Mauritania, 78% for the project in the Netherlands, and 77% for the project in Russia. As of the last quarter of 2016, punch and accreditation activities were under way in Mauritania and interior finishing and mechanical, electrical and plumbing (MEP) works were continuing in the Netherlands and Russia.

The planned completion dates for these three projects are March 2017, June 2017 and August 2017 respectively.

For the Turkmenistan project, design works and mobilization have been completed and concreting works are under way. The overall rate of progress is 27%. This project is due for completion in July 2018.

Design and mobilization have commenced for the Sri Lanka project, and preparations have begun for mobilization for the Dhahran and Hyderabad projects, which are due for completion in February 2020 and the first quarter of 2021, respectively.

As of the end of 2016, 238 white-collar and 3,126 blue-collar employees were present on the sites.





# ÇİMTAŞ GROUP

Çimtaş Çelik İmalat Montaj ve Tesisat A.Ş. (Çimtaş Steel)



## GLOBAL FABRICATION CAPACITY

In 2016, Çimtaş fabricated a total of 70,000 tons of welded products at its four facilities located in Turkey and one in China.

1973 43 YEARS OF EXPERIENCE 2016



Established in 1973, Çimtaş and its subsidiaries engineer and fabricate pressure vessels, heat recovery steam generators, storage tanks, steel structures, steel bridges, steel wind towers, oil and chemical tankers, floating platforms, powerships, piping systems for power, oil, gas and chemical industries, process skids and modules, turbine auxiliary systems, combustion casings, cold and hot formed pipe fitting components, end covers and liners for gas turbines according to ISO, ASME, AISC, API, LTA and CE requirements.

In 2016, Çimtaş fabricated a total of 70,000 tons of welded products at its four facilities located in Turkey and one in China.

Çimtaş Steel has successfully completed one of its signature projects "İzmit Bay Crossing Suspension Bridge" which is open to traffic since July 2016.

İzmit Bay Crossing Suspension Bridge is the longest suspension bridge in Turkey and 4th longest in the world with a main span of 1,550 m and a total length of 2,682 m.



Çimtaş Steel and Çimtaş Module and Shipyard successfully achieved on time completion of the Project where in total Çimtaş has performed:

- Fabrication of 52,000 tons welded steel as panels.
- Formation and trial assembly of 108 tower and 113 girder blocks.
- Combination of the girder blocks on the ground in pairs, to form so called "Mega Blocks" each with a size of 35 m x 50 m x 5 m.
- Delivery of blocks to erection site by "GMK-1", a 4,400 DWT dynamic positioning vessel built by Çimtaş Module and Shipyard.
- Execution of girder block site welding works.

Cimtaş Steel being the leading steel wind tower manufacturer in Turkey set a new record in 2016 with a fabrication of 22,000 tons of wind towers for Nordex (Germany) and Enercon (Germany).



# Other fabrication projects of Çimtaş Steel in year 2016:

#### 12,000 tons of structural steel for:

Besmaya CCPP Project / Iraq for

**ENKA** 

- SCPX Project / Georgia for Bechtel ENKA JV
- Kashirskaya Multifunctional Shopping Centre Project / Russia for ENKA
- New York Wheel Project / USA for Mammoet-Starneth LLC

#### 1,500 tons of pressure vessels for:

- Saudi Aramco's Jazan Refinery / K.S.A. for Saipem
- Tengiz Oilfield / Kazakhstan for TCO LLP
- West Nile Delta Project / Egypt for Bechtel











Fabrication of the New York Wheel Project's RIM Sections has been started by the 2nd quarter of 2016 and scheduled to be completed by the 3rd quarter of 2017. In addition to RIM Sections, Çimtaş Steel has also been awarded additional scopes of the project which are RIM Reinforcements (temporary supports for erection) and Transport Frames.

Çimtaş Steel has included large scale machined fabrication into its business lines with the new milling and machining investments in 2016.

As a result of these investments, Çimtaş Steel made an agreement with Enercon to manufacture the first 25 sets of wind turbine rotor & stator rings which are large welded and machined units. Following the first order

of 25 sets, the parties have been working on a plan for manufacturing 200 sets annually in the coming years.

Çimtaş Steel has also reached an agreement with GE for supply of exhaust frames of their heavy duty gas turbine systems with an initial order of 5 sets including precision welded steel fabrications with oversize machining processes. In line with its aim to provide integrated solutions to the customers, Çimtaş Steel will also undertake the supply and installation of insulation and stainless steel casing works in 2017.

Çimtaş Steel received two consecutive "Best Partner" awards by Nordex; "Special Recognition" Award from Tekla for the İzmit Bay Crossing Suspension Bridge and two "Export Championship" awards by İstanbul Mineral & Metals Exporters' Association in 2016.



### Çimtaş Boru İmalatları ve Ticaret Ltd. Şti. (Çimtaş Pipe)



Çimtaş Pipe is a market leading Integrated Piping Solutions company providing engineering, procurement, welded fabrication, forming, machining and painting services of LSAW pipes, fittings and pipe spools for the power, process, OEM piping systems to OG&C, Power and Construction projects.

In 2016, Çimtaş Pipe has fabricated and delivered over 26,000 tons of process and power pipe spools to the following projects:

#### Oil & Gas Projects:

- Corpus Christi LNG Train 1-2 / USA
- Sabine Pass LNG Train 5 / USA
- SCPX Pipeline Expansion / Georgia
- West Nile Delta Gas Development / Egypt
- TCO Crude Shipment Capacity / Iraq

#### **Power Plant Projects:**

- Besmaya CCPP (1,500 MW) / Iraq
- Hummel Station CCPP (1,124 MW) / USA
- South Helwan Supercritical (1,950 MW) / Egypt
- Kızıldere 3 Geothermal (95 MW) / Turkey





Over the last 3 years, Çimtaş Pipe has successfully delivered over 46,000 tons pipe spools to Cheniere Energy for Sabine Pass and Corpus Christi LNG Projects in USA, largest LNG facilities worldwide.

For SCPX Pipeline Expansion Project, Çimtaş Pipe has fabricated and delivered total 6,700 tons pipe spools to CSG-1, Area 81 and CSG-2 Plants including Low Temp CS, SS, A707, X65 and X70 metallurgies.

In 2016, Çimtaş Pipe received West Nile Delta Gas Development Project award and started fabrication in the 4th quarter. The fabrication of over 7,000 tons pipe spool is scheduled to be completed by the 3rd quarter 2017

Çimtaş Pipe has successfully delivered 1,300 tons pipe spools for ENKA and further 400 tons of boiler pipe spools for CMI S.A. to Besmaya Combined Cycle Power Plant in Iraq.

Çimtaş Pipe has been awarded with "Critical Piping and Valves" package for South Helwan Supercritical Power Plant Project (3 x 650 MW) in Egypt to provide 3,900 tons Pipe spools, 570 Mechanical and Control Valves, 380 tons Secondary Steel and over 2,600 special Supports. In 2016, Çimtaş Pipe has

successfully delivered 900 tons of pipe spools and supports, 70 pieces of Mechanical & Control Valves on time

Furthermore, Çimtaş Pipe has successfully completed 860 tons pipe spools to Bechtel Hummel Power Plant in USA and fabricated total 1,150 tons P91 pipe spools for all power plant projects in 2016.

Çimtaş Pipe also serves to Petkim and Tüpraş refineries as well as Aksa Chemical Plant engineering services combined with procurement, fabrication and installation as turnkey solutions.



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In 2016, Çimtaş Pipe continued its successful performance on delive-ring gas turbine piping systems for GE Power, as evident by its ability to maintain the fourteen years uninter-rupted preferred partner position, which indicates the sustainable customer confidence and loyalty. High customer satisfaction enables Çimtaş Pipe to keep growing customer base in several different business lines.

Çimtaş Pipe's Fitting manufacturing plant, commercially started production in January 2016, has manufactured and delivered over 2,000 tons, 27,000 pieces pipe fittings of cold and hot formed stainless-carbon-alloy elbows, tees, reducers in a range of ½ to 60 inches as well as special branch connections to its all fabricated projects, where sweepolets and vesselets have been designed by its inhouse engineering group and licensed under CIM-Insert trade name globally.

Çimtaş Pipe's new LSAW Pipe Works, the substantial and recent run of its ongoing investments, will fortify Çimtaş Pipe's 'Integrated Piping Solutions' vision to be the best-in class and preferred partner of the demanding projects



# Çimtaş Precision Machining Industries (Çimtaş Precision Machining)

Çimtaş Precision Machining Industries, is a Çimtaş subsidiary specialized in engineering, procurement and manufacturing with high technology special processes including 5-axis CNC precision machining, Turkey's largest electron beam welding, forming, high temperature vacuum heat treatment and brazing, non-destructive testing, 3D CMM & laser inspection, automated blasting, thermal spray coating and surface treatment on ferrous and non-ferrous alloys for heavy duty gas turbine combustion components such as combustion casings, end-covers and liners.

In 2016, Çimtaş Precision Machining has reached to the highest production ever achived by growing 130% in part deliveries compared to previous year. There are also 6 new part introductions finalized and launched for serial production in addition to the 18 different existing qualifications.

3,500 parts (combustion casings, end covers and liners) have been successfully delivered to GE Power worldwide.

With the introduction of new components, thermal spray coating, plasma welding, CMT robotic applications, hydraulic press forming technologies have been introduced into our manufacturing processes.

GE 7HA.02 outer cap assembly (multiple metallurgies included), 7HA.01.02 combustion casing, 9FA/XD5 end cover, 7 Flex DLN 2.6 end cover and welded turbulated liner qualifications have been successfully completed.



Implementation of continuous efficiency and quality improvements through our robust lean production culture, team members have been doubled with the capacity increase and trained for higher capabilities. After a successful audit performed by BSI in June and December 2016, Çimtaş Precision Machining is now also certified to the AS EN 9100 Quality Management System for aviation, aerospace and defense industries in machining, welded fabrication, electron beam welding, heat treatment under vacuum, and non-destructive testing which is strongly supported and adhered to by OEMs.

As an award winning strategic partner to GE Power, Çimtaş Precision Machining with its high skilled team will continue to grow by expanding its product portfolio through vertically integrated high-speed manufacturing systems with latest technology.



# Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş. (Çimtaş Module and Shipyard)



After the completion of Izmit Bay Bridge Ground Assembly Works, Pipe Rack modularization works for the West Qurna I Initial Oil Train Project are being executed by Çimtaş Module & Shipyard. Under this scope of work, all steel frames of pipe racks and relevant piping systems are fabricated by Çimtaş Module & Shipyard and preassembled as modules, including valves, instrumentation, cable trays etc. Fabrication of the steel frames and pipe spools has been started by the beginning of the 4th quarter of 2016.

The scope of Çimtaş Module and Shipyard covers detailed design, modelling, workshop and erection drawings, supply and fabrication of structural steel, pipes and necessary supports, piping and auxiliary installation works, hydro-test, trial assembly, painting and insulation. The total weight of steel items in West Qurna I Initial Oil Train Project is 1,300 tons of piping works and 350 tons of structural steel.

Çimtaş Module and Shipyard has also completed the fabrication of 3,200 tons structural steel for South Caucasus Pipeline Expansion (SCPX) Project CSG-2 Package in 2016.



# Çimtaş Ningbo Modular Skids & Pipe Spools (Çimtaş Ningbo)



The year 2016 has been a signature year for Çimtaş Ningbo with 30% growth in sales. In 2016, Çimtaş Ningbo successfully delivered 400,000 dia-inch gas and steam turbine piping systems, turbine auxiliary units and quick release flange assembly components, on time, to its customers including:

- GE Power and Water (USA & France)
- GE Energy Services (USA & Hungary)
- GE Oil & Gas (Italy)
- Mitsubishi-Hitachi Power Systems (Japan)
- Fjord Processing Systems (Australia)
- Harbin Electric (China)
- Toshiba Corporation Power Systems (Japan)
- Alstom Wuhan Boiler Group (China)
- BOA (USA)
- Redwolf (USA)

In 2016, Çimtaş Ningbo received the prestigious "Excellence in Customer Centricity" award from GE Power and Water.

Çimtaş Ningbo purchased  $55,000 \, \text{m}^2$  of land in Ningbo to start a greenfield investment. Expected to be operational by the end of year 2018, the new purpose-built factory will feature  $27,000 \, \text{m}^2$  of covered area and state-of-the-art manufacturing facilities.



# ENKA TEKNİK

Genel Müteahhitlik Bakım İşletme Sevk ve İdare A.Ş.



# A STRONG PARTNER FOR ENGINEERED SOLUTIONS

The primary objective of ENKA Teknik is, and has always been to meet customer satisfaction achieved by effective implementation of the ISO 9001 Quality Management System.

2016



Established in 1981, ENKA Teknik has become a partner of preference for turnkey projects involving plant engineering, fabrication, procurement, construction and assembly works and the commissioning and operation of industrial projects. It regularly completes all tasks to the full satisfaction of its clients. Its project management system software, developed entirely in-house, ensures the security and traceability of documents, information and data, and is the main tool used for rapid and accurate decision-making in the projects which ENKA Teknik undertakes.

ENKA Teknik serves clients in Turkey, North Africa, the Middle East and Central Asia, either as main contractor or as a consortium partner, in its main areas of business – namely: energy plants, oil and gas systems, water treatment plants and environmental systems, cement plants, materials handling, processing and storage systems, balance of plant (BoP), and electrical and control systems.

The primary objective of ENKA Teknik is, and has always been, customer satisfaction. This is achieved through effective implementation of the ISO 9001 Quality Management System, and through the "Zero Accident" target which has been set by the management and is



assured by employee implementation of health and safety precautions.

ENKA Teknik makes its services available through its head office in Istanbul, its offices in Libya (Tripoli) and Iraq (Basra), and its offices at project sites. The head office continued its business development activities in 2016 by tracking projects in the company's areas of business and preparing various proposals, which are currently under evaluation by customers.

The Awbari 4x160 MW Gas Turbine Power Plant Project has been carried out under a contract worth 378 million EUR which was signed prior to the Libyan uprising of 2011. The signatories were the General Electricity Company of Libya (GECOL) on the one hand and a consortium of GESCO (a GECOL subsidiary that provides GTG equipment) and ENKA Teknik on the other. ENKA Teknik's share in the consortium was valued at 170 million EUR. Work on the site had to be suspended in 2011 and 2014, at the stages of start-up and commissioning respectively, due to political and civil unrest. Since the end of 2014, the remaining engineering works have been performed and the remaining supplies have been provided. ENKA Teknik has held a series of high-level meetings with GECOL and the Government of Libya in order to establish a road map for the resolution of outstanding issues. A protocol addressing ENKA Teknik's concerns about the project was signed on 30 October 2016.







The Zawia, Derna, Soussa and Zuvara Desalination Plant projects and the Zawia Potable Water Pipeline Project were completed by a consortium of ENKA Teknik and Sidem-Veolia before the Libyan uprising in 2011. The share of ENKA Teknik in this consortium was EUR 145 million. The projects were contracted with the General Electricity Company of Libya (GECOL) and later transferred to the General Desalination Company of Libya (GDCOL). Preliminary and final acceptance of the projects has been pending due to the prevailing conditions in Libya. In the second half of 2016, the client (GDCOL) appointed a committee to consider and finalize issues related to the acceptance and handover of the projects. The project consortium has been in contact with this committee.

The Al Najybia (Basrah, Iraq) 4x125 MW Gas Turbine Power Plant Project is one of the "Mega Deal" projects of the Ministry of Electricity of Iraq. The value of the contract was 237 million US Dollars, while an additional piling works contract amounted to 35 million US Dollars. The whole project was completed and handed over to the client under a certificate of provisional acceptance dated 2 September 2015. The defect liability period ended on 2 September 2016 and procedures are under way for the final acceptance. A total of 4 million direct

man-hours were worked on the project, and 1 million man-hours were recorded without lost time incident (LTI). The works included 119,000 m³ of earthworks, 69 km of driven piling, 102,000 m³ of concrete, 1,600 tons of structural steel, 1,600 tons of piping, 3,600 tons of steel tank manufacturing, 9,400 tons of equipment installation, 858 km of cabling and 70,000 m² of insulation. The covered area of building constructed was 6,638 m².

The PS-1 Crude Oil Pumping Station Project was carried out on the Rumalia Oil Field in Basra, Iraq, under a contract with the Iraqi state-owned South Oil Company (SOC) worth 59 million US Dollars. The work has been completed, temporary acceptance has been achieved, and the project was handed over to the client on 23 April 2016. Since then, the plant has been working continuously. The final acceptance is due to take place after the warranty period ends in April 2017. A total of 721,000 man-hours were worked on the project with an excellent health, safety and environment (HSE) performance. During the works, 5,000 m³ of concrete was poured, 440 tons of structural steel was erected, 770 tons of piping and 390 tons of equipment were installed, 68 km of cable was laid, and 11,800 dia inches of pipe welding was accomplished.



# KASKTAŞ

Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit A.Ş.



PILE FOUNDATIONS, DEEP EXCAVATIONS, GROUND IMPROVEMENT, GROUTING AND GEOTECHNICAL DESIGN

2016



Kasktaş began soil engineering and foundation works as an internal department of ENKA in 1957 and was transformed into a separate company in 1975. It has a total of 422 personnel, including 53 technical and 40 administrative staff, as well as a large and modern machinery park. Its specialist geotechnical machinery and equipment and the extensive experience of its personnel in geotechnical design and all types of soil engineering enable Kasktaş to offer high-quality, economical solutions. It continues to add new machinery and equipment to its fleet in order to meet contemporary requirements in soil engineering.







Kasktaş entered 2016 with twelve ongoing projects and ten additional projects were undertaken during the year. The major projects completed by Kasktaş in 2016 are listed below:

#### **TURKEY**

- Alarko Kabataş NATM, TBM and Switch Shaft Piling
   Riyadh Metro Project Works
- Bomonti Mahall İzmir Project Deep Excavation Works
- Bomonti Mahall İzmir Project Baretta Piles and Bored Piles Works
- Mandarin Oriental Bosphorus Project
- Ferkoline Office and Hotel Project
- Istanbul Strait Road Tube Crossing Project European Side (ETB) Excavation Support System Works
- Istanbul Strait Road Tube Crossing Project Yenikapı Pedestrian Underpass Project
- Istanbul Strait Road Tube Crossing Project Samatya U-Turn Structures Piling Works
- Aliağa Star Refinery Site Preparation Works Terrace 5 & 6, Terrace 7 Anchorage Works and DS1 Anchor Works
- İzmir Aliaga Star Refinery Projects, Reclamation Area and Terrace 63 Piling Works
- Aliağa Star Refinery Site Preparation Works DS1 Soil Nail Works
- TSGI Cofferdam Bracing Options Piling Works

#### SAUDI ARABIA

- Riyadh Metro Project, Line 5, Station 5A2, 5A5, 5A6 and South Shaft (Piling and Anchorage Works)
- Riyadh Metro Project, Line 3, Station 3E6 and Western Stretch (Piling and Anchorage Works)
- Jabal Al Ka'aba Project

#### **RUSSIAN FEDERATION**

- Kashirskaya Multi-Functional Trade Center Project
- · Tobolsk Project
- Mayak Multi-Functional Residence Project

#### **OTHER COUNTRIES**

• Baghdad 1,500 MW Combined Cycle Power Plant -Besmaya Sheet Piling Works











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# TITAŞ

Toprak İnşaat ve Taahhüt A.Ş.



EXCAVATION, BACKFILLING, DRAINAGE, QUARRY & CRUSHER PLANT OPERATIONS

1974 42 YEARS OF EXPERIENCE 2016



Founded in 1974, Titaş draws on its 42 years of experience to perform all kinds of works requiring the integration of modern construction machinery with contemporary technology and teamwork of the highest quality.

Operating both domestically and internationally, Titaş has carried out excavation and backfilling works for highway projects, drainage, quarry and crusher plant operations; municipal domestic water distribution networks and housing waste water networks, energy, communications, natural gas and heating-cooling networks, and infrastructure works on university campuses and embassy complexes — all successfully and within work schedules.

In 2014, Titaş undertook a new project in Georgia, the South Caucasus Pipeline Expansion (SCPX) Early Works and Facilities Project, with infrastructure consisting of a 15-kilometer road and compressor stations. These works involved quarry and crusher plant installation and operation, and asphalt works. Titaş set up a branch office in Georgia for the purposes of this project. Despite the extreme weather conditions prevailing at altitudes of 1,500–2,000 meters, Titaş completed all tasks in line with the client's work schedule.



In 2016, Titaş continued to work for the SCPX project, at the CSG-2 facility, with British Petroleum as the employer. Including updated work quantities, the value of the project is expected to reach over USD 29 million. By the end of the year, 98% of the works envisaged under the contract had been completed. These included the earthworks for the camp, the contractor's temporary laydown area, site platforms and service road works for permanent facilities, the construction of gabion walls, and blasting and drilling operations. More than 90% of the works on the 15.4-kilometer two-lane asphalt access road were also completed.

By the end of 2016, Titaş had carried out 830,000 m² of topsoil removal, 1,100,000 m³ of excavation works and 800,000 m³ of backfilling. The works are expected to be finished in early 2017, provided weather conditions are favorable. In 2016, 376 personnel worked for Titaş. Over a period of 345 working days, 505,993 man-hours were achieved without lost time incident (LTI).

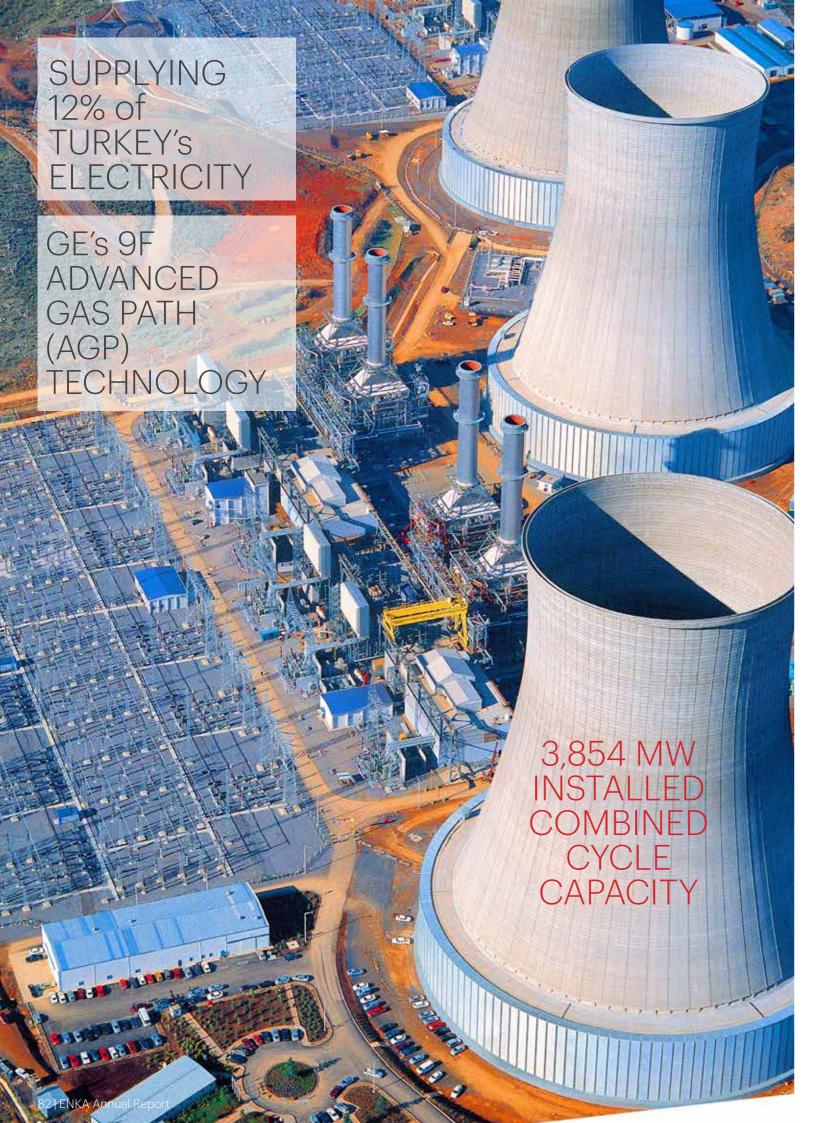






# POWER

Gebze Elektrik Üretim Ltd. Şti. Adapazarı Elektrik Üretim Ltd. Şti. İzmir Elektrik Üretim Ltd. Şti.





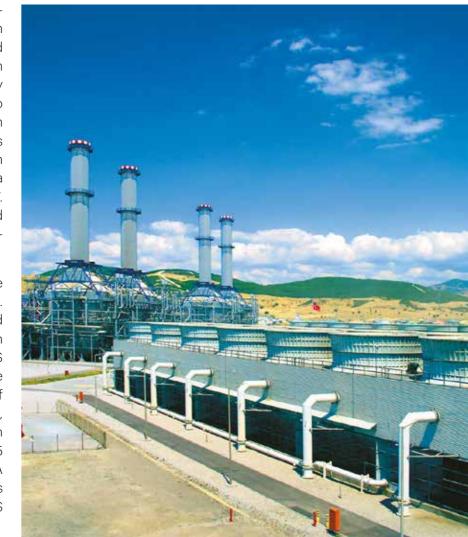
Gebze Elektrik Üretim Ltd. Şti.

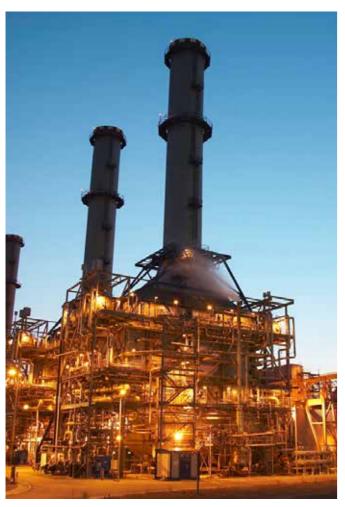
Adapazarı Elektrik Üretim Ltd. Şti.

İzmir Elektrik Üretim Ltd. Şti.

InterGen-ENKA, a 40%-60% partnership between ENKA and InterGen established in 1997, was contracted by the General Directorate of Turkish Electricity (TEA\$) and the Ministry of Energy and Natural Resources to carry out the turnkey construction and operation of three natural gas combined cycle power plants in Gebze, Adapazarı and İzmir with a total installed capacity of 3,854 MW. The plants were to be constructed in accordance with the Build-Own-Operate model.

The total investment for the three plants was 2.04 billion US Dollars. Of this amount, 25% was financed through equity and 75% through project finance. The 1.53 billion US Dollars worth of project finance was committed by Exim Bank of the USA (860 million US Dollars), Hermes of Germany (185 million US Dollars), OND of Belgium (125 million US Dollars), OPIC of the USA (300 million US Dollars) and various commercial banks (60 million US Dollars).





Environmental impact assessment reports were drawn up in accordance with the format of the Ministry of Environment and received the official approval of the Ministry. Since the plants were partly financed through foreign project loans, an additional environmental impact assessment report was prepared for the exclusive review of the export credit agencies in accordance with the environmental guidelines of the World Bank. This indicated minimum levels of impact and was duly approved. In line with the technology that is commonly employed at natural gas combined cycle power plants around the world today, the Adapazarı, Gebze and İzmir plants operate well within the criteria set by air quality, water pollution and noise control regulations, and they constitute an exemplary group of investments in the field of energy in Turkey.

The turnkey construction of the Gebze, Adapazarı and İzmir natural gas combined cycle power plants was awarded to the Bechtel-ENKA Joint Venture (BEJV), in which ENKA had a 50% share. The projects were launched in 2000. The Gebze and Adapazarı plants were commissioned in 2002 and the İzmir plant in 2003. Thus ENKA, together with its partner InterGen, become the largest electricity producer in the private sector in Turkey.





The electricity production compa-nies have signed 20-year contracts to purchase natural gas from the Petroleum Pipeline Corporation (BOTAS) and to sell electricity to Turkish Electricity Trading Corporation (TETAŞ). As the 20-year period includes the project development and construction phases, the contract period is essentially 16 years from the date on which the plants entered into commercial operation. Under the electricity sales agreement, the electricity produced in the plants is sold to TETAŞ in accordance with an average tariff of 4.2 US cents per kilowatt-hour. This makes it the cheapest electricity sold to the public sector by a private producer. This is made possible by the advanced technology employed in the plants and the low financing costs. The electricity sales price consists of four components: investment costs, fuel costs, fixed operating costs and variable operating costs.

Among the four components, the fuel costs item is a pass-through item at a guaranteed level of efficiency, and variations in the price of natural gas are reflected proportionally in the sales price. Accordingly, ENKA does not incur any risk with regard to the price of natural gas.

At the commencement of commercial operation of the plants, ENKA acquired InterGen's shares, thereby increasing its 40% stake and becoming the sole owner of the electricity generation companies.

ENKA power plants have generated over 400 billion kWh of electricity in Turkey during their 14-year commercial operation period. With their collective annual generation capacity of 32 billion kWh, the plants are capable of meeting 12% of Turkey's total energy consumption.

The Energy Market Regulatory Authority (EPDK) has issued electricity generation licenses to the companies Gebze Elektrik Üretim Ltd. Şti., Adapazarı Elektrik Üretim Ltd. Sti. and İzmir Elektrik Üretim Ltd. Sti.

Since commercial operation began, ENKA has improved the infrastructure at the plants and invested in state-of-the-art technology with the Advanced Gas Path and DLN2.6+ Upgrade. Due to this industry-leading technology, ENKA Power has increased its generating capacity, improved fuel efficiency, lowered its emission footprint and enhanced the operational flexibility and reliability of the power plants.



# REAL ESTATE

CITY CENTER INVESTMENT B.V. ENKA INVEST

ENKA TC

MOSKVA KRASNYE HOLMY MOSENKA

### CITY CENTER INVESTMENT B.V.



TOTAL LEASABLE AREA: 163,092 M<sup>2</sup>

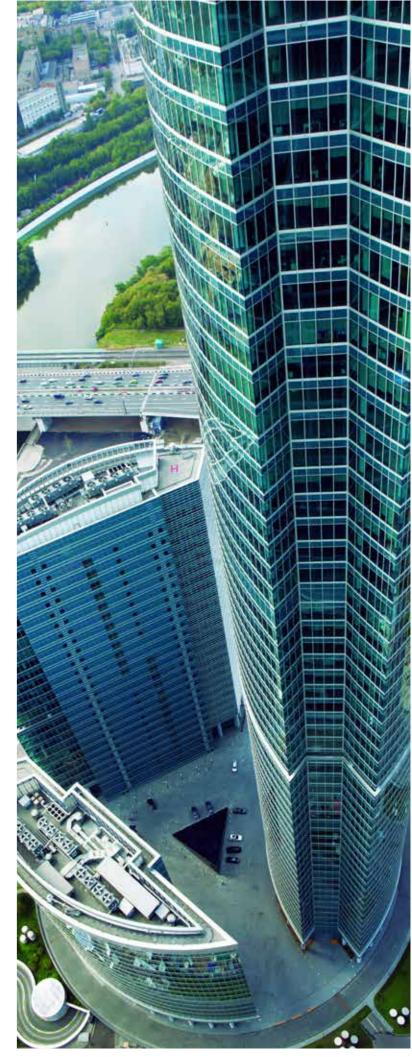
2003 13 YEARS OF EXPERIENCE 2016 City Center Investment B.V. (hereinafter "CCI") commenced business in 2003 with the realization of the Naberezhnaya Tower complex. Being one of the most prestigious business centers in Moscow, the Naberezhnaya Tower holds a Commercial Real Estate Award for the best Class-A business center. Located in Moscow's International Business Center, it has an inspiring architecture and state-of-the-art innovative design. Due to its competitive advantages in the commercial real estate market, CCI built long term relationships with its tenants.

Naberezhnaya Tower complex continues to operate with 113 personnel in the sphere of office leasing, management and operation of the facilities and as a contractor for fitout works. The complex consists of 3 blocks with a total leasable area of 163,092 m<sup>2</sup>.

While ENKA is approaching the 30th anniversary of its first construction projects in Russia, CCI concluded nearly 4,380 m² of new lease contracts and carried out 5,500 m² of office fit-out works in Naberezhnaya Tower in 2016. The occupancy rate of Naberezhnaya Tower by 2016 is almost 85% and it still carries the title of the building with the highest occupancy rate in the business district.

In 2016, the CCI team managed to keep the occupancy rates at high levels within a challenging macro economic environment continuing for over 2 years in the Russian Federation by uniquely positioning itself to observe the changes in the commercial real estate industry and developing an accurate marketing strategy with a conclusion of 53,000 m² agreement prolongation, a continuation which also provides sustainable financial stability.

Naberezhnaya Tower has been the most compelling office choice for any leading international or Russian company for more than a decade. Existing tenants of City Center Investment B.V. include reputable corporations such as CMS Cameron McKenna, E.On, Eli Lilly, Elanco, Fortum, Glaxo-SmithKline, Medtronic, Merz Pharma, Mitsui & Co, Norilsk Nickel, Pfizer, Qualcomm, Renaissance Capital, Richemont, SKF, Universal Pictures, KPMG, IBM, Juniper Networks, Zara, Berlin Chemie, Citibank, VTB Capital and General Electric.



# **ENKA INVEST**



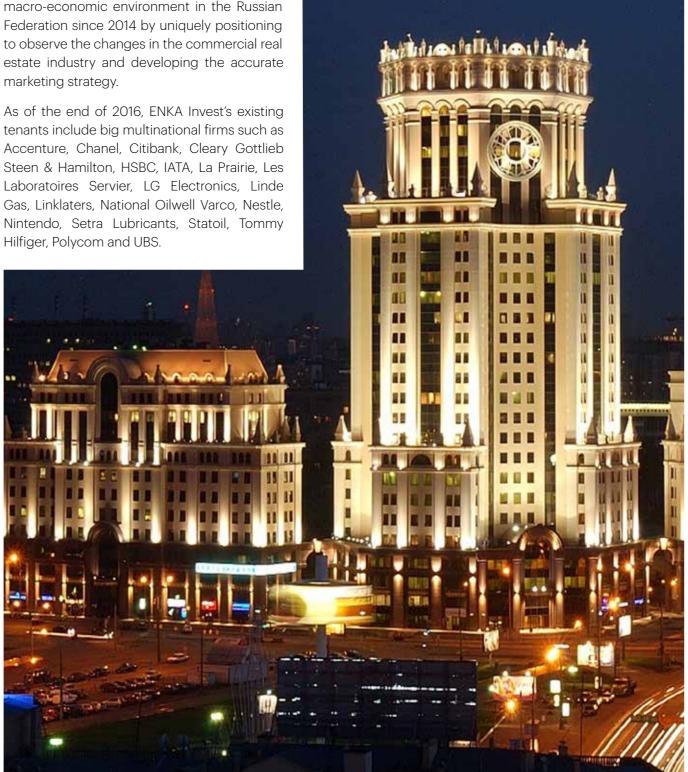
TOTAL LEASABLE AREA: 76,000 M<sup>2</sup>

ENKA Invest began operating in 1994, as a part of ENKA's real estate investment division which has been working in Moscow since the early 1990s. ENKA Invest built long-term relationships with its tenants by providing exceptional facility services. Its 85 personnel lease office and residential premises, coordinate building and facility management, as well as provide building services for the fit-out works required by tenants. Its 4 complexes located in the centre of Moscow have a total leasable area of 76,000 m<sup>2</sup>.

Approximately 20% of ENKA's office portfolio in Moscow are owned by ENKA Invest. The occupancy rate in ENKA Invest's buildings was approximately 80% by the end of 2016. While ENKA is approaching the 30th anniversary of its first construction projects in Russia, some of the leases with international tenants, the business relations of which date back to the 1990s, have even been extended and ensured the sustainable financial stability.

In addition to stable occupancy rates, ENKA Invest team managed to keep the average rates close to their previous level in 2015 and prolong the existing agreements within a challenging macro-economic environment in the Russian Federation since 2014 by uniquely positioning to observe the changes in the commercial real estate industry and developing the accurate marketing strategy.

As of the end of 2016, ENKA Invest's existing tenants include big multinational firms such as Accenture, Chanel, Citibank, Cleary Gottlieb Steen & Hamilton, HSBC, IATA, La Prairie, Les Laboratoires Servier, LG Electronics, Linde Gas, Linklaters, National Oilwell Varco, Nestle, Nintendo, Setra Lubricants, Statoil, Tommy



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### **ENKATC**



TOTAL LEASABLE AREA: 318,837 M<sup>2</sup>

1997
19 YEARS OF EXPERIENCE
2016

ENKA TC, formerly RamENKA, was established in Moscow as an equal partnership between ENKA and Migros in 1997 to create shopping centers and supermarket chains. In November of the same year, it launched its first Ramstore hypermarket and shopping center in the Kuntsevo District of Moscow, which was constructed by ENKA within a total area of 19,400 m². The company continued its growth and opened its second hypermarket and shopping center in Maryina Roshcha, despite the economic crisis in the Russian Federation in 1998. Adhering to high quality standards, ENKA completed the construction of 32,500 m² Maryina Roshcha shopping center in a short time.

ENKA TC opened 23 new stores between 1999 and 2003, increasing the number of stores to 25 and the number of shopping centers to 6 by the end of 2003. In the same year the regions outside Moscow, Krasnoyarsk, Kazan and Nizhniy Novgorod soon saw the opening of stores. Despite some closures between 2004 and 2007, the total number of stores had increased to 53, and shopping centers to 10.

The company used its own resources as well as International Finance Corporation (IFC) and commercial bank loans for its investments. A total of 170.5 million US Dollars in loans were provided by IFC between 1998 and 2006. All of these debts were repaid in 2008 before their maturity dates.

In addition to retail space in shopping centers, the company started renting large scale offices in 2007 at the Vernadskogo complex.

By purchasing the 50% share of Migros in 2007, ENKA became the sole owner of the company and consequently renamed it "ENKA TC". In order to concentrate on real estate operations as its main line of business, ENKA TC transferred the hypermarket operations in the Moscow and St. Petersburg shopping centers to AUCHAN through rental agreements. Upon completion of this operation the leasable area of ENKA TC increased from 167,000 m² to 227,000 m².

Shopping malls owned by ENKA TC and operated under the "Ramstore" brand name were rebranded as "Kapitoliy" in 2009. Also, in January 2010, the supermarket brand name "Ramstore" was renamed "Citystore".

In accordance with the company's plans to exit the retail business and concentrate on real estate operations within the scope of sales agreements, ENKA TC retail assets were transferred to OOO BILLA and OOO BILLA REALTY in April 2012. Following this transfer process, at the end of 2012, ENKA TC had completely exited the retail sector. Rental revenues of the company reached 90 million US Dollars in 2016.

Two of ENKA TC's most significant shopping mall developments won the "Best Shopping Center" awards from the Commercial Real Estate Committee (CRE) in the Russian Federation. Kapitoliy Shopping Mall in St. Petersburg was honored with "St. Petersburg's Best Shopping Center" award in 2006, while Kapitoliy-Vernadskogo Shopping Mall in Moscow received "Moscow's Best Large-Scale Shopping Mall" award from the CRE in 2007. Also awarded the "Best Project in the Sphere of Investment and Construction in Moscow in 2012" organized by Moscow's local government from a list of 60 nominee projects. Kapitoliy- Sevastopolsky Shopping Mall in Moscow was also awarded by the Moscow Municipality with "The Most Convenient Shopping Center in the South-West Administrative District of Moscow" in 2009.





During the 2nd quarter of 2011, ENKA TC finished the project development phase and commenced redevelopment works for Kuntsevo Shopping Mall, which originally opened in 1997. Within the scope of this project, the existing building, covering 19,400 m<sup>2</sup> was demolished and a new 245,000 m<sup>2</sup> modern complex was constructed. The complex consists of a shopping mall, office buildings and a small number of apartment units. The construction of the shopping mall was completed and commenced operation at the end of 2014 and the construction of the office buildings was completed in the 2nd quarter of 2015. This 484 million US Dollars investment project features a shopping mall with 61,000 m<sup>2</sup> of net leasable area, an office building with 29,094 m<sup>2</sup> net leasable area, and an underground parking lot with a 2,028 car capacity.

ENKA TC's Kuntsevo re-development project was deemed worthy of the 2012 "Cityscape Future Retail Award in Emerging Markets" at the International Conference for Global Real Estate. The Award ceremony, in which 36 nominee projects in 13 different countries were showcased, took place in Dubai.

Kuntsevo Plaza also became one of Russian Federation's 37 green investment projects after receiving a green building certificate (Green Standard – GOLD) in April 2013.

Kuntsevo Plaza received the "Best Shopping Center" award organized by the Russian Council of Shopping Centers (RCSC) in April 2015.

Furthermore, Kuntsevo Plaza was awarded in three more categories in 2016, by International Property Awards:

- Retail Architecture (Highly Commended) Russia
- Best Retail Development (5 stars) Russia
- Best Retail Development Europe

The shopping mall in Sergiev Posad (Moscow Region) which commenced construction during the 2nd quarter of 2013, opened for retail operation at the beginning of September 2014. This shopping mall project has a total area of 36,750 m² (leasable area of 24,883 m²) and a parking area with a 696-car capacity. This project was realized for an investment of 59 million US Dollars.

Project development works in Moscow on Prospect Vernadskogo (in front of Vernadskogo Kapitoliy Shopping Mall owned by ENKA TC) for a new 36,670 m² (leasable area of approximately 20,000 m²) class-A office building are planning to be continued during 2017 with project construction works projected to start in 2018. Investment for this project is estimated at 57 million US Dollars.

Project development works in Moscow on Leningradsky Pravaberejnaya (in front of Leningradsky Kapitoliy shopping mall owned by ENKA TC) for a new 55,000 m² (leasable area of approximately 22,000 m²) office building and underground parking project started and are expected to be completed in 2017, with commencement of construction projected for 2021. Investment for the development is estimated at 80 million US Dollars.



The re-development project and project approval process for the existing Kashirskaya Shopping Mall was completed with existing building being demolished and new project construction started during the 4th quarter of 2015. The new building has a total area of 196,750 m² (leasable area is 72,000 m²) and a total investment of 271 million US Dollars. It is expected that the new shopping mall will be put into operation at the end of 2017.

In addition, the reconstruction plan for the existing Maryina Roshcha Shopping Mall (re-development) has been approved by the Moscow Municipality with project development process being started. The existing building is planned to be demolished within 2018, following with the start of new project construction. The new building is expected to have an area of approximately 245,000 m² (leasable area of approximately 98,000 m²) and a total investment of 360 million US Dollars.





# MOSKVA KRASNYE HOLMY



TOTAL LEASABLE AREA: 63,000 M<sup>2</sup>

1995 21 YEARS OF EXPERIENCE 2016

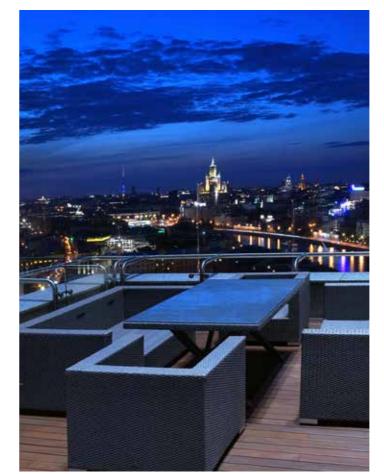
Having signed an investment agreement with a number of Russian partners, including the Municipality of Moscow, ENKA established Moskva Krasnye Holmy (MKH) with the specific aim to develop, in five progressive stages, the Russian Cultural Centre, a centre that includes office buildings, trade, cultural and sport centres on a seven-hectare plot of land with a 49-year lease. ENKA owns 100% of this company which commenced operation in the summer of 1995 and has thus far completed a number of buildings totalling 163,000 m<sup>2</sup>, with the occupancy rate of office buildings at 65% by the end of 2016. Existing tenants of LLC Moskva Krasnye Holmy include reputable corporations such as SAP, Mitsubishi, VTB Factoring, Akrihin, Chadbourne & Parke and Strategy Partners.







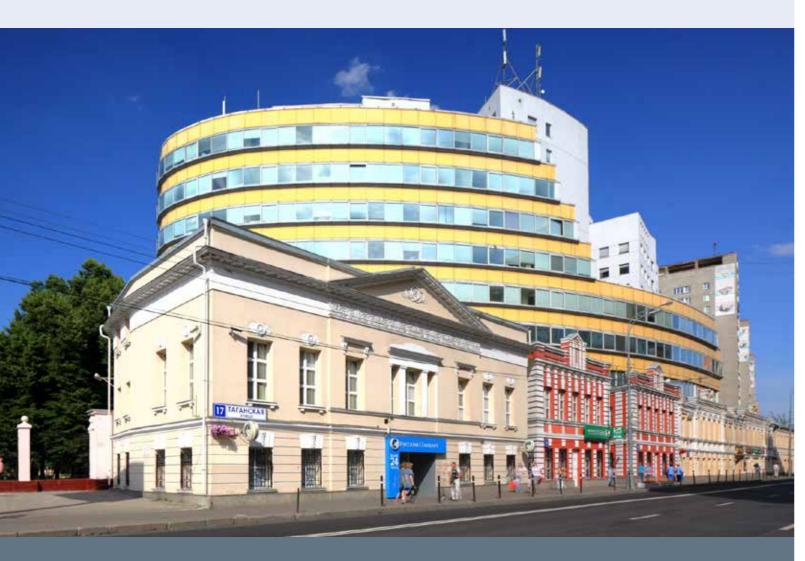
The company's 2016 turnover is about 46 million US Dollars.



The complex, known as Riverside Towers, accommodates a five-star hotel with 235 rooms, under the name "Swissotel Krasnye Holmy" and operated by the FRHI group since 2005. The hotel's roof bar, "City Space" is highly popular and listed on the 2011 chart of the World's 50 Best Bars, as compiled by Drinks International, the No 1. Trade magazine for global drinks buyers. The conference center, also managed by Swissotel, became a featured attraction from the moment it opened its doors, and now hosts many conferences, seminars and other events catering to prestigious participants.

The corporate policy of the company emphasizes the process of institutionalization and dictates that productivity and profitability excel by employing qualified local staff and subcontractors to collaborate with a core Turkish management team. The total number of company employees, including hotel staff is 394; 14 of whom are Turkish citizens.

# MOSENKA



TOTAL LEASABLE AREA: 30,518 M<sup>2</sup>

1991 25 YEARS OF EXPERIENCE 2016 In 1991, ENKA took advantage of its good business relations in Russia as well as the steady economic progress of the country, to found LLC Mosenka in Moscow with some Russian partners as the first real estate services.

ENKA now owns 100% stake in Mosenka, which is engaged with office development and office space leasing activities, aiming to meet Moscow's growing demand.

Mosenka has reconstructed six historic buildings with a total construction area of 46,500 m² and converted them into modern office buildings, with the occupancy rate of 76% by the end of 2016.

Tenants of Mosenka include well-known local and international companies such as Air Liquide, Claas, Lego, Roquetta and Saipem.

Mosenka 2 Building / 4,148 m<sup>2</sup>
Mosenka 3 Building / 5,162 m<sup>2</sup>
Mosenka 4 Building / 15,845 m<sup>2</sup>
Mosenka 5 Building / 2,496 m<sup>2</sup>
Mosenka 6 Building / 2,867 m<sup>2</sup>







Excluding subcontractors, the company employs 62 personnel and the company's turnover in 2016 is about 13 million US Dollars.



# **ENKA** Engineering & Construction Power Real Estate Trade Social Activities EX8000

# TRADE

ENKA PAZARLAMA ENTAŞ AIRENKA

# ENKA PAZARLAMA İHRACAT İTHALAT A.Ş.



DEALING WITH THE SALES & SERVICING OF INTERNATIONAL BRANDS OF MACHINERY & CONSTRUCTION EQUIPMENT

1972 4 YEARS OF EXPERIENCE 2016 ENKA Pazarlama established in 1972 entered the construction market with the sale and servicing of Hitachi excavators and Kawasaki wheel loaders.

From the first day, ENKA Pazarlama adopted the principle of representing the well-known brands of the world. Focusing on heavy construction equipment and machinery, agricultural machinery, industrial equipment, forklift and warehouse equipment, ENKA Pazarlama provides its services throughout Turkey with 5 regional branches, 1 sales office, 1 liaison office and 165 dealers and authorized services.

ENKA Pazarlama provides sales and after-sales support to all customers with 5 service centers which are all TSE approved and hold ISO 9001:2008 quality certificate with "reliable solutions partner" mission.

ENKA Pazarlama has its own covered area of 7,500 m² on the 15,200 m² plot of land, in İstanbul; 4,800 m² covered area on the 12,000 m² plot of land, in Ankara; 4,882 m² covered area on the 13,450 m² plot , in Izmir; 1,800 m² covered area on the 8,400 m² plot of land, in Adana; and a covered area of 3,970 m² in Mersin Free Zone.

ENKA Pazarlama is one of the leading companies in Turkey with its technical know-how and customer satisfaction oriented approach.

In 2010, ENKA Pazarlama received its ISO 9001 Quality System by providing quality and economical solutions to its customers and continously following new technologies.

ENKA Pazarlama uses SAP solutions in all its business processes.

ENKA Finansal Kiralama A.Ş., a subsidiary of ENKA Pazarlama, monitors market conditions and provides financial leasing solutions for all ENKA Pazarlama's products.

As a distributor of the world's leading manufacturers, ENKA Pazarlama provides the following product groups:



#### **Construction Machinery Group:**

- Hitachi: Hydraulic excavators, wheel loaders
- Kawasaki: Wheel loaders
- Bell: Articulated dump trucks

#### Mining, Crane and Road Equipment Group:

- Hitachi: Mining hydraulic excavators, Rigid dump trucks
- Hitachi Sumitomo: Crawler cranes
- Tadano: Wheeled hydraulic mobile cranes
- Atlas Copco-Dynapac: Soil, asphalt, double drum and single drum rollers and pavers
- Nobas: Motor graders
- Palfinger: Truck mounted cranes

#### **Agricultural Machinery Group:**

- Claas: Combine harvesters, forage harvesters, balers and tractors
- Argo Tractors Spa McCormick: Tractors
- Orkel: Compactors and balers

#### **Recycling Equipment:**

- Vecoplan AG: Recycling systems
- Ing. Bonfiglioli S.p.A.: Metal shears, hammer mills
- Tana OY: Landfill compactors and shredders
- Terex Neuson Ecotec GmbH: Wood chippers, green waste recycling systems.

#### **Industrial Products:**

- FPT (Iveco Motors): Marine engines, generator engines and industrial engines
- Mitsubishi: Marine engines and industrial engines
- Hanshin: Marine engines for vessels
- Sole Diesel: Marine engines and generators
- SDMO: Generators and lighting systems
- NK-Power: Generators
- Doen Water Jets: Water Jets

#### Forklift and Warehouse Equipment:

- TCM: Forklift and warehouse equipment
- Tailift: Forklift
- CT Power: Forklift
- FTMH: Port handling equipment
- XILIN: Forklift and warehouse equipment

tain trustworthy and high-quality service.

ENKA Pazarlama with its over 200 million EUR annual business volume and the strength of 44 years' experience, aims to continue investing in its future and sus-

# ENTAŞ NAKLİYAT VE TURİZM A.Ş.

40 years' experience in tourism and travel agency services



ENTAŞ was established in 1976 and became a member of IATA (International Air Transport Association) in 1982. ENTAŞ is a member of ASTA (the American Society of Travel Agents) and UFTAA (the Universal Federation of Travel Agents Associations) as well as national organizations such as TURSAB (the Association of Turkish Travel Agents) and ISAD (the Association of Istanbul Travel Agents).

ENTAŞ offers national and international customers a wide range of cultural and business travel alternatives for both individuals and groups. With its emphasis on high-quality service, it has secured a lasting position in the sector.

ENTAŞ has made it its mission to understand customer's requirements accurately, to improve the quality of its services constantly, and most importantly to maintain its wide range of products and long-lasting collaborations by ensuring full customer satisfaction. It also aims to contribute to the development of the sector, keeping close watch on global best practices with a view to implementing them in Turkey. ENTAŞ has repeatedly pioneered the use of the latest online international reservation systems in Turkey, including Amadeus, Galileo and Troya.

The services offered by ENTAS include:

- Worldwide airline ticket sales, hotel reservations, transfers and rent-a-car services
- Private or business trips and holidays
- Luxury packages for individuals and groups
- 'Blue Voyage' yacht expeditions and special rail and cruise packages

- · City tours with or without a professional tour guide
- Specialist cultural, religious, sports, health, adventure and nature tours and holidays
- Special programs for education and language schools
- Private plane rental and VIP services
- Organization of conferences, seminars, fairs and symposia
- Dealer conventions and motivational trips and cruises
- Corporate events such as personnel dinners, award ceremonies, anniversaries and launches
- Contracts with singers and other performers, supply of technical equipment, stage design and venue decoration services
- Catering services, visa services and travel insurance

In addition to its call center services, ENTAŞ is able to provide detailed purchasing reports tailored to the wishes of its corporate customers, and to forward such reports automatically to the relevant individuals within the requested period of time.

ENTAŞ has sustained its leading position over the years. For more than a decade it has consistently ranked among the top five national agencies in airline ticket sales. It has the highest turnover of any agency operating from a single location without branch offices.

# AIRENKA HAVA TAŞIMACILIĞI A.Ş.

An air taxi operator for domestic and international routes



Airenka Hava Taşımacılığı A.Ş. was established with the Operation License, no. 2002-HT-04, dated April 22, 2002, by the General Directorate of Civil Aviation, and as of that date was authorized as an air taxi operator for domestic and international routes.

Airenka operates a Hawker 900XP aircraft manufactured with the latest on-board flight technology in 2009. The highly experienced flight crew regularly advance

and refresh their training in the United States to comply with international aviation rules and regulations. In 2016, the company logged a total of 385 flight hours to 39 different cities located on 3 continents.

2002 14 YEARS OF EXPERIENCE 2016



# SOCIAL ACTIVITIES

ENKA FOUNDATION
ENKA SPORTS CLUB
ENKA SCHOOLS
ENKA CULTURE & ARTS



# **ENKA FOUNDATION**



ADVANCE THE COMPANY CULTURE'S CORE PHILOSOPHY AND VALUES

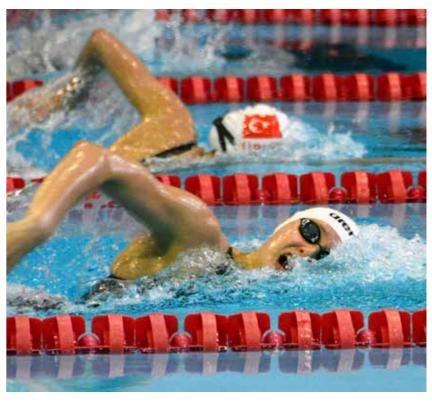
1983 33 YEARS OF EXPERIENCE 2016 The intellectual basis of the ENKA Foundation, which was founded in 1983, is premised on upholding the foundation tradition at the core of our culture and protecting the core concepts of the foundation.

Accordingly, through guiding Turkish youth to sports, making sports a part of their lives, finding out talented young's sportive potential with scientific methods, educating them and raising champions to get successful results in international areas, fostering education and social structure constitute the foundation's natural mission.

Sadi Gülçelik Sports Complex, as a concrete fulfillment of this mission, was founded in 1983 on the gentle slopes of İstinye, İstanbul.

ENKA Foundation, which brings together firstly founded ENKA Sports Club, later followed by ENKA Schools in İstinye in 1996, ENKA Schools in Adapazarı launched just after the 1999 earthquake and the Private ENKA Technical and Industrial Vocational High School and Private ENKA Science and Technology High School in Gebze launched in 2008 and ENKA Culture and Arts, work with all its units and members towards disseminating and sharing the wealth of its heritage with the society at large.







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### **ENKA SPORTS CLUB**



"THE FUTURE BELONGS TO YOUTH"

1983 33 YEARS OF EXPERIENCE 2016 As of 2016, the ENKA Sports Club, within the framework of its sports events, has been preparing and participating in national and international competitions with 1,087 licensed athletes and 79 trainers who are experts in their fields at ENKA facilities.

Our club sets out with the motto "The Future Belongs to Youth" and to this end, ENKA implements a quality educational system for our club teams and sports schools in order to equip thousands of children with the necessary mental and physical discipline they need to excel. ENKA Sports Club recruits talented young people as national athletes every year. ENKA Sports Club is built on a solid infrastructure that consists of its sports schools as well as the students from ENKA Schools and other talented young people who come from diverse backgrounds.

#### Track and Field

In track and field, ENKA Sports Club has 492 athletes in total, including 69 athletes competing on the national teams, 376 athletes with active licenses and 116 athletes in training. Every year ENKA Sports Club selects new members from thousands of students from Sariyer and other surrounding school districts. With its vision, its highly skilled staff and modern facilities, ENKA Sports Club is regarded as a model sports club in Turkey and trains athletes not only from Istanbul but from all over Turkey.

# International Great Organizations during the season of 2016

Our 19 athletes successfully represented our country in athletics events at the 31st Summer Olympic Games that took place in Brazil. Yasemin Can, titled dual European Champion in 5,000 m and 10,000 m, became 6th in the 5,000 m final with a time of 14:56.96 and also was 7th renewing the European U-23 record in the 10,000 m final with a time of 30:26.41. In this 5,000 m final, the Olympic record was broken and the first three marks were better than the previous record; in the 10,000 m

final, the world record was renewed. Our club athletes; izzet Safer, Jak Ali Harvey and Emre Zafer Barnes were members of the National Team, which set a new Turkish Record with a time of 38.30 and became the 10th. Jak Ali Harvey ran a 10.03 in the 100 m semi-finals and came in 10th. In the 10,000 m final, our athlete Polat Kemboi Arıkan came in 13th with a time of 27:35.50, and this was his best result.

Our athlete Emin Öncel became 3rd in the Javelin throw in Europe by winning the bronze medal with a throw of 72.64 m in the Age 23 and Under category at the 16th European Cup Winter throwing event, which was held in Romania, March 12-13, 2016.

On April, 24th, on the road between Yenikapı and Eyup, our national athlete Ali Kaya won the gold medal, breaking the Turkish and European U23 record, and finishing ahead of a two-world-record holder.

Emel Dereli, another athlete of our club, took 3rd place in the IAAF Diamond League, Doha, on May 6th, with a throw of 18.57 m to renew the under 23 and senior Turkish records.

Our club athletes who participate on the national relay team, 4x100 m, Emre Zafer Barnes, Jak Ali Harvey, İzzet Safer, beat the Turkish record by 0.10 seconds, registering 38.69 in Slovakia on June 4th.

In the 2nd International Sprint Cup held in Erzurum on June 11-12, our club athletes who took place in the national relay team, 4x100 m, Emre Zafer Barnes, Jak Ali Harvey, İzzet Safer, topped the best time in Turkey by 0.4 seconds improving to 38.31. Our 26-year-old sprinter Jak Ali Harvey, after two hours of contributing to the 4x100 m team, finished the 100 m with a time of 9.92 and beat his own Turkish record of 10 seconds. Jak Ali, with a time of 9.92, wind 0,9+, ranked the 4th in the world ranking. This performance, in addition to being the best 100 result, was the 6th fastest performance in the European history.





At the Balkan Junior Championships in Bolu, on July 2-3, our athlete Mikdat Sevler, broke the Juniors Turkish Record in the 110 m hurdles with a time of 13.82 and became the champion.

At the European Athletics Championships, held in Amsterdam, between June 6-10, as the national team broke the records and won 12 medals, our club athletes won 8 individual medals and 1 team medal. Yasemin Can won two gold medals in 5,000 m and 10,000 m, also broke under age 23 European record in 10,000 m. Polat Arıkan also won the gold medal in 10,000 m. Jak Ali Harvey in 100 m, Ali Kaya in 10,000 m, Kaan Özbilen in half marathon and Aras Kaya in the 3,000 m hurdles won silver medals. Emel Dereli won bronze medal in shot put. In addition to these achievements, Sultan Haydar placed 11th in the half marathon and Turkish team was awarded the bronze medal becoming 3rd in the team ranking. As well as these medals, our other athletes had scored a point in national team, Melis Mey 5th in long jump, Şeref Osmanoğlu 6th in the triple jump.

Mahsum Korkmaz ranked 3rd in the Europe with a time of 47.69 in the 400 m, at the European Youth Athletics Championships in Tbilisi on July 14-17.

Emin Öncel took the 4th in the World in javelin throw, Fatma Arık became the 10th in the 3,000 m and also 11th in the 1,500 m in the world at the World Juniors Championships, which took place in Bydgoszcz, Poland between 19-24th July.

# The Interclub Turkish Leagues and the European Championship Clubs Cup in the season of 2016

At the European Championships Inter-Club A Group, which took place in Mersin, a cooperative effort between the European Athletics Association and Turkish Athletics Federation, our club's men's team took the European Championship. Our club was the first Turkish team to take the Championship in the highest European Championship Clubs Cup league since its inception in

1975. Our club, which completed 10 events and ranking first in 20 different events, became champion with 82 points.

The Turkish Interclub U-16 League: Our women and men's team became the Turkish Champion on May 21-22, in Eskişehir, at the Spor Toto Under-16 Turkish Interclub Championships.

**The Turkish Interclub Youth League:** Our club men's team with 207 points after the 19 competitions; the women's team with 191 points after the 18 competitions, taking the 2nd place.

The Turkish Interclub Junior League: In the final of the Turkcell Juniors Interclub League, placed in Ankara, our junior track and field team completed as 2nd in 2015-2016 season.

The Super League: Our men and women teams were the champions in the Turkcell Super League Final Meetings in Ankara, on September 03-04. Thus, our club declared its championship in the league history, becoming the 9th in men and 14th in women.



#### National Records Renewed by our Athletes in 2016:

| Event             | Mark     | Date  | Competition / Venue  | Record         |
|-------------------|----------|-------|--|----------------|
| Mikdat Sevler     |          |       |  |                |
| 110 m Hurdles     | 13.79    | 30/07 | Olympic Barrage Meetings / Ankara                            | J-NR           |
| 110 m Hurdles     | 13.82    | 02/07 | U20 Balkan Championships / Bolu                              | J-NR           |
| 110 m Hurdles     | 13.84    | 28/06 | U20 Balkan Championships / Bolu                              | J-NR           |
| 60 m Hurdles      | 8.01     | 07/02 | Indoor Olympic Barrage Meetings / Atakoy                     | J-NIR          |
| 60 m Hurdles      | 7.98     | 13/02 | Indoor Olympic Barrage Meetings / Atakoy                     | J-NIR          |
| 60 m Hurdles      | 7.91     | 20/02 | Turkcell Juniors and Seniors Turkish Champ. / Atakoy         | J-NIR          |
| 60 m Hurdles      | 7.88     | 27/02 | Minsk Juniors Indoor Championships / Belarus                 | J-NIR          |
| Yasemin Can       |          |       |  |                |
| 3,000 m           | 9:03.01  | 20/02 | Turkcell Juniors and Seniors Turkish Champ. / Atakoy         | U23-NIR        |
| 10,000 m          | 31:30.58 | 01/05 | Spor Toto 10 km TR Champ., Olympic Barrage / Mersin          | U23-ER         |
| 10,000 m          | 30:26.41 | 05/08 | Olympic Games / Rio De Janerio                               | U23-ER/U23-NR  |
| 10,000 m          | 31:12.86 | 06/07 | European Championships / Amsterdam                           | U23-ER/U23-NR  |
| 10,000 m          | 31:30.58 | 01/05 | Spor Toto 10 km TR Champ., Olympic Barrage / Mersin          | U23-ER/U23-NR  |
| 15,000 m          | 47.50    | 13/11 | 38. Vodafone Istanbul Marathon                               | U23-ER         |
| Emel Dereli       |          |       |  | <b>'</b>       |
| Shot Put          | 17.72    | 06/02 | TAF Cup Indoor Athletics Meetings / Atakoy                   | U23-NIR        |
| Shot Put          | 18.07    | 21/02 | Turkcell Juniors and Seniors Turkish Champ. / Atakoy         | U23-NIR        |
| Shot Put          | 18.36    | 25/02 | Istanbul Athletics Cup Meetings / Atakoy                     | U23-NIR/ NIR   |
| Shot Put          | 18.34    | 30/04 | Nurullah Ivak Throwing Turkish Champ. / Izmir                | U23-NR         |
| Shot Put          | 18.57    | 06/05 | Turkcell (U14) Festival Semi-Final Meetings / Kocaeli        | U23-NR/ NR     |
| Batuhan Altıntaş  |          |       |  |                |
| 400 m             | 46.83    | 09/01 | Indoor Olympic Barrage Meetings / Atakoy                     | U23 -NIR / NIR |
| 400 m             | 46.55    | 30/01 | Indoor Track and Field Vienna / Vienna                       | U23-NIR / NIR  |
| 200 m             | 21.33    | 20/02 | Turkcell Juniors and Seniors Turkish Champ. / Atakoy         | U23-NIR        |
| 300 m             | 32.76    | 30/07 | Olympic Barrage Meetings / Ankara                            | U23-NR         |
| Emre Zafer Barnes |          |       |  |                |
| 4x100 m           | 38.30    | 05/08 | Olympic Games / Rio De Janerio                               | NR             |
| İzzet Safer       |          |       |  |                |
| 4x100 m           | 38.31    | 11/06 | International Sprint-Relay Cup / Erzurum                     | NR             |
| Jak Ali Harvey    |          |       |  |                |
| 4x100 m           | 38.69    | 04/06 | PTS Meetings / Slovakia                                      | NR             |
| Mesure Tutku Yılm | az       |       |  |                |
| Pole Vault        | 3.90     | 23/01 | Turkcell Youths and U16 Indoor Turkish Champ. / Atakoy       | Y-NIR          |
| Pole Vault        | 3.90     | 28/06 | U20 Turkish Championships / Bolu                             | J-NR           |
| Şeref Osmanoğlu   |          |       |  |                |
| Triple Jump       | 16.61    | 25/02 | Ukraine Indoor Championships / Ukraine                       | NR             |
| Triple Jump       | 16.85    | 23/05 | Turkcell Super League 1.Step Meetings / Mersin NR            |                |
| Emin Öncel        |          |       |  |                |
| Javelin           | 77.35    | 13/02 | Seyfi Alanya Throwing Winter Champ. / Mersin J-NR            |                |
| Javelin           | 79.42    | 28/06 | U20 Turkish Championships / Bolu J-NR                        |                |
| Emre Dalkıran     |          |       |  |                |
| Long Jump         | 7.55     | 20/02 | 2 Turkcell Juniors and Seniors Turkish Champ. / Atakoy J-NIR |                |
| Long Jump         | 7.56     | 20/02 | Minsk Juniors Indoor Championships / Belarus                 | J-NIR          |

#### National Records Renewed by our Athletes in 2016 (continued)

| Event                          | Mark        | Date  | Competition / Venue                                     | Record      |  |  |
|--------------------------------|-------------|-------|---|-------------|--|--|
| Mahsum Korkmaz                 |             |       |   |             |  |  |
| 400 m                          | 48.54       | 12/02 | International Gugl Games / Linz                         | Y-NIR       |  |  |
| 4x100 m                        | 41.74       | 02/07 | U18 Balkan Championships / Serbia                       | Y-NR        |  |  |
| Fatma Arık                     |             |       |   |             |  |  |
| 3,000 m StplCh                 | 10:11.33    | 20/08 | Sadi Gulcelik Memory Meetings / Enka                    | J-NR        |  |  |
| Şevval Özdoğan                 |             |       |   |             |  |  |
| 4x400 m                        | 4:05.49     | 04/02 | 2020 Olympic Education Camp Trial Meetings / Atakoy     | Y-NIR       |  |  |
| Edanur Kılıç                   |             |       |   |             |  |  |
| 4x100 m                        | 46.35       | 11/06 | International Sprint-Relay Cup / Erzurum                | Y-NR / J-NR |  |  |
| Jak Ali Harvey                 |             |       |   |             |  |  |
| 100 m                          | 9.92        | 11/06 | International Sprint-Relay Cup / Erzurum                | NR          |  |  |
| Ali Kaya                       |             |       |   |             |  |  |
| Half Marathon                  | 1:00.16     | 24/04 | Vodafone Istanbul Half Marathon                         | U23-ER / NR |  |  |
| Tuğba Güvenç                   |             |       |   |             |  |  |
| 3,000 m                        | 9:22.76     | 17/01 | Indoor Olympic Barrage Meetings / Atakoy                | U23-NIR     |  |  |
| Metin Doğu                     |             |       |   |             |  |  |
| Long Jump                      | 2.20        | 24/12 | Indoor Record Trial Meetings / Atakoy                   | J-NIR       |  |  |
| İshak Mert Şen - Emrah Bozkurt |             |       |   |             |  |  |
| 4x200 m                        | 1:31.00     | 25/12 | Indoor Record Trial Meetings / Atakoy Y-NIR / J-NIR / N |             |  |  |
| Batuhan Altıntaş - I           | Halit Kılıç |       |   |             |  |  |
| 4x400 m                        | 3:02.22     | 11/06 | International Sprint-Relay Cup / Erzurum                | NR          |  |  |

#### Tennis

We have a total of 375 active players, including 158 players with active licenses and 217 at formative stages.

At the end of the age group tournaments (in the 10, 12, 14, 16, 18 ages and senior groups), which were organized by the Turkish and International Tennis Federations (TTF-ITF), our tennis players won 32 championships,

played in 33 finals and 47 semi-finals in the singles category. Furthermore, as to doubles' tournaments, 67 championships were won and 38 finals and 92 semifinals were played. In the age categories of 14, 16, 18 and seniors, our 12 players took place on the National Teams.

#### International Great Organizations During the Season of 2016

have represented our country in the Olympics, Çağla Büyükakçay left the Olympics after losing the match as 8-6 in a tie-break match set of the first round match

As the first tennis player in Turkish Tennis History to where she lost a match score. Moreover, Çağla became the champion in doubles at the WTA Elite Trophy Zhuhai of US\$ 2,214,500 held in China, between October 31-November 06.

#### US\$ 100,000-500,000 WTA, ATP Tournaments

Our player Çağla Büyükakçay became a semi-finalist in doubles at WTA Shenzhen Open Tournament of US\$ 500,000 held in China, on January 3-9.

Our national tennis player Çağla Büyükakçay, managed to ascend to the 3rd tour scoring a remarkable victory at Premier 5 Level WTA Tournament held in Qatar's capital city, Doha between February 21-27.

Having won the match 7-6 (6) 7-5, she played in the 2nd tour WTA ranked number 12 Czech Lusie Safarova, our tennis player Çağla Büyükakçay played with Italian Roberta Vinci in the 3rd tour at the Qatar Open where seven players of the world's top ten competed.

Our tennis player became the quarter finalist in singles at the WTA Tournament of US\$ 226,750 held in Malaysia from February 29 to March 9.

At the ATP Sofia Tournament of US\$ 226,750, held in Bulgaria between February 1-7, our tennis player Tuna Altuna became the quarter finalist in doubles.

During the tough final match of 2 hours 23 minutes at the TEB BNP Paribas İstanbul Cup, held in Garanti Koza Arena between April 18-24, our player Çağla Büyükakçay after winning against her Montenegrin rival Danka Kovinic in sets of 3-6/6-2 and 6-3, printed her name in gold in Turkish Sports History.

Çağla, having improved to the 82nd rank at the WTA broke ground with her championship and became the first Turkish woman tennis player to enter the top 100.

In addition, İpek Soylu, competing in doubles, broke ground with doubles championship with her partner Andreea Mitu.

lpek Soylu became the finalist in doubles at the WTA of US\$ 115,000 in 125K Bol Open Tournament held in Croatia, May 31-June 05.

lpek Soylu became the Champion in doubles at the WTA of US\$ 226,750 in Tashkent Open held in Uzbekistan, between September 26-October 2.

At the WTA Tianjin Open of US\$ 426,750 held in China between October 10-16, our player İpek Soylu became the quarter finalist in doubles.

At the WTA OEC Taipei Challenger of US\$ 115,000 held in China between November 14-20, İpek Soylu became the semi-finalist in doubles.

#### US\$ 50,000-75,000 ITF Women's ATP Challenger Tournaments

İpek Soylu became the Champion in doubles at the Rome Tiro A Volo of US\$ 50,000 held in Rome from June 27 to July 03, whereas at the ITF Zhuhai of US\$ 50,000 held in China between September 12-18, she became a finalist in singles.

At the ATP American Express of US\$ 75,000 held in Ted Sports Club between September 12-18, Tuna Altuna and Cem İlkel became a semi-finalist in doubles.

Cem İlkel became a finalist in singles at the ATP Challenger Tour of € 64,000 held in İzmir between September 19-25.

Our national club player, a 20-year-old, İpek Soylu, had one of the most brilliant weeks of her career at the ITF Zhuhai of US\$ 50,000, by becoming a finalist by defeating Belarussian Olga Govortsova.

#### US\$ 25,000 ITF Women's Tournaments

At the Aurangabad Tournament held from January 11th to the 17th, Melis Sezer became a finalist in doubles.

İpek Soylu became the Champion in doubles at the

Beinasco in Italy, held from February 22nd to the 28th, and became a finalist in singles at the Padova Challenge Open in Italy held between June 06-12.

#### US\$ 10,000 ITF Women's & ITF Men's Tournaments

Melis Sezer, 3 championships in singles, 7 championships, 2 finalists in doubles.

Ayla Aksu, 5 championships in singles, 3 championships in doubles.

Berfu Cengiz, 1 championship in singles, 2 championships and 2 finalists in doubles.

İpek Öz, 1 finalist in singles.

Tuna Altuna, 5 championships and 3 finalists in doubles.

Cem İlkel, 4 finalists in singles, 2 championships and 1

finalist in doubles.

Altuğ Çelikbilek, 1 finalist in singles, 3 championships and 2 finalists in doubles.

Sarp Agabigün, 2 championships and 3 finalists in dou-

Mert Altınalev, 1 championship in doubles.

Yankı Erel, 1 championship in doubles.

Tolunay Sümer, 1 championship in doubles.

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#### **Grade 3-4-5 ITF Junior Tournaments**

Our players won 5 championships and played 12 finals in singles; won 16 championships and played 11 finals in doubles in the tournaments which took place in different areas and on different dates.

#### Turkish Individual Championships in the season of 2016

#### In Women:

#### TTF Turkish Championships:

Melis Sezer, Champion in doubles

Ayla Aksu, finalist in singles and Champion in doubles

#### In the age 14 category of the Turkish Championships:

Selin Lidya Sepken, Champion in singles

#### In Men:

#### TTF Turkish Championships:

Altuğ Çelikbilek and Sarp Agabigün, Champion in Fahir Berk İlkel, finalist in singles doubles

#### In the age 18 category of the Turkish Championships:

Tolunay Sümer, finalist in singles and Champion in doubles

#### In the age 16 Turkish Championships:

Bora Şengül, Champion in doubles

#### In the ranking of International in 2016

ranking was 82, İpek Soylu 159, Ayla Aksu 349, Melis Sezer 448 and Berfu Cengiz 605 in the rankings of WTA; Cem İlkel 365, Altuğ Çelikbilek 522 on the ATP list.

In the season of 2016, our player Çağla Büyükakçay's In the rankings of the ITF Junior in 2016, our junior players' rankings were as follows: Ebru Zeynep Yazgan 546th, Berfu Cengiz 548th, İrem Soylu 576th, Zeynep Sönmez 643rd, Barbara Quagliardi 775th, Yankı Erel 95th, Cengiz Aksu 231st, Baran Cengiz 308th, Atakan Gezer 370th and Bora Şengül 408th.

#### **Swimming**

Our total number of swimmers was 487, 345 with active licenses and 142 young trainees who took part in swimming branch in 2016. In the 2016 season, we had 13 swimmers on the National Swimming Team:

#### International Organizations for the 2016 Season

Viktorya Zeynep Güneş and Nezir Karap represented our club in the 2016 Summer Olympics Games, held in Brazil, between August 6-13. As Nezir Karap swam in 400 m Freestyle in the preliminary heats, Viktorya Zeynep Güneş swam in the 400 m Medley in the preliminary heats. Viktorya Zeynep Güneş was the first Turkish swimmer in Turkish history to swim in the semifinals in the Olympics, and she also swam the 100 m Breaststroke in the semi-finals with a time of 1:07.41. In her second semi-finals, she swam 200 m Breaststroke and came in 9th with a time of 2:23.49.

At the FFN Golden Tour in Marseille, France held between March 4-6, Viktoria Zeynep Güneş, set a new

Turkish record in the Age 17-18 and Age 19+ New Turkish Records 400 m Medley with a time 4:49.15. In addition to this, she took 2 first places and 1 second place in the

Juniors World Record Holder Viktoria Zeynep Günes attended the Swim Open Stockholm Championships Sweden from March 30th to April 2nd, renewed 400 m Medley Age 17-18 and Age 19+ Turkish Records with a time of 4:39.53.

In meets held in Graz, Australia between April 8-10, Murat Can Varol, Mehmet Kaan Özçelik and Çağıl Uyaroğlu won 3 gold medals, 2 silver medals and 1 bronze medal in the Age 15-16 group.

Our swimmer, Zeynep Odabaşı, took place in 4x100 m and 4x200 m Freestyle National Team at the Juniors Balkan Championships, in Greece, between April 23-24, and the relay won the silver medal taking 2nd place.

At the European Swimming Championships, held in London between May 16-22, our swimmers Viktoria Zeynep Güneş, Nezir Karap, Ediz Yıldırımer, Kaan Özcan and Ege Başer represented our club and country.

Nezir Karap took 1st place in the 800 m Freestyle in the preliminary heats with a time of 7:59.20, in the general ranking he was 14th and also broke the Age 19+ Turkish Record, and moreover he succeeded in becoming the first Turkish swimmer to swim the event in under 8 minutes.

Nezir also holds the Age 19+ new Turkish Record in the 1500 m Freestyle. While Kaan Özcan was the 1st in the 200 m Butterfly preliminary heats, he also broke the Age 19+ Turkish Record with a time of 1:59.87.

In addition, Viktoria Zeynep Güneş became the 5th in Europe in the 200 m Breaststroke and she was the 6th in Europe in the 100 m Breaststroke.

In the 4x100 m Medley women-men mixed relay team that Ege Başer took part, was the 5th in Europe and in addition to this, Zeynep Güneş's 4x100 m Mixed Relay Team broke the Age 19+ New Turkish Record.

Our swimmers Şevval Özdoğan and Leyla Özdoyuran took place in the National Team in 4x100 m Freestyle and broke Age 14 Turkish Record with a time of 3:53.81 in the Comen Cup, in Malta, between June 25-26.

In the Budapest Open Swimming Championships in Hungary, from June 29th to July 2nd, our swimmer Ege Baser became the 3rd in the 50 m Backstroke with a time of 26.35 and also became the 5th in the 200 m Backstroke with a time of 2:01.95.

At the European Juniors Swimming Championships in Hungary, held between July 6-10, Kaan Özcan was 4th in Europe in the 200 m Butterfly and also in the 200 m Butterfly, 400 m Freestyle and 4x100 m Freestyle events and he broke 5 times Age 17-18 Record as well as 3 times Age 19+ New Turkish Records. Moreover, Zeynep Odabaşı broke Age 17-18 New Turkish Records in 4x100 m and 4x200 m Freestyle.

During July 13-16, Zeynep Odabaşı became 3rd in the World in the 200 m Freestyle at the ISF Gymnasiade World Schools Swimming Championships held in Trabzon, with a time of 2:05.39. She also took part in the 4x100 m Freestyle women's and 4x100 m Freestyle women-men's relay teams, which became 3rd in the World.

Ömer Ş. Tara, in the 28th Samsung Bosphorus Cross-Continental Swimming Race, as became Champion in the general classification and in the Age 19-24 category with a time of 47.37; Arda Kip took 3rd with a time of 50.10. Both our swimmers became 1st in their own age categories.

At the Austria Short Course Swimming Competitions, held in Austria, between November 17-20, our swimmer Viktoria Zeynep Güneş broke the Age 17-18 and Age 19+ Turkish Records in the 400 m Medley with a time of 4:41.17.

#### In the Turkish Swimming Competitions in 2016

#### Youth Winter Turkish Championships: Youth Summer Turkish Championships: Age 13 Women and Men Age 13 Women 1st 2nd Age 13 Men 2nd Age 15-16 Men 2nd 3rd Age 15-16 Men 2nd Age 14 Men Age 14-15 Women 3rd Age 14-15 Women 3rd Age 14 Men 4th Juniors and Open Age Summer Turkish Championships: Juniors and Open Age Winter Turkish Championships: Age 15-18 Men 1st Age 15-18 Men 2nd 2nd 3rd Open Age Men Age 14-17 Women Age 14-17 and Open Age Women 3rd Open Age Women and Men 3rd

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#### National Records Renewed by our Swimmers in 2016

| Name-Surname        | Event                  | Mark   | Pool   | Competition / Venue                      | Date               | Record             |
|---------------------|------------------------|--|--|--|--------------------|--------------------|
|                     | 50 m Backstroke        | 24.58  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 NR       |
| Ümit Can Güreş      | 50 m Backstroke        | 24.52  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 NR       |
|                     | 50 m Butterfly stroke  | 23.36  | 23.36 25 m Short Course Turkish Champ. /Tozkoparan |  | 21-25 December     | Age 17-18 NR       |
|                     | 50 m Butterfly stroke  | 23.27 25 m Short Course Turkish Champ. /Tozkoparan |  | 21-25 December                           | Age 17-18 NR       |                    |
| ۰                   | 100 m Butterfly stroke | 51.73 25 m Short Course Turkish Champ. /Tozkoparan |  | 21-25 December                           | Age 17-18 NR       |                    |
|                     | 100 m Butterfly stroke |  |  | 21-25 December                           | Age 17-18 / 19+NR  |                    |
|                     | 100 m Backstroke       | 53.19  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 / 19+ NR |
|                     | 200 m Butterfly stroke | 1:59.87  | 50 m   | European Swimming Champ. / London        | 16-22 May          | Age 19+ NR         |
|                     | 200 m Butterfly stroke |  |  | 06-10 July                               | Age 17-18 / 19+ NR |                    |
|                     | 200 m Butterfly stroke | 1:59.18  |  |  | 06-10 July         | Age 17-18 / 19+ NR |
| Kaan Özcan          | 200 m Butterfly stroke | 1:59.58  | 50 m   | European Junior Champ. / Hungary         | 06-10 July         | Age 17-18 / 19+ NR |
|                     | 400 m Freestyle        | 3:55.29  | 50 m   | European Junior Champ. / Hungary         | 06-10 July         | Age 17-18 NR       |
|                     | 4x100 m Freestyle      | 3:25.81  | 50 m   | European Junior Champ. / Hungary         | 06-10 July         | Age 17-18 NR       |
|                     | 400 m Medley           | 4:49.15  | 50 m   | FFN Golden Tour / France                 | 04-06 March        | Age 17-18 / 19+ NR |
|                     | 400m Medley            | 4:39.53  | 50 m   | Swim Open Stockholm Champ / Switzerland  | 30 March-02 April  | Age 17-18 / 19+ NR |
|                     | 400m Medley            | 4:41.17  | 25 m   | Austria Graz Swimming Champ. / Austria   | 17-20 November     | Age 17-18 / 19+ NR |
| V. Zeynep Güneş     | 200 m Medley           | 2:10.72  | 25 m   | Short Course Turkish Champ. / Tozkoparan | 21-25 December     | Age 17-18 / 19+ NR |
|                     | 400 m Medley           | 4:36.04  | 25 m   | Short Course Turkish Champ. / Tozkoparan | 21-25 December     | Age 17-18 / 19+ NR |
|                     | 4x100 m Medley         | 4:06.54  | 50 m   | European Swimming Champ. / London        | 16-22 May          | Age 17-18 / 19+ NR |
|                     | ,                      |  |  |  | 21-25 December     |                    |
| Fran Can Carmin     | 200 m Freestyle        | 1:46.71  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 NR       |
| Erge Can Gezmiş     | 200 m Freestyle        | 1:46.41  | 25 m   | Short Course Turkish Champ. /Tozkoparan  |                    | Age 17-18 NR       |
|                     | 200 m Medley           | 1:58.89  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 NR       |
| Nezir Karap         | 800 m Freestyle        | 7:59.20  | 50 m   | European Swimming Champ. / London        | 16-22 May          | Age 19+ NR         |
|                     | 1,500 m Freestyle      | 16:16.29   | 50 m   | European Swimming Champ. / London        | 16-22 May          | Age 19+ NR         |
| Samet Alkan         | 200m Medley            | 1:57.17  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 / 19+ NR |
|                     | 400m Medley            | 4:10.63  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 NR       |
| Zeynep Odabaşı      | 4x100 m Freestyle      | 3:51.67  | 50 m   | European Junior Champ. / Hungary         | 06-10 July         | Age 17-18 NR       |
|                     | 4x200 m Freestyle      | 8:29.89  | 50 m   | European Junior Champ. / Hungary         | 06-10 July         | Age 17-18 NR       |
|                     | 50 m Backstroke        | 29.39  | 50 m   | Republic Day Festival / Trabzon          | 30 October         | Aged 13 NR         |
| Can Çetinkaya       | 50 m Backstroke        | 28.80  | 50 m   | National Team Elimination / Tozkoparan   | 17-18 December     | Age 13 NR          |
|                     | 50 m Backstroke        | 27.45  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 13 NR          |
|                     | 200 m Medley           | 2:15.19  | 50 m   | National Team Elimination / Tozkoparan   | 17-18 December     | Age 15-16/17-18 NR |
| İmge Roza Erdemli   | 100 m Freestyle        | 55.88  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 15-16 NR       |
|                     | 200 m Medley           | 2:11.26  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 15-16 NR       |
| Batuhan Hakan       | 400 m Freestyle        | 3:47.34  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 17-18 NR       |
| Efe Başar           | 50 m Breaststroke      | 31.58  | 50 m   | National Team Elimination / Tozkoparan   | 17-18 December     | Age 13 NR          |
| Kaan Özcan          |                        |  |  |  |                    |                    |
| Batuhan Hakan       | 4x200 m Freestyle      | 7:12.15  | 25 m   | Short Course Turkish Champ. /Tozkoparan  | 21-25 December     | Age 19+ NR         |
| Ediz Yıldırımer     | ,                      |  |  |  |                    |                    |
| Erge Can Gezmiş     |                        |  |  |  |                    |                    |
| Efe Turan           |                        |  |  |  |                    |                    |
| Mehmet Kaan Özçelik | 4x20 m Freestyle       | 7:43.77  | 25 m   | Youth Turkish Champ. / Tozkoparan        | 20-24 January      | Age 15-16 NR       |
| Özden Sırmacı       | 4,20 mm edstyle        | 7.40.77  | 20111  | Touth runkish Champ. / Tozkoparan        | 20 24 January      | / /gc 15 16 141K   |
| Murat Can Varol     |                        |  |  |  |                    |                    |
| İnci Elif Aydın     |                        |  |  |  |                    |                    |
| Aymira Sezgin       | 4.400 5                | 44045  | 05   | Verste Turkish Ob. (T. )                 | 00.04              | A 40.115           |
| Hale Kayan          | 4x100 m Freestyle      | 4:10.15  | 25 m   | Youth Turkish Champ. / Tozkoparan        | 20-24 January      | Age 13 NR          |
| Nagehan Su Tok      |                        |  |  |  |                    |                    |
| Şevval Köseoğlu     |                        |  |  |  |                    |                    |
| Leyla Özdoyuran     | 4x100 m Freestyle      | 3:53.81  | 50 m   | Comen Cup / Malta                        | 25-26 June         | Age 14 NR          |



#### Water Polo

In our water polo branch, we have a total of 216 players, including 72 active-licensed players and 144 at formative stages.

#### In International Organizations in the season of 2016

In the 2016 European Championships D Group, held in Serbia, between January 10-23, our National A Team, in which our player Atilla Sezer also took place, played against Hungary, Greece and Russia, and became the 16th.

Our players, Atamer Albayrak, Kaan Özden Yıldız, Berke Can Yalçın, Ege Kahraman, Berk Alkan and Arda Işık took place in the Junior National Team in the U19 European Championships in Holland, between September 11-18, and finished finals taking the 13th ranking.

Our senior water polo team, comprised of Atilla Sezer, Boris Letica, Damir Buric, Tugay Ergin, Atamer Albayrak, Kaan Özden Yıldız, Arda İnan Akyar, Berk Alkan, Berke Can Yalçın, Ege Kahraman, Batukan Bayar, Arda Işık and Yuşa Han Düzenli played in the LEN Championships League 1st Tour C Group, held in Porto, Portugal, from September 30th to October 2nd, and completed group matches taking the 3rd ranking.

#### Turkish Inter-clubs Leagues in the season of 2016

U13 (2003) National Title in Turkey

U14 (2002) National Title in Turkey

2nd in Turkey

National Title in Turkey

National Title in Turkey

U17 (1999) National Title in Turkey

#### Scholarship

254 talented and hard-working athletes in the need of financial support got the right to receive scholarships during the 2016-2017 academic year.

#### Summer and Winter Sports Schools

Like previous years, we had a successful summer and winter sports school terms in 2016 as well. In the 32nd Summer Sports School programs realized by the experienced and professional staff of ENKA Sports Club, a total of 1,522 students were trained in 2 semesters in part or full-time programs in swimming, tennis, gymnastics, volleyball, basketball, athletics and football categories, and in the 2015-2016 Winter Sports Schools programs, a total of 2008 students were trained in 4 semesters.

#### **Social Member Activities**

U15 (2001)

U19 (1997)

Senior Team

A fitness centre, outdoor and indoor tennis courts, and an outdoor 50 m pool which can be covered in winters, and two indoor swimming pools of 25 m and 25x33 meters respectively, various sports grounds and an indoor sports hall, international synthetic track and field ring, and a health centre are in the service of our 5,560 adult and young members. After being restructured in a way that it can provide high quality service at reasonable prices primarily for our athletes and also for our members, our clubhouse is carrying on its activities.

















### **ENKA SCHOOLS**



**ENKA SCHOOLS - ISTANBUL** 

ENKA SCHOOLS - ADAPAZARI

PRIVATE ENKA VOCATIONAL AND TECHNICAL ANATOLIAN HIGH SCHOOL – KOCAELİ

PRIVATE ENKA SCIENCE AND TECHNOLOGY HIGH SCHOOL – KOCAELI

1994 22 YEARS OF EXPERIENC 2016

#### ENKA Schools - Istanbul

Founded in 1994, ENKA Schools - Istanbul educates a total of 1,236 students in preschool, primary school, middle school and high school with a student centred, and constructivist approach to teaching and learning.

ENKA Schools aim to lay the intellectual and behavioural foundations that will prepare and motivate students to develop to the full extent of their capacities, to employ the mental and moral habits that foster freedom of thought and action, and to seek to be leading citizens of Turkey or their country of origin.

Established with the aim of becoming a reputed, model school recognized not only in Turkey but also in the world for its educational practices, ENKA Schools Istanbul is well established and well respected in the Turkish educational system as it progresses steadily towards achieving its mission. Currently the school employs 163 teachers, 35 of whom are international and a total of 261 academic and administrative staff.

ENKA Schools boasts world class facilities. The schools occupy an area of more than 33,684 m² within the ENKA Sadi Gülçelik Sports Complex with the school buildings providing 21,450 m² of usage area in total. The school facilities are housed in two main buildings. The primary school and high school buildings consist of four floors and four blocks. There is also an auditorium and a multi-purpose area with a cafeteria attached to the main building. The pre-school is housed in a separate specially designed building and has its own separate play area.

The classrooms provide bright, modern learning spaces equipped with good IT resources and fully-equipped chemistry, biology and physics teaching laboratories. The curriculum is supported by technology at all levels.

In line with its mission and philosophy, ENKA Schools implement the Turkish Ministry of Education Program and also the International Baccalaureate Primary Years Program in the preschool and primary school, as well as the International Baccalaureate Diploma Program as an optional program for Grade 11 and 12 students.

Clubs, community service, after-school and school team activities serve an important role as do academic pursuits within the educational program. These activities emphasize the development of leadership and communication skills, promote responsibility as well as a sense of discovery and self-confidence. They improve the personal aptitude and interest of students, and help them prepare for their future lives. They also help ensure that ENKA students become responsible citizens who are sensitive towards those less affluent in our society. Through 102 clubs, 46 after school activities and school teams in 9 different categories founded to achieve this

end, such as the Model United Nations, Drama, Musical Drama, European Youth Parliament, English Drama, Community Volunteers and the International Chain of Awareness, students represent ENKA Schools in various organizations both in Turkey and abroad in the best way possible.

Students have achieved both national and international rankings and records in basketball, volleyball, football, tennis, swimming, skiing, gymnastics, taekwando, chess, sailing, fencing, archery, and equestrian. The third place at the 2007 World High School Tennis Championship and the World Champion title in 200 meters in the freestyle category in the 2012 World High School Swimming Championship and two students' World Champion title in the 4x100 meters in the same race are some of these international achievements. Other international achievements are as follow: one of our students swam in the 4x100 and 4x200 Freestyle category and the 4x100 Medley category in 2015 European Swimming Youth Races; and Best Female Athlete title in 2014 Belgrad Trophy.







During the process of university preparation, students' study skills, performance, levels of motivation and anxiety and course selections are monitored in a systematic way. As part of the university introduction program, field trips to universities are organized and also representatives of universities visit the school and meet the students. This provides our students with the opportunity to learn about the different types of universities. An annual event, Career Day is organized for students in order to

familiarize them with professions in which they are interested. Various aptitude tests are offered which aim to increase students' awareness regarding their interests and abilities and help them to make appropriate choices.

Istanbul ENKA Schools graduated its first high school cohort in 2008. Graduates continue to study at top universities in Turkey such as METU, Boğaziçi University, Bilkent University, Koç University, ITU and Sabancı University, as well as abroad. To date, ENKA students

have studied a wide range of disciplines in leading universities such as Harvard, Stanford, Oxford, Columbia, Northwestern, Brown, Duke, John Hopkins, McGill and Imperial College. Having completed their undergraduate degrees, many of our first graduates are now pursuing graduate studies both in Turkey and abroad and taking their first steps towards their careers. ENKA graduates also continue to play a role through the ENKA Schools Alumni Association which was established in 2010.





#### **ENKA SCHOOLS ADAPAZARI**

Adapazarı ENKA Schools were established in a very short time after the Marmara Earthquake in 1999, for students who were effected by the earthquake.

In 2016 the schools have been providing developed education for 690 students with 165 staffed and 18 part-time employees. In our schools, besides national and international academic curriculums, there are also sports, artistic and cultural programs to support students to be healthy and successful individuals.

#### Primary School

Primary School is continuing to develop inquiry based learning as an authorised IB PYP school with 230 students, 37 staffed teachers.

5 of our fourth grade students studied the international Future Problem Solving Program with guidence of our two teachers throughout the year and passed national elimination. The group represented us in the United States of America in Michigan State University successfully.

#### Secondary School

Secondary School continues to its process of becoming an IB MYP with its 221 students, 37 staffed teachers and 7 part-time teachers. Significant achievements in Secondary School in 2016 can be listed as follows:

One of our students Didem Memiş, has answered all the questions correctly at the TEOG national exam and got the first position.

In 2016, our two teachers attended the national MYP workshops and another two attended to the international MYP workshops.

We have got the first position in a short film contest with a film named "Îroni" that has been organized by Açı Schools and Mimar Sinan Fine







Arts High School in İstanbul.

Our 6th grade student Jan Demir Vurdum became the first swimmer in Turkey in the Biatlon and he is going to represent Turkey in the World Championship.

#### **Anatolian High School**

Anatolian High School continues in its process of becoming an IB MYP with its 242 students, 38 staff teachers and 11 part-time teachers. Significant achievements in Anatolian High School in 2016 can be listed as follows:

In 2016, our two teachers attended the national MYP workshops and another two attended to the international MYP workshops.

In the academic year of 2016-2017 the High School is qualified to work collaboratively with UWC Robert Bosch College in Germany.

Within the framework of the AFS student exchange program; three

of our students are continuing their education in Hungary, Germany and Poland for the academic year of 2016-2017.

Within the framework of the NCA student exchange program, two of our students are continuing their education in USA and Canada for the academic year of 2016-2017.

In 2016, 12 students from the AFS student exchange program and 7 students NCA student exchange program passed the exams and gained the right to join the programs.

In 2016, 10 students and a teacher went to the Zurich International School within the scope of Community Service.

From July 28 to August 13, 5 of our students joined a camp held in Freigburg, Germany by UWC Robert Bosch College.

One of our students joined the National Team and participated in the Linguistic World Championship which was held in India in 2016.

One of our students has attended as a member of Turkey Team to Asian Science Camp 2016 in Indian Institute of Science Bangalore.

16 students attended Summer camp in England.

Our swimming team became the Champion of Sakarya in the swimming competition among the Sakarya District Schools. They became third in the National Swimming Championship and the 7th within the Youth Swimming in the Turkish Championship.

In March 2016, one of our students became the Champion of Turkey in the category A backstroke in the Youth Swimming Competition.

In February 2016, one of our students came in 2nd place for the pole vault in the Turkcell Youth and Adult Indoor Competitions in Istanbul. In April 2016, she gained the right to join the National Indoor Championship because she placed 1st in the pole vault in the Youth Athleticism Group Competition. In May 2016, she became the winner of the Izmir Young Students Turkey Championship with a height of 3.40 in the category of pole vault.

One of our students became the Champion of Sakarya in the Youth Chess Competition held in January, 2016.

Our tennis team gained the right of representing our school in the National Tennis Competition by being the champion of Sakarya in March, 2016. 13 students attended the MUN Conference held in Colorado Spring School. Two of the students received the Certificate of Honor because of their outstanding performances in the committee works.

In May 2016, our high school became the winner of the 2nd annual SOLEA event organized by the SEV American College.

There are 215 licensed athlete students in our schools in different branches such as swimming, basketball, volleyball, athletism, gymnastics, chess, table tennis, archery and step aerobics.

Our high school building and secondary school extension buildings were opened in September 2016.









# Private ENKA Vocational and Technical Anatolian High School

ENKA Anatolian High School is Turkey's first and only private vocational school that serves all of its students on full scholarships. It was established in 2008 at a temporary building then moved to its main campus in 2010. Our school services 437 and 65 teachers in three major disciplines; industrial automation, machinery technologies and chemical technologies.

ENKA Technical School provides training for the required areas of professions using the modern and high technological equipment with up-to-date methods. Our school was founded in order to grow individuals who are capable of meeting the needs of industrial sectors and vocational and technical educational institutions, to train the people who work in these sectors and to teach courses to those who have no job and to the graduates from regular high schools. It is believed that the aims of supporting Turkish industry and solving a social problem have been being achieved. While achieving these goals, both social and cultural needs, a sense of responsibility, professional ethics, moral values, and sensitivity are inculcated in our students.

Our vision is to educate such students that will embrace the "ENKA" name and realize our responsibility as the first school in Turkey with the whole school on full scholarships. We anticipate that this serves as a remarkable example for other superseding institutions. The strength and support that we receive from our students will enable us to have a saying in the field of technical/vocational education not only in Europe, but in the rest of the world as well.

A first in Turkey with our project, our building is located in a 30,750 square meter green area which



was donated by Istanbul Machinery Industry. Manufacturers building consists of a 15,000 m<sup>2</sup> closed area, 20 classrooms, 5 labs, a Machinery CNC Section, 15 workshops belonging both to the Industrial Automation and to the Chemistry Departments and a dining hall. School areas, equipment and training programs are improved with the collaboration of other international institutions especially in Germany. This interrelationship has been strengthened by means of the Sister School Project. Within the scope of this project every year, students from the Sister School are hosted at our school and a group of our school students are hosted at the Sister School. Under an agreement with the Machine Specialization Organized Industrial Zone District Office, every year a number of our students are sponsored to go to England for their language education.

In addition to the physics, chemistry, and biology applied sciences labs equipped with the latest technology our school also has a LEGO robot studio, aircraft drone workplace, science center, visual arts studio, and a studio for our school orchestra and music bands to

rehearse. In order to increase these activities and amenities, our school has signed a protocol with Gebze Technical University. In lieu of this protocol, not only will students will be sharing labs and recreational facilities, faculty members will also utilize educational and consulting services. Likewise, science and technical projects will be done in collaboration

Our school, which is the first school that was established in organized industrial zones in Turkey with institution regulations, has been at the fore in all fields. There are active European Union Erasmus Plus projects in our school which have ISO 9001:2008 quality management documents and "Clean School Healthy School" certification from the Ministry of Health. As part of the Erasmus Program our students produced a commemorative Coin Printing Machinery together with Poland, Belgium, Germany and Hungary. Our students have been studying for the TUBITAK Science, Math and Physics Teams and other TUBITAK Projects.

107 students graduated from our school in June, 2016. 95% of our graduates have been in outstanding departments, from medical schools to pharmaceutics, dentistry to engineering, law to business in outstanding universities. Our students, who have made a strong impression made the honor list at Waterloo University with their degrees in international Mathematics Competitions.

Our students produce their own 3D printers and 3 and 5 line CNC machine and use these in vocational classes. In order to become integrated with industry, to have the culture of production and to see the process of production on site, technical trips are being organized to various factories.

Our students are improving their success both in education and the professional field. Our students became first, third and won the award for the best design by designing their own robots in competitions organized by the Ministry of National Education in 2016. Our students, who were in the 2016 WRO Lego competition, went to India and had the chance to

take part in the competitions there. Apart from these, a lot of degrees were placed in various robotic competitions organized by some universities. With the robot they designed together our students are also going to Los Angeles in 2017 to take part in the FRC America robot competition with Robert High School and Sainte-Pulchérie French High School.

Saying "Here we are in Sports, too", in 2016, our school's Girls Tennis Team took first place and the Boys Swimming Team came in 3rd in the national competitions. Having been led by our school teachers, our Drama Club students won 1st place at the Provincial Drama Contest in 2016. Our students in the Folk Dance Club, proudly represent our school at the Balkan Festivals every year.

With the support of our teachers, our students carry on their activities at the European Youth Parliament, MUN (Model United Nations), English Drama, and in many other social domains like social responsibility projects. In our school, to enable our students to choose the best career, with the participation of

the representatives of the trade associations, universities and organized industrial zones, Career Days activities are organized.

Our graduated students maintain ENKA culture in their life, such as increasing the internship opportunities, announcement of business options, projects of social responsibility and cooperate in many areas, under the same roof of the alumni association that built by them.

All of the students being educated at our school receive nonrefundable full grants. Most of the services in addition to an education, for instance the service bus and catering, are provided freely and university preparatory courses are also given freely in the school. The educational oppurtunities which are benefited by the students on weekdays, are also used by the adults at weekends and in the evenings. In the courses which are taken by adults, individuals have an oppurtunity to progress in their business and to acquire new professions.



# Private ENKA Science and Technology High School - KOCAELI

The only goal of our school with its modern campus, qualified teaching staff and equipped laboratories, has been established to train qualified people who can elevate Turkey to its well-deserved place in the future. There is one year English language preparatory education in our school which has 5 years of education in total.

Main objectives of the Science and Technology High School are:

- 1. Project-based education
- 2. Academic training that enables students to study in decent departments of good universities
- 3. To provide foreign language education
- 4. To provide up to date technological education
- 5. To raise students socially
- 6. To prepare them to get education abroad

Our school, which has a 130 students quota, was established in 2014 in the same building with the Private ENKA Vocational and Technical High School that occupies a 30,750 m² green area, consists of a 15,000 m² closed area in the Machine Specialization Organized Industrial Zone District in Kocaeli. Our students in our school, which has five classrooms itself, use the dining hall, sports hall, tennis court, football pitch and other campus areas together with the Private ENKA Vocational and Technical High School students.

All of the students who study in our school receive nonrefundable full grants. Most of the services such as education, service bus and catering are provided for free and university preparatory courses are also given for free in the school.







In addition to the science school curriculum at our school, students from the 10th grade who want to study medicine by pursuing their goals have genetic lessons in genetics labs and those who want to study engineering have mechatronics and computer programming language workshops.

To support our students' applied training in our school, there are physics, chemistry and biology laboratories which are equipped with the latest technologies as well as LEGO robotic workshop, hobby aircraft, drone workshop, science center, visual arts, a rehearsal room. For the purpose of increasing facilities more, a cooperation protocol has been signed between our school and Gebze Technical University. With the protocol, our students may take advantage of a university which offers counselor support given by the academic staff besides physical facilities such as a laboratory and recreational facilities. In addition to these, engineering and scientific projects are run together. Apart from the projects, our students continue their education with TUBITAK science Olympics such as Mathematics and Physics Olympic teams and TUBITAK projects competitions.

For the foreign language education of students, a certain number of students are sent to the language school in England each year as a scholarship sponsored by Organized Industrial Zone Directorate, within the framework of the agreement made with the Regional Directorate of Machinery Specialized Industry.

Our students are improving their success both in education and professional fields. Our students became first, third and won the award for the best design by designing their own robots in competitions organized by Ministry of National Education in 2016. Our students, who were in 2016 WRO Lego competition, went to India and had the chance to take part in the competitions there. Apart from these, a lot of degrees were placed in various robotic competitions organized by some universities. With the robot they designed our students are also going to Los Angeles in 2017 to take part in FRC America robot competition with Robert High School and Sainte-Pulchérie French High School.

Saying "Here we are in Sports, too", in 2016, our school's Girls Tennis Team got first place and Boys Swimming Team came in third in the national competitions. Having been led by our school teachers, our Drama Club students won the first place at the Provincial Drama Contest in 2016. Our students in Folk Dance Club, proudly represent our school at the Balkan Festivals every year.

Within the support of our teachers, our students carry on their activities at the European Youth Parliament, MUN (Model United Nations), English Drama, and in many other social domains like social responsibility projects. In our school, to enable our students to choose the best career, with the participation of the representatives of the trade associations, universities and organized industrial zones, Career Day Activities are organized. By means of this activity, our students get the chance to be closely acquainted with many different professions.





### **ENKA CULTURE & ARTS**



"DEVELOPING A GREAT REPUTATION FOR ITS ARTS PROGRAMMING"

1988 28 YEARS OF EXPERIENCE 2016



In the 28 years since its establishment, ENKA Culture and Arts has developed a great reputation for its arts programming, organizing events that are spread throughout the year. In summer, events are held at the ENKA Eşref Denizhan Open Air Theatre which has a capacity of 1,000 people. In spring and winter, events are held in the ENKA İbrahim Betil Auditorium with seating for 600 people. These venues played an important role in 2010 for the programming of events when Istanbul was the European Capital of Culture.

These activities reach a very wide audience, including employees of the ENKA Group, the ENKA Foundation and ENKA Sports Club, the athletes and students of ENKA's Schools and their parents, as well as various non-governmental organizations, associations and scholarship students.





With its cutting edge technical equipment, modern stage facilities and professional personnel, ENKA Culture and Arts hosts a large number of local and international groups and artists. ENKA Culture and Arts also cooperates with local and international arts institutions, thus contributing towards bringing a variety of events to art lovers.

During its 28th year, a comprehensive program reached an audience of 16,000 people at events held throughout the year — concerts ranging from jazz to classical and pop to world music, modern and classical ballet and dance performances and theatre performances. ENKA Culture and Arts also hosts exhibitions, regarding various subjects, in the ENKA Dr. Clinton Vickers Art Gallery.





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# FINANCIAL REPORTS

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE **REPORT** 

**BASIC RATIOS & BACKLOG** 

INDEPENDENT AUDITORS'

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

# SECTION I- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Corporate Governance Committee of the company is elected by the resolution of the Board of Directors dated 31.03.2016 and Board Members E.Melih Araz (Chairman) and Erdoğan Turgut (Member) as well as Gizem Özsoy (Member) which has the Capital Market Activities Advanced Level License and the Corporate Governance Rating Specialists License are selected. According to the same resolution it is decided that scope of activities of Nominating and Compensation Committee will be carried out by the Corporate Governance Committee. Principles and responsibilities of the committees are approved by the Board of Directors on 28.05.2012 and have been announced to the public.

On 11.06.2014, the duties and working principles of the committees were revised to ensure compliance with the legislation and were declared on company's official website. There are no compulsory principals, which are stated on the annex to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 and which are not applied.

Corporate Governance Committee's main objectives are; to present the proposals for the corporate governance policies of the company, enhance the quality of the corporate governance applications and inform the Board of Directors about the effective pursuit of the legislation of the Capital Markets Board related to the corporate governance principles and the generally accepted corporate governance principles of the international capital markets, and about implementing those principles which it deems applicable. The corporate Governance Principles Compliance Report of the Corporate Governance Committee has been presented below to the review of our stakeholders.

### for and on behalf of the CORPORATE GOVERNANCE COMMITTEE

Chairman E. Melih ARAZ (signature) Member Erdoğan Turgut (signature)

#### **SECTION II- SHAREHOLDERS**

#### 2.1. INVESTOR RELATIONS UNIT

The Investor Relations Management was established in 2002 within the structure of ENKA İnşaat ve Sanayi A.Ş., for the purpose of arranging the relations with the shareholders.

The Investor Relations Department reports to Ilhan Gücüyener the Deputy General Manager of the company and is not preparing reports on activities.

The main activities conducted by the unit can be summarized as answering the questions on financial statements, activities of the company, conditions to participate in the company's General Assemblies, announcements to public, capital increases, information on issuance of new share certificates and preparation of the company's annual reports. The numerous applications to the unit and the responses to the investors are generally made through telephone. The members are; Sinan Yavuz Akturk, Leyla Yüksel, Ali Aslan and the manager Gizem Özsoy of the Investor Relations Unit. Gizem Özsoy holds Advanced Level License (205945) and the Corporate Governance License (700865). The Investor Relations Unit can easily be accessed through the general telephone numbers of our company, which is +90 212 376 10 00.

#### 2.2. EXERCISE OF THE SHAREHOLDERS' RIGHTS TO OBTAIN INFORMATION

Any kind of information about the company in relation to the developments that would possibly affect exercising of the shareholder rights is presented to the consideration of the shareholders on the internet environment (www.enka.com). The Investor Relations Unit provides guidance to those shareholders who prefer to use internet facilities for their requests for information. The shareholders, who cannot use internet facilities, are informed either by fax or mail.

Within the period, there are no complaints made to the company by any shareholders regarding the usage of their shareholding rights. There is no regulation about right to request appointment of special auditor in the Articles of Association of the firm. Within the period, there has been no special auditor appointment request pursuant to the Turkish Code of Commerce.

#### 2.3. GENERAL ASSEMBLY MEETINGS

Any shareholders of our company who are entitled to attend or take part in the General Assembly Meetings thereof and the shares of whom are being traced by the "Central Securities Depository Institution" (MKK = Merkezi Kayıt Kuruluşu) on the basis of the records thereof are authorized to attend physically or to take part in person or by proxy in such General Assembly meetings. Any shareholders intending to attend physically such General Assembly Meetings are entitled, by submitting their identity cards, to exercise their rights arising out of their shares recorded in the "Shareholders List" kept by the "Central Securities Depository Institution" (MKK). However, any shareholders who have previously provided to their stock brokers any restrictions for the provisioning and communication to our company of any information on their identities and on the shares kept in their accounts, are required to apply to their relevant stock brokers for the abolishment of such restrictions and provisioning and communication by such stock brokers to our company of the information on their identities and on the shares kept in their accounts, until at the latest one day before the General Assembly Meetings, should they intend and request to be enlisted in the "General Assembly Shareholders List". Taking part online in such General Assembly Meetings by the shareholders themselves in person or by virtues of their proxies is allowed only by secure electronic signatures. Any shareholders are allowed to authorize their proxies by whom they will be represented in the General Assembly, either online in electronic environment by virtue of the Electronic General Assembly System or by providing them an authenticated Official Power of Attorney as provided in related legislation of the Capital Market Board, or a non-authenticated Formal Power of Attorney bearing their duly signatures in the accompaniment of their authenticated Official Signature Sample Statement as an integral part. Information about date, agenda and location of General Assembly meetings are announced to the public via Public Disclosure Platform (KAP), on our website and by e-mail sent to the people who have selected the option on our website to receive e-mails. The minutes of the General Assembly meetings are disclosed to the public by Public Disclosure Platform, in accordance with the provisions of the Communiqué about special conditions in force of the Capital Markets Board, and further announced in the Turkish Trade Registry Journal. The minutes of the General Assembly meetings are disclosed on our website and always made available to the shareholders at the company's head office. Our company does not have any practice to make the usage of the voting rights of the shares difficult.

Further to the Communiqué of the Capital Markets Board on the Principals Regarding Determination and Application of Corporate Governance Principles, there are provisions in the Articles of Association related to important decisions such as spin-off, sale, purchase and lease of significant amount of assets to be resolved by the General Assembly.

Within related period, the Ordinary General Assembly Meeting has been held on March 29, 2016. Shareholders did not give any agenda item proposals to the General Assembly. The related information is herebelow:

| Type of the meeting                                 | Ordinary          |
|---|-------------------|
| Date of the meeting                                 | 29.03.2016        |
| Participation Rate                                  | 89%               |
| Participation of stakeholders                       | Yes               |
| Participation of media                              | No                |
| Was right of asking questions by shareholders used? | Used              |
| Were questions answered?                            | Answered          |
| Did shareholders make any proposals?                | No proposals made |
| Result of proposal                                  | -                 |

The minutes of meetings of the General Assembly are disclosed to the public by Public Disclosure Platform as well as on our website and always made available at the company's head office upon any request.

All questions asked by shareholders at Ordinary General Assembly meeting were answered directly at the event. Therefore, there were no questions that had to be answered by Investor Relations Unit in written format.

Donations made in 2015 have been submitted to the shareholders' information as a separate agenda item at the General Assembly on March 29, 2016. Our Company's Donation & Aid Policy which was approved at 2014 General Assembly is as follows:

#### **Donation & Aid Policy**

Any donations and aids to be granted by our Company are determined by it pursuant to the below given basic criteria, provided, however, that such donations and aids are always in compliance with the provisions of the applicable Capital Markets Legislation.

#### Main Purposes:

Our Company's main purpose in making donations and aids to various organizations is not only to fulfill our social responsibility towards the society but also to create a corporate social responsibility for the shareholders, employees and partners thereof, provided, however, that all such donations and aids meet a certain social need and provide public benefit.

#### Organisations to which Donations / Aid could be granted:

- ENKA Spor ve Eğitim Vakfı (ENKA Sports and Education Foundation): Major part of the donations and aids of our Company are granted to ENKA Spor ve Eğitim Vakfı. Making donations and aids to this Foundation, the main purpose of which is to contribute to the Turkish youth to reach the contemporary sports level and to strengthen its educational and social structure in international standards, has been adopted by our Company as a principle.
- Relief accounts to be formed by the government agencies upon occurrence of natural disasters.
- Foundations listed in the Schedule of Recognized Foundations.
- · Any other foundations and organizations in case of need.

#### Limitation for Donation/Aids:

- If there is no limitation set in the General Assembly about donations and aids for the current year, the limit of donation/aid could be at most 3% of the distributable profit of previous year which is calculated in accordance with the Capital Markets Board regulations and other relevant legislations.
- Donations/aids for relief accounts to be formed by the government agencies upon occurrence of natural disasters are not taken into account of calculation above.

#### The Internal Decision-Making Procedure for providing Donations/Aids:

- Any donation/aid of which the amount exceeds TL 10,000 is allowed to be made only upon approval thereof by at least one member of the Board of Directors or of the Executive Committee.
- Any internal committees, departments and workshop-groups may make proposals to the members of the Board of Directors or of the Executive Committee regarding any donations/aids

#### 2.4. VOTING RIGHTS AND MINORITY RIGHTS

The shareholders or their representatives participating in the General Assembly meetings of ENKA İnşaat ve Sanayi A.Ş. have the right of 10 votes for each Group-A share and 1 vote for each Group-B share that they hold. However, even if it is considered cumulatively, it will not have any influence on changing the result on any decision and therefore it will not have any negative impact to any Group-B shareholders due to the immaterial amount of shares.

The share amount of each group with a nominal value of 1 Kr (One Kurus) and the total voting right as of the year end is

|         | Share Amount    | TL Nominal       | Total Voting Right |
|---------|-----------------|------------------|--------------------|
| Group A | 1,167           | 11.67            | 11,670             |
| Group B | 419,999,998,833 | 4,199,999,988.33 | 419,999,998,833    |
| TOTAL   | 420,000,000,000 | 4,200,000,000.00 | 420,000,010,503    |

The list of the shareholders of ENKA İnşaat ve Sanayi A.Ş. having 5% and above shareholding as of December 31, 2016 is as follows:

| SHAREHOLDERS                            | %      |
|---|--------|
| TARA HOLDİNG A.Ş.                       | 49.42  |
| VİLDAN GÜLÇELİK                         | 7.99   |
| SEVDA GÜLÇELİK                          | 6.43   |
| ENKA SPOR EĞİTİM VE SOSYAL YARDIM VAKFI | 5.87   |
| PUBLICLY TRADED                         | 12.13  |
| OTHERS                                  | 18.16  |
| TOTAL                                   | 100.00 |

The list of legal person ultimate controlling shareholders as of March 27, 2016 is as follows:

| Shareholder                               | Group<br>of<br>Shares | Share Amount       | Actual<br>Share-<br>holding | Legal Per-<br>son Ultimate<br>Shareholder | Explanation  |  |
|---|-----------------------|--------------------|-----------------------------|---|--|--|
| Tara Holding A.Ş.                         | А                     | 459                | 0.00%                       | 0.00%                                     |  |  |
|   | В                     | 197,092,404,065.50 | 49.27%                      |   | -  |  |
| 0 1 7                                     | А                     | -                  | 0.00%                       | 22 FC0/                                   | Tara Haldina: A C CC 400/ + 0 000/                           |  |
| Şarık Tara                                | В                     | 3,180,148,770.10   | 0.80%                       | 33.56%                                    | Tara Holding A.Ş. 66.49% + 0.80%                             |  |
| Cinan Tara                                | А                     | -                  | 0.00%                       | 10.710/                                   |  |  |
| Sinan Tara                                | В                     | 800,000,976.80     | 0.20%                       | 16.71%                                    | Tara Holding A.Ş. 33.51% + 0.20%                             |  |
| Vr. 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | А                     | -                  | 0.00%                       | 7,000/                                    |  |  |
| Vildan Gülçelik                           | В                     | 31,942,427,388.80  | 7.99%                       | 7.99%                                     | -  |  |
| 0 1 0"1 1"1                               | А                     | -                  | 0.00%                       | 0.400/                                    |  |  |
| Sevda Gülçelik                            | В                     | 25,706,401,666.40  | 6.43%                       | 6.43%                                     | -  |  |
| Enka Spor Eğitim ve                       | А                     | -                  | 0.00%                       |   |  |  |
| Sosyal Yardım Vakfı                       | В                     | 23,473,528,390.90  | 5.87%                       | 0.00%                                     | -  |  |
| Aves Verds Cülselik                       | А                     | 28                 | 0.00%                       | F 000/                                    | Alternatif Aksesuar San. ve Tic. Ltd.<br>Şti. 99.90% + 0.66% |  |
| Ayşe Verda Gülçelik                       | В                     | 2,626,814,342.50   | 0.66%                       | 5.02%                                     |  |  |
| Alternatif Aksesuar                       | А                     |                    | 0.00%                       | 0.000/                                    |  |  |
| San. ve Tic. Ltd. Şti.                    | В                     | 17,473,277,855.80  | 4.37%                       | 0.00%                                     | -  |  |
| Ali Cülcəlik                              | А                     | 75                 | 0.00%                       | / E10/                                    | _  |  |
| Ali Gülçelik                              | В                     | 18,044,997,750.90  | 4.51%                       | 4.51%                                     | -  |  |
| Dilai Cülaalik                            | А                     | 11                 | 0.00%                       | A 010/                                    |  |  |
| Bilgi Gülçelik                            | В                     | 17,238,235,491.30  | 4.31%                       | 4.31%                                     | -  |  |
| Nurdon Cülaalik                           | А                     | -                  | 0.00%                       | 1560/                                     |  |  |
| Nurdan Gülçelik                           | В                     | 6,227,525,077.65   | 1.56%                       | 1.56%                                     | -  |  |
| Colim Cülcolik                            | А                     | 160                | 0.00%                       | 1,550/                                    |  |  |
| Selim Gülçelik                            | В                     | 6,210,336,570.20   | 1.55%                       | 1.55%                                     | -  |  |
| Publicly traded and                       | А                     | 434                | 0.00%                       | 10 200/                                   | Publicly Traded 12.50% + Enka Spor                           |  |
| others                                    | В                     | 49,983,900,486.15  | 12.50%                      | 18.38%                                    | Eğitim ve Sosyal Yardım Vakfı 5.87%                          |  |
|   |                       | 400,000,000,000.00 | 100.00%                     | 100.00%                                   |  |  |

The shareholder structure of ENKA İnşaat ve Sanayi A.Ş. does not involve any legal person engaged in cross-shareholding relation. There is no provision for representation of the minority shares in the management, and cumulative voting is not allowed. Our company does not have any practice to make the usage of the voting rights of the shares difficult.

#### 2.5. DIVIDEND RIGHT

The Profit Distribution Policy of ENKA Insaat ve Sanayi A.S. which has been approved at the General Assembly held on March 27, 2014 is as follows:

The Board of Directors of ENKA İnşaat ve Sanayi A.Ş ("the Company") takes into account the performance of the Company of that year, economic conditions, the finalized projects, investments and the cash flow of the Company as well as Turkish Commercial Code, the relevant articles of Capital Markets Law, regulations and the practices of the Capital Market Board when presenting the profit distribution proposal to the General Assembly.

The principal policy adopted and applied by the company in aspect of profit distribution is to act always in compliance with the applicable criteria as provided in the Capital Markets Legislation while considering a fair balance between the interests of the Company and that of the shareholders thereof. In this manner, at least 20% of the distributable profit which is calculated in accordance with the Capital Markets Board regulations and other relevant legislation is distributed as cash and/or bonus shares.

Under the framework determined by profit distribution policy and the Capital Markets Board, after reserving the 1st dividend pursuant to the provisions of Article 36 of the Articles of Association, dividends are distributed to the Bonus Certificate holders as per the rate stated in the Articles of Association (total 7.5%).

Dividends are distributed equally at once to all existing shares as per their rates regardless of date of issuance and acquisition dates. Distribution of cash dividends is planned to be paid no later than one month after the General Assembly where the date of dividend distribution is resolved by the General Assembly.

The place and date of the profit distribution, agreed upon during the General Assembly in accordance with the relevant legislation provisions, is announced to the shareholders through the Public Disclosure Platform and by the announcement on the website of the Company.

The Board of Directors may distribute dividend advance if it is authorized by the General Assembly as well as in compliance with the regulations of the Capital Market. The authorization given to the Board of Directors by the General Assembly is limited with that year in which the authorization is given.

The distribution of profit, which takes place in the Annual Report, is made within the period required by the provisions of the Capital Market Law, as set forth in the Profit Distribution Policy. Until this day, profit distributions have been done without any delays.

Further to the power vested in the Board of Directors by the Ordinary General Assembly for year 2014 held on March 27, 2015, the Board of Directors resolved to distribute, starting from November 11th, 2015, a total of 280,000,000 TL from the amount that remains after deduction of the relevant reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, to be set apart from the net profit of the current period as indicated on the financial statements comprising the interim period from 01.01.2015 to 30.09.2015, as Dividend Advances at a rate of 7.00% gross and 5.95% net per share, to the holders of share certificates. Additionally, at the Ordinary General Assembly Meeting held on March 29, 2016, regarding the distribution of the year 2015 profit, it has been resolved to distribute TL 320,000,000 cash dividend and by taking into account the legal status of the shareholders to distribute 8.00% gross and 7.10% net dividend to the shareholders representing the 4,000,000,000 TL equity and to distribute the cash dividend starting from April 20, 2016 and to add 200,000,000 TL which will be distributed as shares dividend, to the share capital of our company and therefore to increase the share capital by 200,000,000 TL in total to 4,200,000,000 TL, and the share capital was increased on May 23, 2016.

Further to the power vested in the Board of Directors by the Ordinary General Assembly for year 2015 held on March 29, 2016, the Board of Directors resolved;

- to distribute starting from September 28th, 2016, a total of 140,000,000 TL from the amount that remains after deduction of the relevant reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, to be set apart from the net profit of the current period as indicated on the financial statements comprising the interim period from 01.01.2016 to 30.06.2016, as Dividend Advances at a rate of 3.33% gross and 2.83% net per share, to the holders of share certificates representing the share capital amounting to 4,200,000,000 TL.
- to distribute starting from December 14th, 2016, a total of 140,000,000 TL from the amount that remains after deduction of the relevant reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, to be set apart from the net profit of the current period as indicated on the financial statements comprising the interim period from 01.01.2016 to 30.09.2016, as Dividend Advances at a rate of 3.33% gross and 2.83% net per share, to the holders of share certificates representing the share capital amounting to 4,200,000,000 TL

#### 2.6. TRANSFER OF SHARES

Pursuant to Article 8 of the company's Articles of Association which is related to the transfer of share certificates, the share certificates can be freely transferred in accordance with the provisions of Turkish Code of Commerce. The transfer of shares

#### **SECTION III- INFORMING THE PUBLIC AND TRANSPARENCY**

#### 3.1. WEBSITE OF THE COMPANY AND ITS CONTENT

The internet address of ENKA İnşaat ve Sanayi A.Ş. is www.enka.com. This site contains all the information listed in the legislation as well as in the Corporate Governance Principles of the Capital Markets Board both in Turkish and in English and this information is updated periodically. Special condition disclosures done by our company can be followed from the company's or Public Disclosure Platform's (www.kap.gov.tr) internet sites. Special condition disclosures announced in the related reporting period are listed on company's internet site with chronological order.

#### 3.2. ANNUAL REPORT

All the information listed in Corporate Governance Principles is provided in our company's Annual Report.

#### **SECTION IV- STAKEHOLDERS**

#### 4.1. INFORMING THE STAKEHOLDERS

Our company uses circulated announcements and the electronic media to inform the stakeholders about the matters that concern them and the company.

Provided information is governed by the agreement concluded between the employee and the company on the rights, tasks and liabilities of the personnel.

The execution procedures for the administrative and social works of the personnel at the local construction sites have been established by the regulations. In case of update, the relevant persons are notified.

Our company provides efficient and expeditious compensation to the employees in violation of the rights protected by their contracts. At the same time compensation payments are made by the company to the employees as stipulated by the law.

Stakeholders may submit the transactions of the company which are unethical and contrary to the legislation through Investor Relations Unit to the Corporate Governance or Audit Committees.

#### 4.2. STAKEHOLDERS' PARTICIPATION IN MANAGEMENT

The Corporate Governance Committee established within the structure of ENKA İnşaat ve Sanayi A.Ş. performs, in addition to its other assignments, the necessary coordination in relation to beneficiaries' participation in the management.

Stakeholders who have an access to ENKA Portal have an opportunity for presenting ideas and submitting proposals about any topic.

#### 4.3. ENKA HR/ HSE/ QUALITY POLCIES

#### **4.3.1. HR POLICY**

Prepared for the aim to support ENKA İnşaat ve Sanayi A.Ş. and to accomplish its vision &values, the Human Resources Management Policy, as shown on our web page, is as follows:

- 1. Advance the strategic goals and interests of our company
- 2. Be responsive to the changing needs of employees, management & government related entities
- 3. Establish and sustain ENKA's reputation as a preferred employer
- 4. Maintain a workplace culture in which there is mutual trust and respect, where all employees feel valued are listened to and are able to contribute their best efforts to achieve our mission
- 5. Hire the individual who is best qualified for the position. Provide an equal opportunity to all qualified candidates regardless of race, language, religion, sex or physical disabilities

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- 6. Consider external sources after ascertaining that the open position cannot be filled by an employee of ENKA
- 7. Know and comply with the laws and guidelines relevant to the functions performed
- 8. Commit to ensuring that all employees know what is expected from them in their jobs and are helped to develop their capabilities through constructive performance evaluations, training and career planning

As an organization committed to the effectiveness and compliance of its services with the specifications and the agreements that are contingent upon its employees, ENKA provides the necessary working environment and resources to meet the needs of its employees.

To ensure effective management of the activities by the qualified employees, "work flexibility and enhancement" is focused on in each stage of the organization.

The personnel of ENKA, cannot disclose any confidential information obtained during their employment in the company, in relation to the operating structure and technical matters of the company. Unless a legal sanction applies, the personnel can under no circumstances make any disclosure to any authority, institution or person.

The Human Resources and Administrative Affairs Manager Ceyhun Tutkun has been working as a representative of ENKA, for coordination and relation between the employer and employees of the company. The company did not receive any complaint about any kind of discrimination

#### 4.3.2. HS&ES POLICY

A "Zero Accident" policy is both a goal and an achievement at ENKA. The company implements its comprehensive Health and Safety & Environment and Social Responsibility (HS&ES) policy to protect all employees and associates working at ENKA offices, construction sites and related facilities. It includes protection from every kind of pollution, hazard and accident that may result from its business. HSE Management System is based on the standards of the ISO 14001 Environmental Management System and the OHSAS 18001 Occupational Health and Safety Management System.

It is clearly understood by all levels of the company that the HS&ES policies are core company values and this management system is managed in five steps:

- Setting HS&SE policies
- Planning
- Implementation
- Measuring / monitoring the performance
- Auditing & Management Review

ENKA will always have a comprehensive HSE training program to increase awareness of safety, to teach safer working practices and to promote environmental adherence. In the ENKA's HSE Manual all roles and responsibilities of the individuals in the organization are clearly defined to promote a positive HSE culture.

All managers demonstrate a clear commitment to the HS&ES policies to establish and implement a discipline procedure and an award program to run the HSE management system more effectively.

Monitoring is essential to maintain and improve HSE performance. ENKA believes that proactive monitoring, which oversees the achievement of plans and the extent of compliance with standards before an accident, incident, illness or environmental leakage occurs, is a key factor in HSE performance.

Auditing and reviewing provide considerable improvements on HSE corrective actions by managing risks through lessons learned from past experiences. Internal and external audits are continually performed.

Health, safety and environment are, in fact, its highest priority. ENKA recognizes and acknowledges the importance of achieving world-class performance with respect to the protection of HSE on every project as an integral part of its organizational culture.

All personnel are encouraged to actively engage in all the HSE programs and every conceivable effort is made to provide all the necessary training and development to enforce the project requirements to attain its "Zero Accident" goals.

#### Health and Safety Policy Statement

Our company is proud that safety and health management is its highest priority in all activities.

The management of ENKA believes that all accidents are preventable. This is achievable through our desire for continual improvement and our dedication to the Zero Accident Policy.

All employees are expected to be accountable for their own actions and shall execute their work in a safe and healthy manner, protecting the environment and property. This expectation is communicated to all people involved in all projects including, but not limited to, ENKA's own workforce, joint venture partners' employees, subcontractors and suppliers.

Preventative measures and the elimination of potential hazards are of the utmost importance for the safety of all employees, visitors and the public in general. By this means, our policy is to provide a safe environment for our own workers and subcontractors on all projects.

We commit to comply with the requirements of all applicable Health, Safety and Environmental (HSE) legal and other requirements, and we expect every employee to uphold the applicable requirements in the countries in which they operate.

The protection of health and safety is given the highest priority throughout all project phases, from tendering, front-end engineering through construction and commissioning, ending with demobilisation and reinstatement.

Our project management teams put into place clear and effective Project HSE programs to implement this policy.

The foundation of this goal is having a workforce and management;

- Well informed, motivated and committed to achieve the Zero Accident Target,
- Embraced the philosophy that no job or task is so important that cannot take the time necessary to do it safely.
- Upholding the virtue of protecting and keeping the environment in its original state, or making it better.
- Being sensitive, conscious, responsible and proactive with regard to all hazards.

All employees have the responsibility to take the required action - within their authority - to implement the Project HSE program. This responsibility includes eliminating potential hazards, or reporting potential hazards to their immediate supervisor, and contributing to and supporting the implementation of safety precautions

#### **Environment and Social Responsibility Policy**

ENKA is committed to maintaining a conscientious attitude to the environment by using all available and relevant knowledge to identify and eliminate or minimise environmental impacts which may arise from construction activities in all countries of operation.

Starting from the business development stages, through the tendering, front-end engineering, mobilisation, construction and commissioning, ending with demobilisation and reinstatement, all activities shall be performed with due consideration given to environmental impact and related aspects.

The management of ENKA shall provide all necessary resources to establish and implement environmental management systems as required by assigning responsibilities, authorising respective persons and fostering environmental awareness amongst all personnel.

ENKA aims to create environmental awareness in all of its employees and to continuously increase awareness towards the environment and to promote conservative usage of natural resources. To realise this aim, its environmental management philosophy is based on the continual improvement and implementation of preventative and corrective activities as a natural behaviour of all employees.

With this aim, ENKA is:

- Complying with the environmental laws and regulations applicable in the countries of operation, and other requirements associated with environmental aspects of our activities.
- Using natural resources economically.
- · Mitigating environmental impacts through effective waste management.
- Reducing the risks of emergency.
- · Fostering environmental awareness of all employees.
- Meeting the requirements of the ISO 14001 Environmental Management System and providing the necessary resources.

All our employees are responsible for supporting and assisting in establishing, implementation and continual improvement of Environmental Management System. During the period, no action has been brought against the company for damages to the environment.

#### 4.3.3. QUALITY POLICY

ENKA's Quality Management System has been established based on the principles of minimal bureaucracy and documentation which allows, quick decision making and implementation. These features are achieved and successfully integrated into the quality management system by utilizing the site-based management and process approach which includes:

- Understanding current and future customer needs, meeting with customer requirements and striving to exceed customer expectations
- Leadership to establish unity of purpose and direction to create and maintain the internal environment in which ENKA employees can become fully involved in achieving the company's objectives
- ENKA members, at all levels, are the essence of ENKA organization and their full involvement enables the usage of their abilities for ENKA's quality achievement
- · Management of activities and related resources as a whole process to achieve the desired results more efficiently
- Identifying, understanding and managing interrelated processes as a system which contributes to the ENKA's effectiveness and efficiency in achieving ENKA's quality objectives
- Continuous improvement of ENKA's overall performance as a permanent objective of ENKA organization
- Effective decisions based on the analysis of data and information
- Mutually beneficial relationships with suppliers to create value.

On each project undertaken, ENKA is paying attention to;

- Protect human beings and the environment
- Complete its tasks at the highest quality standards
- · Complete each work contracted by the client before the end of the specified completion period
- Establish long-term collaboration with clients
- Treat client satisfaction as a priority matter.

In order to effectively fulfill its obligations towards its suppliers and subcontractors as a natural part of its services, ENKA pays utmost attention to:

- Establish long-term collaboration with reliable suppliers/subcontractors,
- Fulfill its agreement obligations towards the reliable suppliers/subcontractors who fulfill their responsibilities.

ISO 9001:2008 Quality Management System is used as an important tool for the continuous assurance and improvement of ENKA's Quality Management System. By way of closely monitoring the process performed, the certification body of British Standard Institution performs periodical audits for the continuation of the validity of the ISO 9001:2008 certificate.

All employees do have an access to ENKA Quality Manual, which has been prepared by the Corporate Quality Management Department, on Electronic Document Management System. All Projects shall delineate their projects' quality programs in their Project Quality Plans to be prepared based on ENKA's Quality Manual.

In addition to the ISO Certification, ENKA's Quality Assurance Program for performing construction, including engineering design, procurement, quality control, contracting, fabrication or installation, as applicable complies with the ASME Boiler and Pressure Vessel Codes. The following ASME certification marks, which is regarded as the hallmark of acceptance and certification, is used to indicate that the stamped item(s) conform to the latest edition of the ASME Boiler and Pressure Vessel Codes on respective projects.



#### 4.4. ETHICS AND SOCIAL RESPONSIBILITY

As also stated at company's website, the employees of ENKA İnşaat ve Sanayi A.Ş;

- Do not compromise the general and professional ethic rules
- Act honestly, reliably and transparently and in accordance with the principles and strategies of the corporation in the course of execution of their tasks
- Pay utmost attention to behave honestly toward the employer, government, dealers (suppliers) shareholders, and subcontractors and treat quality as a priority in each and every work they perform,
- Do not only fulfill our contractual obligations but also have a constructive attitude towards our employers, customers and partners at all times
- Use their best endeavor to comply with all the relevant laws and regulations regarding the environment in the countries of operations
- Make economical use of the natural sources and avoid wastefulness
- Keep the wastes under control and minimize their adverse environmental effects
- Fulfill the requirements of ISO 14001 Environmental Management System and provide the necessary resources
- Constantly improve the work security and employee health applications and ensure avoidance of work accidents

ENKA Sports, Education and Social Aid Foundation is one of the leading platforms of Turkey where ENKA İnşaat ve Sanayi A.Ş. fulfills its social responsibility. The activities carried out by ENKA Foundation throughout the year are included in the annual reports of ENKA İnşaat ve Sanayi A.Ş., and such information is accessible through the company's website at www. enka.com.

As stated in ENKA's environment policy; in order to continue its environment-friendly and responsible attitude and minimize the risk of pollution that could affect the construction works, ENKA uses all the available and expedient information in each and every country where it operates.

Prepared for the aim to support ENKA İnşaat ve Sanayi A.Ş. and to accomplish its vision &values, the Human Resources Management Policy, as shown on our web page, is as follows:

- Advance the strategic goals and interests of our company
- Be responsive to the changing needs of employees, management & government related entities
- Establish and sustain ENKA's reputation as a preferred employer
- Maintain a workplace culture in which there is mutual trust and respect, where all employees feel valued are listened to and are able to contribute their best efforts to achieve our mission.

- Hire the individual who is best qualified for the position. Provide an equal opportunity to all qualified candidates regardless of race, language, religion, sex or physical disabilities
- · Consider external sources after ascertaining that the open position cannot be filled by an employee of ENKA
- Know and comply with the laws and guidelines relevant to the functions performed
- Commit to ensuring that all employees know what is expected from them in their jobs and are helped to develop their capabilities through constructive performance evaluations, training and career planning

By delegating power and responsibility to the necessary persons for operating the Environment Management System, the top management of ENKA enables the entire personnel to become conscious of the environment policy and objectives and provides all the necessary resources.

To ensure effective management of the activities by the qualified employees, "work flexibility and enhancement" is focused on in each stage of the organization.

The personnel of ENKA, cannot disclose any confidential information obtained during their employment in the company, in relation to the operating structure and technical matters of the company. Unless a legal sanction applies, the personnel can under no circumstances make any disclosure to any authority, institution or person.

Human Resources and Administrative Affairs Manager Ceyhun Tutkun has been working as a representative of ENKA, for coordination and relation between the employer and employees of the company. The company did not receive any complaint about any kind of discrimination.

#### **SECTION V- THE BOARD OF DIRECTORS**

#### 5.1. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

The target in determining the company's board members is to create a structure which will enable the members to make productive and constructive activities, to take decisions quickly and rationally, and to form committees in order to organize their activities in an effective way. Although the aim is to have one female member at the Board of Directors, the proposal of the Board Members submitted to the General Assembly has been formed in line with the above-mentioned targets. The Board of Directors which is approved by General Assembly consists of 5 members; as two executive members, one non-executive member and two independent non-executive members.

Regarding the independent members, 2 nominees were submitted to Corporate Governance Committee, which undertook authority of Nominating Committee, on 07.01.2016 and were approved by the Board of Directors on 08.01.2016.

Declaration of Independent Members of the Board of Directors about their independency is as follows:

In the context of my nomination being "Independent Member of the Board of Directors" at ENKA İnşaat ve Sanayi A.Ş.'s ("ENKA") Ordinary General Assembly Meeting of 2015 which will held in 2016:

- No relationship was formed in employment, in capital or in important trading activities, neither by me nor by my spouse, nor by my blood or affinity relatives up to the 3rd degree within last five years did not have any direct or indirect relationship with ENKA, 3rd parties in relation with ENKA or legal entities who have relation with shareholders of ENKA having a share of 5% or more,
- Within the last five years, I have not been a partner (5% or above), employed as an executive having a significant duty and responsibility, or as a member of the board of directors in a company, which is primarily serving as auditing (tax audit, legal audit and including any internal audit), consulting and rating of ENKA, which undertakes material business activities under an agreement, in the period where the services or goods have been purchased or sold,
- As being an independent member of the board of directors, I have the required professional training, knowledge and experience for undertaking the duties of the position,
- I am not working full time in a governmental or public institution,
- I am a resident in Turkey in accordance with the Income Tax Law no 193 dated 31.12.1960.

- I have strong standards of ethics, professional reputation and experience for adding positive contribution in activities
  of ENKA, for securing my independency about subjects in relation with the conflicts of shareholders and for making
  independent decisions with taking into account of stakeholders' rights,
- I will be able to spend necessary time for fulfilling the requirements of the position and monitoring processes of the activities of the company,
- I have not been on the board of ENKA for more than six years within the last ten years,
- I am not an independent board member in more than three of the companies which are controlled by ENKA or its controlling shareholders and in more than five companies listed on the stock exchange,
- I am not registered as a board member elected for the legal entity.

I hereby declare my independency within the framework of relevant legislation in force, articles of association of ENKA and criteria mentioned above.

In the period, no situation occurred that may remove the independency of members. For the Members of the Board of Directors, there is no restriction for undertaking responsibilities outside of our company.

Besides his membership in the Board of Directors of our company, E. Melih Araz has no relation with our group companies. He is also a member of the Board of Directors of Ata Menkul Değerler ve Yatırım A.Ş., Ata Portföy Yönetim A.Ş., Ata Gayrimenkul Yatırım Fonu A.Ş., TFI Tab Food Investments A.S., Burger King China JV, İzmir Enternasyonel Otelcilik A.Ş., Entegre Harç Sanayii A.Ş. and Zorlu Enerji A.Ş.

Besides his membership in the Board of Directors of our company, V. Ergin İmre has no relation with our group companies. He is the Chairman of the Board of Directors of Ahmet Veli Menger Holding A.Ş and Mengerler Ticaret Türk A.Ş. V. Ergin İmre has no relation with our group companies.

In accordance with the Articles of Association of the company, the Board of Directors is responsible for the management of ENKA İnşaat ve Sanayi A.Ş. and its representation. Validity of all documents to be given by ENKA İnşaat ve Sanayi A.Ş. and all the agreements to be concluded require the names of two persons authorized to represent the company under the official heading and per the signature circular of ENKA İnşaat ve Sanayi A.Ş. The Board of Directors assembles at the beginning of each fiscal year and divides up the tasks as well as the management and representation authorizations between the board members. With Ordinary General Assembly resolution dated March 29, 2016, the Board of Directors has been resolved to a tenure of one year with a task division as below:

|                | Boar                    | d of Directors   |
|----------------|-------------------------|--|
| Name, Surname  | Profession              | Position   |
| M. Sinan Tara  | Civil Engineer M.Sc.    | Chairman of the Board                                    |
| Haluk Gerçek   | Industrial Engineer     | Vice Chairman of the Board                               |
| Erdoğan Turgut | Civil Engineer M.Sc.    | Member of the Board (Non-Executive Member)               |
| E. Melih Araz  | Economist               | Member of the Board (Non-Executive & Independent Member) |
| V. Ergin İmre  | Chemical Engineer M.Sc. | Member of the Board (Non-Executive & Independent Member) |

Our Company's Executive Board is as follows and has no limited time frame:

|                     | Ex                   | ecutive Board   |
|---------------------|----------------------|---|
| Name, Surname       | Profession           | Position  |
| A. Mehmet Tara      | Civil Engineer       | Chairman of the Executive Board and General Manager (Engineering<br>and Architechtural Project Offices; Personnel and Human Resources;<br>Health, Safety and Environment; Legal Matters; Quality Assurance;<br>Machinery Supply and Real Esate Investments) |
| M. Gökhan Sağnaklar | Civil Engineer       | Vice Chairman of the Executive Board  |
| B. Burak Özdoğan    | Civil Engineer       | Member of the Executive Board (Moscow Projects)   |
| C. Şan Gürdamar     | Civil Engineer M.Sc. | Member of the Executive Board (Nuclear Related Projects)  |
| Özger İnal          | Civil Engineer M.Sc. | Member of the Executive Board (Infrastructure Projects)   |
| S. Oğuz Kırkgöz     | Civil Engineer       | Member of the Executive Board (Oil, Gas and Petrochemical Projects)   |
| Zafer Gür           | Civil Engineer       | Member of the Executive Board (Special Projects)  |
| H. Fehmi Bayramoğlu | Mechanical Engineer  | Member of the Executive Board (Power Projects)  |

Curricula Vitae of Board of Directors and the Chairman of the Executive Board and General Manager, which were also announced at the official internet site prior to the General Assembly, are as follows:

#### M. SİNAN TARA - Chairman of the Board (Executive Member)

Sinan Tara, born in 1958 at Istanbul, graduated in 1980 from the ETH Zürich, Department of Civil Engineering with Bachelor of Science Degree (B.Sc.) and completed thereafter in 1983 his Master of Business Administration (MBA) Degree Program at the University of Stanford. He is fluent in English and German.

Having joined ENKA in 1980 when he was assigned to ENKA's jobsite in Saudi Arabia as field engineer, Sinan Tara worked thereafter actively in various departments, units and projects of the company in the fields of finance, energy investments, construction projects, project financing and other investment areas. Since 1984, he acted as General Manager, Board Member and Managing Director and Executive of ENKA İnşaat ve Sanayi A.Ş., and since 1994, he acts as the Chairman of the Board of Directors of ENKA İnşaat ve Sanayi A.Ş.. Moreover, in the fields of social activity and social responsibility projects of the company, he acted actively in the organization and operation of the ENKA Foundation and Sadi Gülçelik Sports Center established in 1983 and the ENKA Sports Club under the umbrella of the ENKA Foundation as well as of the ENKA Schools İstinye, founded in 1996, the ENKA Schools Adapazarı, founded in 1999, and the Private ENKA Technical and Industrial Vocational High School Gebze, founded in 2008 as well as of the ENKA Culture and Arts Unit. Besides these, Sinan Tara is a member of the Turkish Contractors Association.

Sinan Tara, being an Executive Board Member within the scope of the Corporate Governance Principles as applied by the Capital Markets Board, is not an Independent Member of the Board of Directors of ENKA İnşaat ve Sanayi A.Ş..

He was within the last ten years and is currently director in charge in the Board of Directors of ENKA İnşaat ve Sanayi A.Ş. and of the affiliated group companies thereof.

#### HALUK GERÇEK - Vice Chairman of the Board (Executive Member)

Haluk Gerçek, born in 1956 at Istanbul, graduated in 1979 from the Middle East Technical University, Department of Industrial Engineering.

He joined ENKA in 1980 when he started to work in the group company ENKA Pazarlama İhracat İthalat A.Ş. in the position of Deputy General Manager. After having worked as Logistic Manager in Tripoli, Libya between 1981 and 1982, he continued to act as Deputy General Manager of ENKA Pazarlama İhracat İthalat A.Ş. until 1983. Between 1983 and 1987 he was assigned as the Deputy General Manager in charge of ENKA İnşaat ve Sanayi A.Ş., and acted between 1986 and 1987 as Project Manager of the Bombah Water Supply Pipeline Project in Libya. He has acted as Management Committee Member in the investment and construction projects in Russia between 1987 and 1991, as Board Member of ENKA İnşaat ve Sanayi A.Ş. between 1991 and 2001, as the General Manager of ENKA İnşaat ve Sanayi A.Ş., between 2006 and 2012. Since 2001 Haluk Gerçek acts as the Vice Chairman of the Board of Directors and he is fluent in English.

Haluk Gerçek, being an Executive Board Member within the scope of the Corporate Governance Principles of the Capital Markets Board, is not an Independent Member of the Board of Directors of ENKA İnşaat ve Sanayi A.Ş.. He was within the last ten years and is currently director in charge in the Board of Directors of ENKA İnşaat ve Sanayi A.Ş. and of the affiliated group companies thereof.

#### **ERDOĞAN TURGUT (Non-Executive Member)**

Erdoğan Turgut, born in 1953, graduated in 1977 from the Aegean University, Department of Civil Engineering, and completed thereafter in 1979 his Master of Science (M.Sc.) Degree Program in Soil Mechanics at the London University Kings College, so that he is fluent in English.

After having worked as Deputy Project Manager in the company Koray Al Mutamidoon İnşaat A.Ş. in Saudi Arabia between 1981 and 1986 during the construction of the Intercontinental Hotel, Erdoğan Turgut acted between 1986 and 1991 as General Manager in the company Koray – Turser A.Ş. when the latter constructed the 5 Stars Sheraton Hotel & Karum Shopping Center in Ankara, and between 1991 and 1993 as Board Member of the Kavala Group of Companies, and as the partner in the company PMS A.Ş. between 1993 and 1995. Between 1995 and 2010 he acted as Foreign Relations Manager, Deputy Chairman of the Executive Board and Group Coordinator in and of the company Koray Yapı Endüstrisi ve Ticaret A.Ş.

Erdoğan Turgut, being a Non Executive Board Member within the scope of the Corporate Governance Principles of the Capital Markets Board, is not an Independent Member of the Board of ENKA İnşaat ve Sanayi A.Ş. and acted between 2012 and 2015 as a Non Executive Board Member, and has also been selected for the year 2016.

#### E. MELİH ARAZ (Non-Executive Independent Member)

Melih Araz, born in 1948, graduated in 1967 from the Robert College of Istanbul and in 1972 from the University of Ankara, Faculty of Political Sciences, Department of Economy and Public Finance. He completed in 1975 his Master of Business Administration (MBA) Degree Program at the University of Indiana, and took part in 1988 in the Executive Management Program at the Harvard Business School, so that he is fluent in English.

Having started his professional working life in 1977 at Citibank N.A., Melih Araz built a career in the fields of international corporate banking and investment banking during his employment of 12 years in various global organizations of Citibank, and acted as senior official in various units of the bank. After having acted as CEO of Interbank A.S. between 1988 and 1996, he provided independent consulting services to various firms and groups in the fields of initial public offering, acquisition of companies, venture capital, formalizing of family constitution, institutionalization, restructuring of debts to banks, NPL tenders of the Savings Deposit Insurance Fund (TMSF), and strategic management. Melih Araz acted as Board Member of Medya Holding A.Ş. between 1990 and 1996, of Klimasan A.Ş. between 2000 and 2011, and of Şenocak Holding A.Ş. between 1998 and 2011 and also he acted as an Independent Member of Board of Zorlu Energy A.S. between 2008 and 2013. He currently acts as a Member of Board of Directors of Ata Holding A.Ş., Ata Portföy Yönetim A.Ş., Ata Gayrimenkul Yatırım Ortaklığı A.Ş, Burger King China JV, Entegre Harç Sanayi A.Ş., İzmir Enternasyonel Otelcilik A.Ş. and TFI TAB Food Investments A.Ş. Since 2006 Melih Araz, as Board Member of Ata Yatırım ve Menkul Değerler A.Ş., is active as the responsible official thereof in the fields of corporate finance, investment banking, company mergers and venture capital. Moreover, Melih Araz acts also as active member of various non governmental organizations, associations, and institutions, and is one of the charter members of the Turkish Economic and Social Studies Foundation (TESEV). He acted between 1989 and 2007 as the President of the Education & Training Committee, the Social Affairs Committee and the Social Security Reform Project of the Turkish Industry & Business Association (TÜSİAD), and is since 1989 Member and Honorary Member of the Board of Trustees of the Robert College of Istanbul. Melih Araz also acts as Member of Executive Committee of Turkish - Japanese and Vice Chairman of Turkish - Chinese Business Councils in Foreign Economic Relations Board (DEIK) as well as having other memberships in various clubs and associations.

Melih Araz meets the criteria applicable to Independent Board Members within the scope of the Corporate Governance Principles of the Capital Markets Board, and acted between 2012 and 2015 as a Non Executive Independent Board Member of ENKA İnşaat ve Sanayi A.Ş., and has also been selected for the year 2016.

#### V. ERGİN İMRE (Non-Executive Independent Member)

Ergin İmre, born in 1958, graduated in 1981 from the Polytechnic School in Zurich, Department of Chemistry Engineering. He is fluent in German and English.

Having started his professional career in 1982 in the company Ahmet Veli Menger Holding A.Ş. and its subsidiary Mengerler Ticaret Türk A.Ş., Ergin İmre acted until 2010 in the company Ahmet Veli Menger Holding A.Ş. as Board Member and General Manager thereof, and as Board Member of Mengerler Ticaret Türk A.Ş., and after 2010 he started to act as the Chairman of the Board of Directors of both companies. Moreover, Ergin İmre acted also as Board Member of the company Mercedes Benz Türk A.Ş. between 1994 and 1999 and of the company Robert Bosch Türk A.Ş. between 1987 and 1994, and upon expiry of the partnership between these companies, resigned from both positions.

Ergin İmre meets the criteria applicable to Independent Board Members within the scope of the Corporate Governance Principles of the Capital Markets Board, and acted between 2012 and 2015 as a Non Executive Independent Board Member of ENKA İnşaat ve Sanayi A.S., and has also been selected for the year 2016.

#### A. MEHMET TARA (President and Chairman of Executive Board - General Manager)

Mehmet Tara, born in 1983, graduated in 2002 from the Cushing Academy and in 2006 from Wentworth Institute of Technology, Department of Civil Engineering. Having started his professional working life in 2006 as a construction site engineer, on the forthcoming years he achieved titles, Deputy Project Manager, Vice President and Executive Board Member responsible for Moscow Projects and Investments. Board of Directors' appointment dated May 02, 2012, he entitled as The President and The Chairman of Executive Board and also General Manager of ENKA. Mehmet Tara is fluent in English, member of Turkish Industry & Business Association (TUSİAD), married and has two children.

#### 5.2. OPERATIONAL PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors which was approved at the Ordinary General Assembly dated 29.03.2016 made 14 meetings until the end of report period and the average of attendance rate is 83%. Prior to each meeting, the secretariat of Board Directors personally informs board members about the meeting agenda. Since the IPO of ENKA İnşaat ve Sanayi A.Ş., no divergent views have been suggested by board members. There are no privileged voting rights for any member of the Board of Directors.

The Board of Directors were authorized at the Ordinary General Assembly for execution of written transactions listed in articles No. 395 and 396 of the Turkish Commercial Code and to transactions were done with this authority. There were no material or related transactions neither which was submitted for the approval of the Independent Board Members nor submitted for the approval of the General Assembly with non-approval of Independent Board Members.

The Board of Directors of the Company had discussed about the Affiliated Company Report and the declaration is as follows:

"On such date on which the relevant legal steps as mentioned in the report have been taken, always a proper counteract has been undertaken for/towards each of such legal steps in accordance with such terms and conditions and circumstances as being to our knowledge. In this aspect, there is neither any measure to be taken or to be avoided to be taken nor any loss to be suffered by the company."

# 5.3. NUMBER, STRUCTURE AND INDEPENCE OF THE COMMITTEES ESTABLISHED WITHIN THE BOARD OF DIRECTORS

Three committees officiate in affiliation with the Board of Directors of ENKA İnşaat ve Sanayi A.Ş. The committees assemble as often as it is necessary. Board of Directors' resolution dated 31.03.2016 about these committees is as follows:

#### For the Audit Committee to elect for a tenure of one year:

E. Melih Araz (Chairman) and V. Ergin İmre (Member)

#### For the Corporate Governance Committee to elect for a tenure of one year:

E. Melih Araz (Chairman), Erdoğan Turgut (Member) and Gizem Özsoy (Member)

#### To establish the Early Identification of Risks Committee and to elect for a tenure of one year:

V. Ergin İmre (Chairman) and Erdoğan Turgut (Member)

Also, it has been resolved that according to the structure of the Board, the issues falling within the scope of activities of the Nominating Committee and the Remuneration Committee to be carried out by the Corporate Governance Committee and for the working principles of the committees and task fields to be identified by the committee members and to be submitted to the Board of Directors.

Purposes of committees as established thereof, have been stated below:

#### Purpose of the Audit Committee:

It is to ensure the duly supervision of the independent audit of the accounting system and financial data of the company as well as of the functioning and efficiency of the internal control system.

#### Purpose of the Corporate Governance Committee:

It is to propose suggestions regarding the corporate governance of the Company; to ensure the increase in quality of the corporate governance applications; to pursuit efficiently the legislation of the Capital Markets Board regarding the corporate governance principles and any other corporate governance principles generally accepted on the international capital markets as well as to advise the Board of Directors on the implementation of any applicable ones thereof; to make the necessary workings for the nomination, assessment and training of the proper candidates for the Board of Directors of the Company, and for the determination of the principles of remuneration of the Members of the Board of Directors and top managers of the Company and to propose suggestions to the Board in this aspect.

#### Purpose of the Early Identification of Risks Committee:

It is to early identify any potential risks that might jeopardize the existence, development and continuation of the Company, and to take and implement the necessary measures and preventive actions for the elimination of such detected potential risks as well as to perform any workings related to risk management and to review at least once a year any applied risks management systems.

Due to the formation of the Board of Directors as being in total 5 people, some of the members of the Board of Directors are assigned in more than one committee.

In 2016 Audit Committee made 5 meetings, Corporate Governance Committee made 2 and the Early Identification of Risks Committee made 6 meetings within the months stated below.

|           | COMMITTEE MI | EETINGS |      |
|-----------|--------------|---------|------|
|           | AC           | CGC     | EIRC |
| JANUARY   |              | X       | X    |
| FEBRUARY  |              |         |      |
| MARCH     | XX           |         | X    |
| APRIL     |              |         |      |
| MAY       | X            |         | X    |
| JUNE      |              |         |      |
| JULY      |              | X       | X    |
| AUGUST    | X            |         |      |
| SEPTEMBER |              |         | X    |
| OCTOBER   |              |         |      |
| NOVEMBER  | X            |         | X    |
| DECEMBER  |              |         |      |

AC: Audit Committee CGC: Corporate Governance Committee EIRC: Early Identification of Risks Committee

#### 5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The Financial Control Unit within the structure of ENKA İnşaat ve Sanayi A.Ş., which periodically inspects the projects and the group companies in advance and proposes the necessary solutions for any deviations from the objectives, as well as all of the potential risk factors to the management.

The internal control systems and its structure is organized in a way that can eliminate all risks to be encountered by the company, especially the ones which could adversely affect the activities and proactively works for the solution without encountering any problems even in the crisis period. Increasing strength of the company's financial position is an indication of this system working effectively.

#### 5.5. MISSION, VISION AND OBJECTIVES OF THE COMPANY

#### **Our Mission:**

To design, build and deliver safe, high-quality and cost-effective construction projects on schedule for our customers while providing quality employment and career growth opportunities for ENKA Employees.

#### Our Vision:

To be one of the best and innovative engineering & construction companies serving globally.

#### **Our Performance Objectives:**

- To be open to innovations, using advanced technologies and always seeking the better,
- To be prudent and sensitive about work security and environment protection,
- To train our young employees in accordance with our culture as creative, hardworking and honest employees and
  to ensure that our employees work as individuals who have self-confidence, are able to communicate and
  use discretionary power and take responsibility, and
- To seek our competitive power and profit in perfecting our management and technical skills.

#### Pursuit of the Objectives and Achievement of Goals:

The objectives that reflect of our sensitivity about completing the works before the end of the planned time frame and delivering to the client are pursued very diligently at the highest and most detailed level. The members of the Executive Board pursue the objectives and the degree of their achievement in relation to the projects carried out in those countries where they are responsible and periodically resolve in the Executive Board to find out the leading motives of the deviations, whether the deviations affect the result of the project and if it is necessary to create new targets and to take the necessary measures about the personnel who have responsibility in such delay.

#### 5.6. FINANCIAL BENEFITS

For stand-alone ENKA İnşaat ve Sanayi A.Ş.; total wages paid for the members of the Board of Directors is TL 3,816,041, the social security payments is TL 60,379 and the accrued retirement pay provisions as of December 31, 2016 are TL 295,683. The total amount of the fees and similar benefits provided to the top managers such as the general manager, general coordinator and vice general managers is TL 29,525,245 the social security payments is TL 839,553 and the accrued retirement pay provisions as of period end are TL 2,258,413. There are no payments made to the members of the Board of Directors and top managers in the way of shares, derivative products originating from shares, share buying options or payments not made in cash such as house or car whose proprietorship bestowed and/or allocated for their use. ENKA İnşaat ve Sanayi A.Ş. is not in any sort of debt relation whatsoever with any of the members of the board or any top managers.

The Remuneration Policy Applicable to the Board Members and Administratively Responsible Managers was submitted to the shareholders at the General Assembly dated March 27, 2014 which was published on our internet site is as follows:

#### 1. Objective and Scope

The purpose of the policy described hereunder is to determine, in compliance with and under consideration of such regulations, obligations and principles as specified in the Capital Markets Legislation and the Capital Markets Board's corporate governance principles, any rules, requirements, principles and modus of implementation applicable to the remuneration of the Board Members and Administratively Responsible Managers of ENKA İnşaat ve Sanayi A.Ş. as approved by the Board of Directors thereof. Any rights, benefits and remunerations to which the Board Members of the Company are entitled to, and any modus of and requirements applicable to the payment thereof are defined in the Articles of Association of the Company, and such rights, benefits and remunerations are concluded and fixed each year by the General Assembly thereof in its annual meeting under a separate item of agenda and the same are published thereafter in the website of the company. The remuneration policy hereunder aims the sustainability and enhancement of the performances of the Board Members and Administratively Responsible Managers of the Company.

#### 2. Principles Applicable to Remuneration

#### Remunerations Payable to the Members of the Board of Directors

Independent Members and Non-executive Board Members: The Independent Members and Non-executive Board Members of the Board of Directors are entitled to a monthly attendance fee as honorarium in such amount as to be determined each year by the General Assembly. The amount of such monthly attendance fee is not fixed on the basis of the performance of the Company so that the independency thereof is not impacted of the Independent Members thereby.

Executive Board Members: The Executive Board Members are paid a monthly attendance fee in the same amount as payable to the Independent Members as aforesaid, besides such below-mentioned bonuses as payable to the same on the basis of their performances and contributions to the company as well as their level of reaching the targets as set.

#### Remunerations Payable to Administratively Responsible Managers

Remunerations payable to Administratively Responsible Managers include performance determined bonuses besides the fixed pays to be determined and calculated in accordance with the scope of duties and responsibilities thereof under consideration of the requirements and the experiences designated for each position. Executive Committee Members are entitled to a monthly attendance fee as honorarium as well as bonuses and fixed pays.

#### 3. Performance and Remuneration Methods

**Fixed Pays:** In the determination of the attendance fees payable to the Members of the Board of Directors as well as of the fixed pays to the Administratively Responsible Managers as aforesaid, the preservation of the company's internal balances and the compliance thereof with strategic targets and the ethical values of the company are always considered. The amount of the fixed pays are determined and calculated for each position in accordance with the scope of duties and responsibilities of the relevant payee under consideration of various factors such as economic conditions in the market, the size of the company, any long-term targets and the level of realization thereof as well as the position and the level of experience of the relevant payee. In the determination and calculation of the remunerations payable to the Board Members and Administratively Responsible Managers of the Company, no short-term performance based payment plans such as Company's profit or income shall be applicable.

#### Performance Pays (Bonus Payments):

Also in the determination and calculation of the performance based bonus payments, various factors such as bonus policies applicable in the market to any staff in similar or equivalent position, the level of reaching and realization of the company targets and the individual performances are taken into account, and they are determined and calculated so that the equity of the company is not impacted thereby. Within the scope of this policy, no Board Member or Administratively Responsible Managers of the Company is lent any money or granted any loan or any personal credit by virtue of any third parties or provided any securities or guarantees. Any remunerations and benefits paid to Board Members and Administratively Responsible Managers of our company are disclosed to public in the Annual Report thereof.

# Backlog as of 31.12.2016 (Million US Dollars)

| Country       | Amount | %     |
|---------------|--------|-------|
| Iraq          | 927    | 39,8  |
| US Embassies  | 468    | 20,1  |
| Russia        | 255    | 10,9  |
| Kosovo        | 164    | 7,0   |
| Georgia       | 141    | 6,1   |
| Kazakhstan    | 122    | 5,2   |
| Egypt         | 83     | 3,6   |
| United States | 57     | 2,4   |
| Turkey        | 48     | 2,1   |
| Others        | 66     | 2,8   |
| TOPLAM        | 2,332  | 100,0 |

# BASIC RATIOS (Thousand US Dollars)

| (111001001110100000)                        |           |        |         |            |        |         |
|---|-----------|--------|---------|------------|--------|---------|
|   | 31.1      | 2.2016 |         | 31.12      | 2.2015 |         |
| Current Ratio:                              |           |        |         |            |        |         |
| Current Assets                              | 2,468,211 | =      | 289.8%  | 2,689,181  | =      | 281.9%  |
| Current Liabilities                         | 851,737   |        | 200.070 | 953,833    |        | 201.070 |
| Cash Ratio:                                 |           |        |         |            |        |         |
| Cash&Cash Equivalents+Financial Investments | 3,194,553 | =      | 375.1%  | 2,950,672  | =      | 309.3%  |
| Current Liabilities                         | 851,737   | -      | 3/3.1/6 | 953,833    | -      | 309.376 |
| <u>everage Ratio:</u>                       |           |        |         |            |        |         |
| Total Liabilities                           | 1,858,118 | =      | 24.5%   | 1,967,434  | =      | 27.5%   |
| Total Assets                                | 7,586,621 | -      | 24.5%   | 7,144,786  | -      | 21.5%   |
| Total Equity to Total Assets Ratio:         |           |        |         |            |        |         |
| Total Equity                                | 5,728,503 | =      | 75 50/  | 5,177,352  | =      | 72.5%   |
| Total Assets                                | 7,586,621 | _      | 75.5%   | 7,144,786  |        | 72.570  |
| Current Assets to Total Assets Ratio:       |           |        |         |            |        |         |
| Current Assets                              | 2,468,211 |        | 00 F0/  | 2,689,1813 |        | 07.00/  |
| Total Assets                                | 7,586,621 | =      | 32.5%   | 7,144,786  | =      | 37.6%   |
| Non-current Assets to Total Assets Ratio:   |           |        |         |            |        |         |
| Non-current Assets                          | 5,118,410 |        | 07.50/  | 4,455,605  |        | 00.40/  |
| Total Assets                                | 7,586,621 | =      | 67.5%   | 7,144,786  | =      | 62.4%   |
| Return on Assets (ROA) Ratio:               |           |        |         |            |        |         |
| Net Income                                  | 588,655   | =      | 7.8%    | 529,539    | =      | 7.4%    |
| Total Assets                                | 7,586,621 |        | 7.076   | 7,144,786  |        | 7.470   |
| Net Income to Revenue Ratio:                |           |        |         |            |        |         |
| Net Income                                  | 588,655   | =      | 16.8%   | 529,539    | =      | 11.6%   |
| Revenue                                     | 3,506,113 |        | 10.070  | 4,554,755  |        | 11.070  |



# ENKA İNŞAAT VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 AND INDEPENDENT AUDITOR'S REPORT

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#### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enka İnşaat ve Sanayi A.Ş.

#### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Enka İnşaat ve Sanayi A.Ş. ("the Company") and its subsidiaries and joint operations (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### Key Audit Matter

Revenue recognition on construction contracts

The Group's result for 2016 is significantly influenced by the results of large construction projects. Revenue arising from construction contracts represents 39% of the Group's total revenue as disclosed in Note 5. The profitability and the estimation of the outcome of construction contracts requires management judgement significant effect, in particular with respect to estimating the cost to orders to be recognized.

#### Valuation of investment properties

determining the fair value of investment properties and for the purposes of our audit. Accordingly, the valuation of investment properties is considered to be a key audit matter due to the importance of the balance to the consolidated financial statements as a whole, combined with the judgment associated with determining the fair value.

The models used to determine the fair values are discounted cash flows method and the comparable market transactions. The Group uses independent valuers to determine the fair values for all of the properties held in these categories.

The inputs with the most significant impact on these valuations are disclosed in Note 13, and include discount rates and capitalization rates.

#### How the matter was addressed in the audit

Our audit procedures included an evaluation of the significant judgements made by the management, among others based on an examination of the associated project documentation and discussion on the status of projects under construction with finance and technical staff of the Group. We challenged management's assumptions regarding the project, local entity and Group management levels in order to evaluate the reasonableness and consistency of the valuation of the variation orders and claims within these projects and the final forecast project result. The projected costs are compared to actual costs to determine the estimations of the Group management related to the projects. We also tested the controls that the Group has put in place complete and the amounts of variation over its process to record contract costs and contract revenues and the calculation of the stage of completion.

As of 31 December 2016, the carrying We assessed the competence, capabilities and objectivity of value of investment properties independent valuers, and verified the qualifications of the amounted to USD 1,887 million and valuers. In addition, we discussed the scope of their work the fair value adjustment recorded in with Group management and reviewed their terms of net profit for the current year in engagement to determine that there were no matters that respect of investment properties was affected their objectivity or imposed scope limitations upon USD 46 million. Significant judgment them. We confirmed that the approaches they used are is required by the management in consistent with IFRS and industry norms.

> We made use of our internal experts to evaluate the critical judgments used by independent valuers and the Group

> Our internal specialists compared these inputs to market data and entity-specific historical information to confirm the appropriateness of these judgments and assumptions and held a meeting with the independent valuation firm.

> Furthermore, we tested a selection of data inputs underpinning the investment property valuation, including rental income, tenancy schedules and square meter details, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof and recalculated the valuations of selected investment properties.

We found that the models used for the various property categories were appropriate and the discount rates were comparable to the market.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures
  that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the
  effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
 We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Özkan Yıldırım Partner

İstanbul, 1 March 2017

V. Geldum

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#### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated.)

|  |       | 31 December | 31 December |
|--|-------|-------------|-------------|
| ASSETS   | Notes | 2016        | 2015        |
| Current Assets                                     |       | 2,468,211   | 2,689,181   |
| Cash and cash equivalents                          | 6     | 1,000,020   | 949,188     |
| Financial investments                              | 7     | 684,133     | 775,137     |
| Trade receivables                                  | 9     | 419,938     | 527,788     |
| Other receivables                                  |       | ,           | ,           |
| Other receivables from related parties             | 10,33 | -           | 19          |
| Other receivables from third parties               | 10    | 1,537       | 446         |
| Costs and estimated earnings in excess of billings |       |             |             |
| on uncompleted contracts                           | 12    | 3,060       | 79,844      |
| Prepaid expenses                                   | 17    | 45,679      | 80,050      |
| Inventories  | 11    | 264,804     | 233,599     |
| Other current assets                               | 21    | 48,356      | 42,258      |
|  |       | 2,467,527   | 2,688,329   |
| Assets held for sale and discontinued operations   | 30    | 684         | 852         |
| Non-Current Assets                                 |       | 5,118,410   | 4,455,605   |
| Financial investments                              | 7     | 1,510,400   | 1,226,347   |
| Trade receivables                                  | 9     | 28,933      | 8,780       |
| Investment properties                              | 13    | 1,886,911   | 1,558,724   |
| Property, plant and equipment                      | 14    | 1,602,005   | 1,580,278   |
| Intangible assets                                  |       |             |             |
| Goodwill   | 16    | 55,168      | 55,168      |
| Other intangible assets                            | 15    | 24,462      | 20,240      |
| Prepaid expenses                                   | 17    | 4,868       | 1,222       |
| Deferred tax as sets                               | 31    | 1,400       | 49          |
| Other non-current assets                           | 21    | 4,263       | 4,797       |
| TOTAL ASSETS                                       |       | 7,586,621   | 7,144,786   |

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

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated.)

| LIABILITIES  | Notes | 31 December 2016 | 31 December 2015 |
|--|-------|------------------|------------------|
| Current Liabilities  |       | 851,737          | 953,833          |
| Short-term borrowings                                      | 8     | 24,279           | 6,076            |
| Current portion of long-term borrowings                    | 8     | 42,482           | 34,773           |
| Trade payables   | 9     | 238,110          | 430,204          |
| Payables to employees                                      | 20    | 21,873           | 13,551           |
| Other payables   |       |                  |                  |
| Payables to related parties                                | 10,33 | 90               | 860              |
| Payables to third parties                                  | 10    | 13,133           | 18,575           |
| Billings in excess of costs and estimated earnings         |       |                  |                  |
| on uncompleted contracts                                   | 12    | 241,027          | 160,900          |
| Deferred income  | 17    | 98,681           | 140,774          |
| Taxation on income   | 31    | 51,979           | 56,430           |
| Provisions   |       |                  |                  |
| Provisions for employee benefits                           | 20    | 18,342           | 14,683           |
| Other provisions   | 18    | 58,465           | 48,253           |
| Other current liabilities                                  | 21    | 43,276           | 28,754           |
| Non-Current Liabilities                                    |       | 1,006,381        | 1,013,601        |
| Long-term borrowings                                       | 8     | 217,249          | 104,290          |
| Other payables   | 10    | 22,059           | 22,898           |
| Deferred income  | 17    | 329,481          | 505,897          |
| Provisions for employee benefits                           | 20    | 16,290           | 16,952           |
| Deferred tax liabilities                                   | 31    | 421,302          | 363,564          |
| EQUITY   |       | 5,728,503        | 5,177,352        |
| <b>Equity Attributable to Equity Holders of the Parent</b> |       | 5,666,583        | 5,125,542        |
| Share capital  | 22    | 2,445,227        | 2,378,041        |
| Treasury shares  | 22    | (12,032)         | -                |
| Revaluation surplus  | 22    | 182,004          | 148,222          |
| Currency translation difference                            |       | (1,190,023)      | (1,326,308)      |
| Other reserves   |       | (541)            | (1,207)          |
| Legal reserves and accumulated profit                      |       | 4,241,948        | 3,926,794        |
| Non-Controlling Interests                                  |       | 61,920           | 51,810           |
| TOTAL LIABILITIES AND EQUITY                               |       | 7,586,621        | 7,144,786        |

The accompanying notes form an integral part of these consolidated financial statements.  $\ensuremath{\mathbf{2}}$ 

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated.)

|  | N-4   | 1 January -<br>31 December | 1 January -<br>31 December |
|--|-------|----------------------------|----------------------------|
|  | Notes | 2016                       | 2015                       |
| CONTINUING OPERATIONS                            |       |                            |                            |
| Revenue  | 5,23  | 3,506,113                  | 4,554,755                  |
| Cost of revenues (-)                             | 5,23  | (2,713,548)                | (3,779,566)                |
| GROSS PROFIT                                     |       | 792,565                    | 775,189                    |
| Administrative expenses (-)                      | 5,24  | (118,292)                  | (103,883)                  |
| Marketing, selling and distribution expenses (-) | 5,24  | (30,968)                   | (28,624)                   |
| Other operating income                           | 5,26  | 25,409                     | 28,038                     |
| Other operating expenses (-)                     | 5,26  | (40,796)                   | (49,851)                   |
| PROFIT FROM OPERATIONS                           |       | 627,918                    | 620,869                    |
| Income from investing activities                 | 5,27  | 273,138                    | 195,704                    |
| Expenses from investing activities (-)           | 5,27  | (129,688)                  | (135,769)                  |
| OPERATING PROFIT                                 |       |                            |                            |
| BEFORE FINANCE EXPENSES                          |       | 771,368                    | 680,804                    |
| Financial income                                 | 5,28  | 27,312                     | 31,516                     |
| Financial expenses (-)                           | 5,29  | (11,213)                   | (20,130)                   |
| PROFIT BEFORE TAX                                |       |                            |                            |
| FROM CONTINUING OPERATIONS                       |       | 787,467                    | 692,190                    |
| Current tax expense (-)                          | 5,31  | (143,588)                  | (127,551)                  |
| Deferred tax expense (-)                         | 5,31  | (44,449)                   | (29,331)                   |
| PROFIT FOR THE YEAR FROM                         |       |                            |                            |
| CONTINUING OPERATIONS                            |       | 599,430                    | 535,308                    |
| NET PROFIT FOR THE YEAR                          |       | 599,430                    | 535,308                    |
| Attributable to:                                 |       |                            |                            |
| Non-controlling interests                        |       | 10,775                     | 5,769                      |
| Equity holders of the parent                     |       | 588,655                    | 529,539                    |
| Equally includes of the parent                   |       | 599,430                    | 535,308                    |
|  |       |                            |                            |
| Earning per share from continuing operations     |       |                            |                            |
| - ordinary share certificate (full cent)         | 32    | 0.14                       | 0.13                       |
| Weighted average number of shares                |       |                            |                            |
| (1 cent weighted average shares)                 |       | 419,160,000,000            | 420,000,000,000            |

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

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#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated.)

|  |       | •              | 1 January - |
|--|-------|----------------|-------------|
|  |       | 31 December 31 |             |
|  | Notes | 2016           | 2015        |
| NET PROFIT FOR THE YEAR  |       | 599,430        | 535,308     |
| Other Comprehensive Income:  |       |                |             |
| Items that will not be reclassified subsequently to profit or loss |       | 37,965         | (7,150)     |
| Gains / (losses) on revaluation of property, plant and equipment   | 22,31 | 33,826         | (4,377)     |
| Remeasurement of defined benefit plans                             | 20,31 | (483)          | (2,005)     |
| Changes in currency translation difference                         | 22,31 | 836            | (2,044)     |
| Income tax relating items that will not be reclassified subsequen  | ıtly  | 3,786          | 1,276       |
| Income tax relating to gains / (losses)                            |       |                |             |
| on revaluation of property, plant and equipment                    | 31    | 3,689          | 875         |
| Income tax relating to remeasurement of defined benefit plans      | 31    | 97             | 401         |
| Items that may be reclassified subsequently to profit or loss      |       | 136,577        | (339,631)   |
| Changes in currency translation difference                         | 31    | 135,911        | (338,424)   |
| Cash flow hedges   |       | 666            | (1,207)     |
| Fair value gains / (losses) arising during the year                | 31    | 666            | (1,207)     |
| OTHER COMPREHENSIVE INCOME / (LOSS)                                |       | 174,542        | (346,781)   |
| TOTAL COMPREHENSIVE INCOME   |       | 773,972        | 188,527     |
|  |       |                |             |
| Attributable to:   |       | 12.042         |             |
| Non-controlling interests  |       | 12,842         | 777         |
| Equity holders of the parent                                       |       | 761,130        | 187,750     |
|  |       | 773,972        | 188,527     |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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|   |       |               | Tragellmy | Reveluation | Currency    |                | Legal reserves            |           | Non-       |              |
|---|-------|---------------|-----------|-------------|-------------|----------------|---------------------------|-----------|------------|--------------|
|   | Notes | Share capital | shares    | surplus     | difference  | Other reserves | and accumulated<br>profit | Total     | interests  | Total equity |
| Balance at 1 January 2015                     |       | 2.230.412     | ,         | 161.888     | (994.861)   | 1.986          | 3.757.719                 | 5.157.144 | 57.614     | 5.214.758    |
| Total other comprehensive income              |       | 1             |           | (5,546)     | (331,447)   | (3,193)        | (1,603)                   | (341,789) | (4,992)    | (346,781)    |
| Profit for the year                           |       | 1             | 1         |             | ` '         | ` '            | 529,539                   | 529,539   | 5,769      | 535,308      |
| Total comprehensive income                    |       | 1             | 1         | (5,546)     | (331,447)   | (3,193)        | 527,936                   | 187,750   | <i>LLL</i> | 188,527      |
| Transfer of depreciation difference           |       |               |           |             |             |                |                           |           |            |              |
| (net of deferred tax) of revaluation effect   |       | 1             | ı         | (2,278)     | 1           | ı              | 2,278                     | 1         | 1          | 1            |
| Share capital increase                        | 22    | 147,629       | ı         | •           | •           | ı              | (147,629)                 | •         | '          | •            |
| Dividends paid                                |       | •             | 1         | •           | •           | •              | (219,352)                 | (219,352) | (6,581)    | (225,933)    |
| Transfer of revaluation surplus of sold lands |       |               | 1         | (5,842)     | •           | 1              | 5,842                     | ,         | 1          | •            |
| Balance at 31 December 2015                   |       | 2,378,041     | 1         | 148,222     | (1,326,308) | (1,207)        | 3,926,794                 | 5,125,542 | 51,810     | 5,177,352    |
|   |       |               |           |             |             |                |                           |           |            |              |
| Balance at 1 January 2016                     |       | 2,378,041     | '         | 148,222     | (1,326,308) | (1,207)        | 3,926,794                 | 5,125,542 | 51,810     | 5,177,352    |
| Total other comprehensive income              |       | •             | •         | 35,910      | 136,285     | 999            | (386)                     | 172,475   | 2,067      | 174,542      |
| Profit for the year                           |       | 1             | 1         | 1           | •           | 1              | 588,655                   | 588,655   | 10,775     | 599,430      |
| Total comprehensive income                    |       |               |           | 35,910      | 136,285     | 999            | 588,269                   | 761,130   | 12,842     | 773,972      |
| Purchase of treasury shares                   | 22    |               | (12,032)  | •           | •           | ,              | •                         | (12,032)  | •          | (12,032)     |
| Transfer of depreciation difference           |       |               |           |             |             |                |                           |           |            | •            |
| (net of deferred tax) of revaluation effect   |       | •             | •         | (2,128)     | •           | •              | 2,128                     | •         | •          | •            |
| Share capital increase                        | 22    | 67,186        | •         | •           | •           | •              | (67,186)                  | •         | •          | •            |
| Dividends paid                                |       |               | -         | -           | -           | -              | (208,057)                 | (208,057) | (2,732)    | (210,789)    |
| Balance at 31 December 2016                   |       | 2,445,227     | (12,032)  | 182,004     | (1,190,023) | (541)          | 4,241,948                 | 5,666,583 | 61,920     | 5,728,503    |

The accompanying notes form an integral part of these consolidated financial stateme

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated.)

|   |       | 1 January -<br>31 December | 1 January -<br>31 December |
|---|-------|----------------------------|----------------------------|
| Cash flows from operating activities  | Notes | 2016                       | 2015                       |
| Profit for the year   |       | 599,430                    | 535,308                    |
| Adjustments to reconcile net income   |       |                            |                            |
| to net cash used in operating activities:   | 5     | 102 620                    | 00 000                     |
| Depreciation and amortization of non-current assets     Provision for employment termination benefits | 3     | 103,620<br>2,475           | 99,989<br>6,098            |
| - Allowance for doubtful receivables  | 9,26  | 4,141                      | 3,292                      |
| - Adjustments to deferred income from electricity sale  | 7,20  | (163,993)                  | (132,577)                  |
| - (Income) / loss from fair value of forward transactions   |       | (409)                      | 2,372                      |
| - Interest expense  | 29    | 2,858                      | 2,792                      |
| - Interest income   |       | (98,852)                   | (79,988)                   |
| - Dividend income   | 27    | (9,618)                    | (7,446)                    |
| - Provision for inventory impairment, net   |       | 276                        | 263                        |
| - Gain on sale or disposal of property, plant and equipment, net                                      | 14    | (3,402)                    | (3,392)                    |
| - Fair value increase in investment properties and lands  |       | (39,055)                   | (11,199)                   |
| - Valuation of investment securities  |       | (10,162)                   | 64,086                     |
| - Interest accrual  |       | 308                        | 255                        |
| - Tax expense   | 31    | 188,037                    | 156,882                    |
|   |       | 575,654                    | 636,735                    |
| Movements in working capital  |       | 92 924                     | 195,846                    |
| Decrease in trade and other receivables Decrease cost and estimated earnings in                       |       | 83,824                     | 193,840                    |
| excess of billings on uncompleted contracts   |       | 76,784                     | 53,412                     |
| (Increase) / decrease in inventory  |       | (31,481)                   | 25,993                     |
| Decrease in other current assets  |       |                            |                            |
| and other non current assets  |       | 24,238                     | 52,658                     |
| Decrease in trade and other payables  |       | (192,094)                  | (108,911)                  |
| Increase / (decrease) in billings in excess of cost and estimated earnings on uncompleted contracts   |       | 80,127                     | (63,187)                   |
| Decrease in provision for liabilities and other liabilities   |       | (23,777)                   | (214,591)                  |
|   |       | 17,621                     | (58,780)                   |
| Income taxes paid   | 31    | (148,039)                  | (122,827)                  |
| Employee termination benefits paid  |       | (1,830)                    | (1,869)                    |
| Net cash generated from operating activities  |       | 443,406                    | 453,259                    |
| Cash flows from investing activities  |       |                            |                            |
| Change in financial investments   |       | (182,886)                  | (483,555)                  |
| Proceeds on disposal or sale of property, plant and equipment   | 14    | 10,631                     | 23,027                     |
| Purchases of property, plant and equipment, intangible assets   |       |                            |                            |
| and investment properties   | 5     | (164,424)                  | (161,192)                  |
| Interest received   |       | 91,836                     | 71,272                     |
| Dividend received   |       | 9,618                      | 7,446                      |
| Net cash used in investing activities   |       | (235,225)                  | (543,002)                  |
| Cash flows from financing activities  |       |                            |                            |
| Short-term borrowings, net  |       | 18,225                     | (370)                      |
| Addition to long-term borrowings  |       | 96,164                     | 1,401                      |
| Repayments of long-term borrowings  |       | (37,915)                   | (36,811)                   |
| Purchase of treasury shares<br>Interest paid  |       | (12,032)<br>(3,413)        | (3,380)                    |
| Interest received   |       | 6,709                      | 8,461                      |
| Dividend paid to non-controlling interests  |       | (2,732)                    | (6,570)                    |
| Dividend paid   |       | (208,057)                  | (219,352)                  |
| Net cash used in financing activities   |       | (143,051)                  | (256,621)                  |
| Translation reserve   |       | (14,298)                   | (112,642)                  |
| Net increase / (decrease) in cash and cash equivalents  |       | 50,832                     | (459,006)                  |
| Cash and cash equivalents at beginning of the year  | 6     | 948,188                    | 1,407,194                  |
| Cash and cash equivalents at end of the year  | 6     | 999,020                    | 948,188                    |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

Enka İnşaat ve Sanayi Anonim Şirketi ("Enka İnşaat") was established on 4 December 1967 and registered in İstanbul, Turkey, under the Turkish Commercial Code. The address of the headquarter and registered office of Enka İnşaat is Balmumcu, Zincirlikuyu Yolu No: 10, 34349 Enka Binası Beşiktaş, İstanbul, Turkey.

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 December 2016, 12.13% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (ISE).

As of 31 December 2016, the average numbers of white and blue-collar personnel are respectively 4,975 and 26,262 (31 December 2015 – 4,757 and 17,695).

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint operations are hereinafter referred to as "the Group".

The Group operates in geographical areas below:

- Turkey: engaged in diverse types of construction activities including construction of industrial and social buildings, motorways and construction and operation of natural gas fired electrical energy generation facilities.
- ii. Russian Federation, Georgia, Turkmenistan and Kazakhstan: engaged in construction activities and also in investment and development of real estate properties and shopping malls in Moscow, Russia.
- iii. Engaged in construction activities in Gabon, Djibouti, Mauritania and Equatorial Guinea in Africa; Saudi Arabia, Sri Lanka, India, Oman, Iraq and Afganistan in Asia.
- Europe: engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Germany and Kosovo.

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#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont'd)

As of 31 December 2016, Enka İnşaat has the following subsidiaries whose business and country of incorporation are provided below:

| Name of Subsidiary  | Name of Subsidiary Nature of business activities   |             | Year of establishment |
|---|--|-------------|-----------------------|
| Enka Pazarlama İhracat İthalat<br>Anonim Şirketi (Enka Pazarlama)                             | Engaged in marketing and after-sales service of construction machineries, trucks, industrial products and spare parts.                           | Turkey      | 1972                  |
| Çimtaş Çelik İmalat Montaj ve Tesisat<br>Anonim Şirketi (Çimtaş)                              | Engaged in manufacturing of structural steel works, installation and establishing of the technical equipment.                                    | Turkey      | 1973                  |
| Titaş Toprak İnşaat ve Taahhüt<br>Anonim Şirketi (Titaş)                                      | Engaged in all kinds of exacavation activities, excavation backfilling works and quarrying-crushing operation of highway projects.               | Turkey      | 1974                  |
| Kasktaş Kayar Kalıp Altyapı Sondaj<br>Kazık ve Tecrit Anonim Şirketi<br>(Kasktaş)             | Engaged in pile dwelling work, any kind of base and superstructure construction, slip form and construction of drilling and ground surveys.      | Turkey      | 1975                  |
| Entaş Nakliyat ve Turizm Anonim<br>Şirketi (Entaş)  | The firm operates in organization of domestic and international conventions and seminars and also engaged in tour reservations and ticket sales. | Turkey      | 1976                  |
| Enet Proje Araştırma ve Müşavirlik<br>A.Ş. (Enet)   | Performs architectural design services.  | Turkey      | 1980                  |
| Enka Teknik Genel Müteahhitlik<br>Bakım İşletme Sevk ve İdare Anonim<br>Şirketi (Enka Teknik) | tım İşletme Sevk ve İdare Anonim and storage systems, auxilary facilities, water   |             | 1981                  |
| Entrade GmbH (Entrade)  | Manages foreign investments of the Company.  | Germany     | 1984                  |
| Limited Liability Company Enmar (Enmar)   | Engaged in ready-mixed concrete production and various construction works.   | Russia      | 1994                  |
| Airenka Hava Taşımacılığı A.Ş.(Air<br>Enka)   | Engaged in all kinds of air transportation.  | Turkey      | 2001                  |
| Enka Holding B.V.   | Manages foreign investments of the Company.  | Netherlands | 2001                  |
| Enka Müteahhitlik Hizmetleri A.Ş. (Enka Müteahhitlik)   | Engaged in construction activities.  | Turkey      | 2002                  |
| Adapazarı Elektrik Üretim Limited<br>Şirketi (Adapazarı Elektrik) (*)                         | Performs production and selling of electricity.  | Turkey      | 2004                  |
| İzmir Elektrik Üretim Limited Şirketi<br>(İzmir Elektrik) (*)                                 | Performs production and selling of electricity.  | Turkey      | 2004                  |
| Enka Santral İşletme ve Bakım<br>Hizmetleri Anonim Şirketi                                    | Performs repair and maintanence of the power plants.   | Turkey      | 2004                  |
| Gebze Elektrik Üretim Limited Şirketi<br>(Gebze Elektrik) (*)                                 | Performs production and selling of electricity.  | Turkey      | 2004                  |
| Enka Limited Liability Company (Enka LLC)   | Manages the Company's construction, engineering and design jobs.   | Ukraine     | 2006                  |
| Enka Enerji Üretim A.Ş.   | Will perform production and sale of electricity.   | Turkey      | 2006                  |
| Enka & Co LLC   | Engaged in construction activities.  | Oman        | 2010                  |

(\*) İzmir Elektrik, Adapazarı Elektrik and Gebze Elektrik here and after are also referred to as "the Power Companies".

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont'd)

The construction contracts are undertaken by Enka İnşaat alone or together with its affiliated companies or, in partnerships with other contractors through joint operations. As of 31 December 2016, Enka İnşaat has the following joint operations:

Bechtel-Enka Joint Venture (Kazakhistan) – Senimdy Kurylys

Caddell- Enka Joint Venture (Caddell Europe, Africa, America, Asia)

Bechtel-Enka Joint Venture (Romania)

Bechtel-Enka Joint Venture (Albania)

Bechtel-Enka Joint Venture (Kosovo)

AECO Development Limited Liability Company (Oman)

Bechtel-Enka Joint Venture (Oman)

Bechtel-Enka Joint Venture (Georgia)

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

#### 2.1 Basis of presentation

Basis for preparation of the financial statements and significant accounting policies

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial assets at fair value through profit or loss and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 31 December 2016. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 1 March 2017. The General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

Enka İnşaat and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board (CMB), (for publicly traded companies) and Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries where they are registered. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The Group also reported separately for the consolidated financial statements for the same period prepared in accordance with accounting principles promulgated by CMB.

There are no differences between the consolidated financial statements prepared in accordance with the accounting policies promulgated by CMB and consolidated IFRS financial statements except for the use of TL and USD as the presentation currency, respectively.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.1 Basis of presentation (cont'd)

#### Functional and presentation currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint operations which form main part of the operations of the Group are carried out in U.S. Dollar or indexed to U.S. Dollar, this currency has been determined as the functional and the presentation currency of the Group in line with IAS 21 - The Effects of Changes in Foreign Exchange Rates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies (i.e. any currency other than the functional currency) are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of the subsidiaries whose functional currency is other than U.S. Dollars are translated into U.S. Dollars at the rate of exchange ruling at the balance sheet date and their consolidated statement of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation difference.

Within Turkey, official exchange rates of the Turkish Lira (TL) are determined by the Central Bank of Turkey (CBT) and are generally considered to be a reasonable approximation of market rates. Within the Russian Federation, official exchange rates are determined daily by the Central Bank of the Russian Federation (CBRF), which is also a reasonable approximation of market rates.

The year-end and average rates for 2016 and 2015 for one U.S. Dollar can be summarized as below:

|   | 2016    | 2015    |
|---|---------|---------|
| U.S. Dollars/TL – as of balance sheet date  | 3.5192  | 2.9076  |
| U.S. Dollars/TL – yearly average            | 3.0181  | 2.7190  |
| U.S. Dollars/RUB – as of balance sheet date | 60.6569 | 72.8827 |
| U.S. Dollars/RUB – yearly average           | 67.0349 | 60.9579 |

#### Inflation accounting

Until 31 December 2005, the financial statements of the subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 31 December 2016 and 2015 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

#### Comparative information and reclassification of prior year consolidated financial statements

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed. In the current year, there is no such reclassification.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.1 Basis of presentation (cont'd)

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint operations and its subsidiaries as at 31 December each year. The financial statements of the joint operations and the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All significant intra-group transactions and balances between Enka İnşaat and its consolidated subsidiaries and joint operations are eliminated

Non-controlling interests represent the portion of consolidated statement of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.1 Basis of presentation (cont'd)

#### Basis of consolidation (cont'd)

The subsidiaries included in consolidation and their shareholding percentages at 31 December 2016 and 2015 are as follows:

| ioliows.   |                         |            | Direct / Indirect ownership |             |
|--|-------------------------|------------|-----------------------------|-------------|
|  |                         | Functional | 31 December                 | 31 December |
| Company name                                       | Segment                 | Currency   | 2016                        | 2015        |
| İzmir Elektrik                                     | Energy                  | USD        | 100.00%                     | 100.00%     |
| Adap azarı Elektrik                                | Energy                  | USD        | 100.00%                     | 100.00%     |
| Gebze Elektrik                                     | Energy                  | USD        | 100.00%                     | 100.00%     |
| Enka TC LLC  | Trade and manufacturing | RUB        | 100.00%                     | 100.00%     |
| Mosenka  | Rental                  | RUB        | 100.00%                     | 100.00%     |
| MKH  | Rental                  | RUB        | 100.00%                     | 100.00%     |
| Enka Santral Hizmetleri A.Ş.                       | Energy                  | USD        | 100.00%                     | 100.00%     |
| Enka Enerji Üretim A.Ş.                            | Energy                  | USD        | 100.00%                     | 100.00%     |
| Enka Holding B.V.                                  | Construction            | EUR        | 100.00%                     | 100.00%     |
| Enka Holding Investment S.A.                       | Construction            | USD        | 100.00%                     | 100.00%     |
| Enka Power Systems B.V.                            | Construction            | EUR        | 100.00%                     | 100.00%     |
| Enka Construction & Development B.V.               | Construction            | EUR        | 100.00%                     | 100.00%     |
| Far East Development B.V.                          | Construction            | EUR        | 100.00%                     | 100.00%     |
| Middle East Construction B.V                       | Construction            | EUR        | 100.00%                     | 100.00%     |
| Enmar  | Construction            | USD        | 100.00%                     | 100.00%     |
| Entrade  | Construction            | EUR        | 100.00%                     | 100.00%     |
| Capital City Investment B.V.                       | Construction            | EUR        | 100.00%                     | 100.00%     |
| City Center Investment B.V.                        | Rental                  | USD        | 100.00%                     | 100.00%     |
| Enka LLC   | Construction            | USD        | 100.00%                     | 100.00%     |
| Retmos Investment Ltd.                             | Construction            | USD        | 100.00%                     | 100.00%     |
| Emos LLC   | Trade and manufacturing | RUB        | 100.00%                     | 100.00%     |
| Enmar Construction B.V. (Former name as Bmos B.V.) | Trade and manufacturing | EUR        | 100.00%                     | 100.00%     |
| Cmos B.V.  | Trade and manufacturing | EUR        | 100.00%                     | 100.00%     |
| OOO Victoria                                       | Construction            | USD        | 100.00%                     | 100.00%     |
| Enka & Co LLC                                      | Construction            | USD        | 100.00%                     | 100.00%     |
| Enka Müteahhitlik                                  | Construction            | TL         | 100.00%                     | 100.00%     |
| Edco Investment B.V.                               | Rental                  | EUR        | 100.00%                     | 100.00%     |
| Enru Development B.V.                              | Rental                  | EUR        | 100.00%                     | 100.00%     |
| Enkamos Region B.V. (Former name as Pavmos B.V.)   | Construction            | EUR        | 100.00%                     | 100.00%     |
| Airenka  | Trade and manufacturing | USD        | 100.00%                     | 100.00%     |
| Poyraz Shipping B.V.                               | Construction            | USD        | 100.00%                     | 100.00%     |
| Bogazici Shipping B.V.                             | Construction            | USD        | 100.00%                     | 100.00%     |
| Doga Shipping B.V.                                 | Construction            | USD        | 100.00%                     | 100.00%     |
| Imbat Shipping B.V.                                | Construction            | USD        | 100.00%                     | 100.00%     |
| TNY Shipping B.V.                                  | Construction            | USD        | 100.00%                     | 100.00%     |
| Alacante Shipping B.V.                             | Construction            | USD        | 100.00%                     | 100.00%     |
| BRK Overseas Shipping B.V.                         | Construction            | USD        | 100.00%                     | 100.00%     |
| MML Merchant Shipping B.V.                         | Construction            | USD        | 100.00%                     | 100.00%     |
| Esta Construction B.V.                             | Construction            | USD        | 100.00%                     | 100.00%     |
| Enka UK Construction Ltd.                          | Construction            | USD        | 100.00%                     | -           |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.1 Basis of presentation (cont'd)

Basis of consolidation (cont'd)

|   |                         |            | Direct / Indirect ownership |             |
|---|-------------------------|------------|-----------------------------|-------------|
|   |                         | Functional | 31 December                 | 31 December |
| Company name (continuing)                       | Segment                 | Currency   | 2016                        | 2015        |
| Enet  | Construction            | TL         | 100.00%                     | 100.00%     |
| Enka Pazarlama                                  | Trade and manufacturing | TL         | 100.00%                     | 99.99%      |
| Enka Finansal Kiralama A.Ş.                     | Trade and manufacturing | TL         | 100.00%                     | 99.99%      |
| Metra Akdeniz Dış Ticaret A.Ş.                  | Trade and manufacturing | TL         | 99.93%                      | 99.93%      |
| Entaş   | Trade and manufacturing | TL         | 99.98%                      | 99.98%      |
| Kasktaş   | Construction            | USD        | 99.90%                      | 99.90%      |
| Burkas Ltd. Şti.                                | Construction            | USD        | 99.90%                      | 99.90%      |
| Kasktaş Arabia Ltd.                             | Construction            | USD        | 99.90%                      | 99.90%      |
| Titaş   | Construction            | USD        | 99.50%                      | 99.50%      |
| Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.         | Construction            | USD        | 97.88%                      | 97.88%      |
| Çimtaş Hassas İşleme Sanayi veTicaret Ltd. Şti. |                         |            |                             |             |
| (Former name Çimtaş Borulama)                   | Construction            | USD        | 97.35%                      | 97.35%      |
| Çimtaş Çelik                                    | Construction            | USD        | 97.35%                      | 97.35%      |
| Cimtas Mechanical Contracting B.V.              | Construction            | USD        | 97.35%                      | 97.35%      |
| Cimtas (Ningbo) Steel Processing Company Ltd.   | Construction            | USD        | 97.35%                      | 97.35%      |
| Cimtas Investment B.V.                          | Construction            | EUR        | 97.35%                      | 97.35%      |
| Gemlik Deniz Taşımacılık Ltd.Şti.               | Construction            | USD        | 97.35%                      | 97.35%      |
| Enka Teknik                                     | Construction            | USD        | 80.00%                      | 77.50%      |
| OOO R-Avtam                                     | Rental                  | USD        | 60.00%                      | 60.00%      |
| Cimtas Boru İmalatları ve Ticaret Ltd. Şti.     | Construction            | EUR        | 50.00%                      | 50.00%      |
| Cimtas Buildings Systems Ltd. (CBSL)            | Construction            | USD        | -                           | 97.35%      |
| Rulen B.V.                                      | Construction            | EUR        | -                           | 100.00%     |

The Group has interests in joint operations which are jointly controlled entities. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group recognizes its interest in the joint operations using proportionate consolidation. The breakdown of the controlling interests of the joint operations as of 31 December 2016 and 2015 is as follows:

|   | Functional |                  |                  |
|---|------------|------------------|------------------|
|   | Currency   | 31 December 2016 | 31 December 2015 |
| Bechtel-Enka Joint Venture (Kazakhistan) - Senimdy Kurylys                | USD        | 50.00%           | 50.00%           |
| Caddell Construction Company Inc. (Caddell Europe, Africa, America, Asia) | USD        | 50.00%           | 50.00%           |
| Bechtel-Enka Joint Venture (Romania)                                      | EUR        | 50.00%           | 50.00%           |
| Bechtel-Enka Joint Venture (Albania)                                      | EUR        | 50.00%           | 50.00%           |
| Bechtel-Enka Joint Venture (Kosovo)                                       | EUR        | 50.00%           | 50.00%           |
| AECO Development Limited Liability Company (Oman)                         | USD        | 50.00%           | 50.00%           |
| Bechtel-Enka Joint Venture (Oman)   | USD        | 50.00%           | 50.00%           |
| Bechtel-Enka Joint Venture (Georgia)                                      | USD        | 50.00%           | 50.00%           |

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#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.2 Changes in the accounting policies

Significant changes in accounting policies are applied retrospectively and prior year consolidated financial statements are restated when necessary. There is no change in accounting policies of the Group in the current year.

#### 2.3 Changes and Errors in Accounting Estimates

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the previous periods are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. There is no material change in accounting estimates of the Group in the current year.

When a significant accounting error is identified, it is corrected retrospectively and the prior year consolidated financial statements are restated. The Group did not detect any significant accounting error in the current year.

#### 2.4 Adoption of New and Revised International Financial Reporting Standards

The following amendments to IASs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

#### IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or a fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2017, earlier adoption is permitted. The Group has adopted IFRS 9 and the related consequential amendments since 31 December 2010.

#### b) New and revised IFRSs applied with no material effect on the consolidated financial statements

| IFRS 14                                | Regulatory Deferral Accounts <sup>1</sup>   |
|--|---|
| Amendments to IFRS 11                  | Accounting for Acquisition of Interests in Joint Operations <sup>1</sup>          |
| Amendments to IAS 16 and IAS 38        | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup> |
| Amendments to IAS 16 and IAS 41        | Agriculture: Bearer Plants <sup>1</sup>   |
| Amendments to IAS 27                   | Equity Method in Separate Financial Statements <sup>1</sup>                       |
| Annual Improvements to                 |   |
| 2012-2014 Cycle                        | IFRS 5, IFRS 7, IAS 19, IAS 34 <sup>1</sup>                                       |
| Amendments to IAS 1                    | Disclosure Initiative <sup>1</sup>  |
| Amendments to IFRS 10, IFRS 12 and IAS | Investment Entities: Applying the Consolidation Exception 1                       |
| 28                                     | •   |

<sup>&</sup>lt;sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

#### IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts permits an entity, which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

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#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### Adoption of New and Revised International Financial Reporting Standards (cont'd)

b) New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

#### Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

#### Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

#### Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

#### Amendments to IAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

#### **Annual Improvements 2012-2014 Cycle**

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

#### Amendments to IAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial

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#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### Adoption of New and Revised International Financial Reporting Standards (cont'd)

b) New and revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

#### Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

#### New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate

or Joint Venture

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses 1

Amendments to IAS 7 Disclosure Initiative 1

IFRS 15 Revenue from Contracts with Customers<sup>2</sup> Amendments to IFRS 15 Revenue from Contracts with Customers <sup>2</sup>

Amendments to IFRS 2 Classification and Measurement of Share-Based Payment

Transactions <sup>2</sup> IFRS 16

Leases 3

Amendments to IFRS 4

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance

Contracts'

IFRIC 22 Foreign Currency Transactions and Advance Consideration<sup>2</sup>

Amendments to IAS 40 Transfers of Investment Property <sup>2</sup>

Annual Improvements to IFRS Standards

IFRS 1<sup>2</sup>, IFRS 12<sup>1</sup>, IAS 28<sup>2</sup> 2014-2016 Cycle

#### Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

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<sup>&</sup>lt;sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>&</sup>lt;sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>&</sup>lt;sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)

c) New and revised IFRSs in issue but not yet effective (cont'd)

#### Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

This amendment clarifies the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise
  to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the
  carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts
  the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax
  assets of the same type.

#### Amendments to IAS 7 Disclosure Initiative

This amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

#### Amendments to IFRS 15 Revenue from Contracts with Customers

This amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

#### Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions

This amendment clarifies the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity settled.

#### IFRS 16 Leases

This new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

#### Amendments to IFRS 4 Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'

This amendment provides optional approaches for entities that issue insurance contracts within the scope of IFRS 4, and the entities are permitted to stop applying them before the new insurance standard is applied.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)

c) New and revised IFRSs in issue but not yet effective (cont'd)

#### IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance
  of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

#### Amendments to IAS 40 Transfers of Investment Property

The amendments to IAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and
  only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the
  definition of investment property. A change in management's intentions for the use of a property by itself does
  not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

#### Annual Improvements to IFRS Standards 2014–2016 Cycle

- IFRS 1: Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IFRS 12: Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- IAS 28: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies

#### Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is reduced for estimated or realized customer returns, discount commissions, rebates ans taxes related to sales. The following specific recognition criteria must also be met before revenue is recognized:

#### Construction contract activities

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Revenue arising from cost plus fee contracts is recognized on the basis of costs incurred plus a percentage of the contract fee earned during the year.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the consolidated statement of profit or loss as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized.

#### Energy activities

The Power Companies have signed an "Electric Sales Agreement" (ESA) with Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) for the establishment, management and sale of electricity that will be produced for a period of 20 years in accordance with the Build-Own-Operate Law numbered 4283 and Build-Own-Operate regulation. As the period includes project development and construction phases, the contract dates of power plants are 16 years after the beginning of the operation. The sales price and quantity in terms of Kwh during the 16 years period are determined in the ESA. Average energy sales price is determined by dividing yearly sales revenues calculated over yearly sales amounts and unit prices by the 16 year-sales quantities. At the end of each year, the average price is recalculated over the realized amounts. Therefore, revenues from the sale of electricity under long-term contracts are recognized on the average charge per Kwh over the life of the contract. Both the 'investment' and the 'fuel cost' item revenues in the scope of the contract are levelised accordingly. Revenues in excess of the average are recorded as deferred revenue in the consolidated balance sheet and are recognized over the life of the project.

#### Sale of good

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Revenue is reduced for estimated or realized customer returns, discount commissions, rebates ans taxes related to sales.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### Revenue (cont'd)

#### Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. Rental income collected in advance is treated as deferred income and is amortised on a monthly basis during the lease period.

#### Rendering of services

Revenue is recognized by reference to the stage of completion.

#### Interest incom

Interest income and expenses are recognized in the consolidated statement of profit or loss on an accrual basis taking into account the effective yield on the asset. When loans provided by the Group are considered doubtful by the management of the Group, the interest accrual is not recognized in the consolidated statement of profit or loss.

#### **Dividends**

Revenue is recognized when the Group's right to receive the payment is established.

#### **Inventories**

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.

Goods for resale - purchase cost on moving weighted average basis.

Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on moving weighted average basis.

The Group also provides an allowance for the slow moving and obsolete items.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Property, plant and equipment

With the exception of land and buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is not depreciated. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Land and buildings are carried at revalued amounts. Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### Property, plant and equipment (cont'd)

Repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred. The costs of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Depreciation is provided on all property, plant and equipment using the straight-line method at rates which approximate estimated useful lives of the related assets as follows:

|                                     | Useful life |
|-------------------------------------|-------------|
| Land improvements                   | 5-50 years  |
| Buildings                           | 10-50 years |
| Power plant equipment               | 35 years    |
| Pipelines                           | 16 years    |
| Electrical interconnection lines    | 16 years    |
| Machinery and equipment             | 4-10 years  |
| Motor vehicles                      | 3-10 years  |
| Furniture and fixtures              | 5-10 years  |
| Barracks, scaffolding and formworks | 5 years     |
| Aircrafts                           | 10-15 years |
| Others                              | 5-10 years  |

Power plant equipment is recorded at its original cost of construction. Significant additions or improvements are capitalized when they extend the life, improve the efficiency or increase the earnings capacity of the asset. Expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed as incurred.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

#### **Intangible assets**

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost that are amortized over 3 to 10 years on straight-line basis.

#### Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### **Investment properties**

Land and buildings that are held in the production of supply of goods or services of for administrative purposes or for long term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment property also includes long-term leasehold land held under an operating lease, which is accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS 17 "Leases". Each lease payment on the long-term leasehold land is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current lease liability on leasehold land. The interest element of the finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### **Business combinations**

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income *Taxes* and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of profit or loss as a bargain purchase gain.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### **Business combinations (cont'd)**

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### Non-current assets held for sale

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell, and depreciation on such assets are ceased.

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

#### **Discontinued operations**

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. The Group measured assets and liabilities related to the disposal group at the lower of their previous carrying amount and fair value less costs to sell (Note 30).

#### Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

#### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

According to IFRS 9 as from 1 January 2010, the group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

#### (a) Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

#### (b) Financial assets at fair value

If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss. The Group has classified their financial assets as financial assets to be measured at fair value.

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value. A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss within income / (expenses) from investing activities in the period in which they arise. The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

#### Impairment of financial assets

#### Financial assets at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Financial assets at amortised cost (cont'd)

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - i. adverse changes in the payment status of borrowers in the portfolio; and
- ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

#### Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

#### Financial liabilities (cont'd)

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

#### a) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

#### b) Other financial liabilities

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

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

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

#### Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency purchase and sale contracts and also interest rate cap transactions, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of profit or loss. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate cap contracts is determined based on quoted market prices in active markets.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

#### Derivative financial instruments and hedging (cont'd)

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability and could affect consolidated statement of profit or loss. The Power Companies have borrowings with variable interest rates and the Group uses interest rate caps to hedge the exposure to variability in cash flows due to the change in interest rates. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in consolidated statement of profit or loss.

Amounts taken to equity are transferred to the consolidated statement of profit or loss when the hedged transaction affects consolidated statement of profit or loss.

#### Accounting at the date of transaction

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

#### Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

#### **Effects of Changes in Foreign Exchange Rates**

Transactions in currencies other than functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency indexed monetary assets and liabilities are recorded at the rates of exchange prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in the consolidated statement of profit or loss in the period in which they arise.

#### Earnings per share

Basic earnings per share (EPS) disclosed in the consolidated statement of profit or loss are determined by dividing net profit by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (Bonus Shares) to existing shareholders without a consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation, such bonus share distributions are regarded as stock dividends. If the number of ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorized for issue, the EPS calculations for those and any prior period financial statements presented is based on the new number of shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 5.5 Summary of significant accounting policies (cont'd)

#### Provisions, contingent liabilities, contingent assets

#### **Provisions**

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### Contingent liabilities and assets

If contingent liabilities does not carry a high probability of resource allocation (cash outlow), they are not recognized in the consolidated financial statements but disclosed in the footnotes. However, contingent assets are not recognized in consolidated financial statements but disclosed in the footnotes when an inflow of economic benefits is probable.

#### **Leases - The Group as lessee**

#### Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against consolidated statement of profit or loss. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonably certainty that the Group will obtain ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases, except long-term leasehold land classified as investment property. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

#### Leases - The Group as lessor

#### Operating lease

The Group has entered into commercial and residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. Lease income from operating leases is recognized in consolidated statement of profit or loss on a straight-line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognized as an expense. Initial direct costs incurred by the Group in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

#### Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements (reporting entity).

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#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### Related parties (cont'd)

- a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,
  - i) Has control or joint control over the reporting entity,
  - ii) Has significant influence over the reporting entity,
  - iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity.
- b) An entity is considered related party of the reporting entity when the following criteria are met:
  - i) If the entity and the reporting entity is within the same group (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others.
  - ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
  - iii) If both of the entities are a joint venture of a third party.
  - iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
  - v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.
  - vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).
  - vii)If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity)

Related party transaction is the transfer of resources, services or liabilities regardless of whether a price is charged or not.

#### Income tax

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.5 Summary of significant accounting policies (cont'd)

#### **Employee termination benefits**

The Group has both defined benefit and defined contribution plans as described below:

#### Defined benefit plans

In accordance with existing social legislation in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum termination indemnities to each employee who has completed one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

These benefits are unfounded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. All actuarial gains and losses are recognized in the consolidated statement of other comprehensive income.

Personnel working in branches operating in foreign countries and joint-operations do not have any employee termination benefit as there is no legal obligation in these countries.

#### Defined contribution plans

The Company and its subsidiaries in Turkey pay contributions to publicly administered Social Security Fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Foreign subsidiaries and joint operations contribute to the related government body for the pension scheme of its employees in the country they are domiciled. Mandatory contributions to the governmental pension scheme are expensed when incurred.

#### Statement of cash flows

Cash flows are classified according to operating, investment and finance activities in the consolidated statement of cash flows.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, excluding short term deposits with an original maturity of more than three months and deposits blocked in bank accounts as collateral.

#### **Events after the reporting period**

Events after the reporting period, also known as 'subsequent events' include any favorable or unfavorable event that took place between the balance sheet date and the publication date of the balance sheet, despite any possible event that might arise after the publicization of any information regarding profits or other financial figures.

The Group adjusts its consolidated financial statements if such adjusting subsequent events arise.

#### 2.6 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the consolidated statement of profit or loss and in the carrying value of assets and liabilities in the consolidated balance sheet, and in the disclosure of information in the notes to the consolidated financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the consolidated financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates.

The key assumptions concerning the future and other key resources of estimation at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

olidated financial statements are as follows:

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.6 Significant accounting judgements, estimates and assumptions (cont'd)

- a) Determination of total estimated project costs, profitability and calculation of loss accruals under the scope of IAS 11 "Construction Contracts" (Note 12).
- b) Market valuations of investment properties under the scope of IAS 40 "Investment Property" and land and buildings under the scope of IAS 16 "Property, Plant and Equipment" (Note 13 and 14).
- c) Estimation of impairment losses on financial assets and trade receivables (Note 7 and 9).
- d) Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 31).
- e) The Group management has made significant assumptions for determining the economic lives of tangible and intangible assets with the guidance of experienced technical staff (Note 14, 15).
- f) In accordance with the determined accounting policies, the Group reviews carrying amount of goodwill for impairment annually, or more frequently in cases where the circumstances indicate impairment. As of 31 December 2016, the Group tested impairment of carrying amount of goodwill by comparing the recoverable amount which is determined by value in use calculations. These calculations are based on projected before-tax cash flows based on financial budgets/forecasts approved by the Board of Directors. Expected growth rates are used to discount projected cash flows for periods greater than five years. Operating market growth rates, per capita gross domestic product and pricing information such as indices, have been acquired from outside sources. Estimations related to parameters such as selling prices, working capital requirements and fixed assets investments are based on Group's predictions and previous period realizations.
- In accordance with the accounting policies referred to in Note 2.5, provisions are based on the assumption that the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount to be paid can be reliably estimated. The Group is subject to various legal processes, requests and regulatory negotiations whose results are uncertain. The Group assesses the likelihood of adverse consequences as well as other factors, and the possibility of reasonably estimating losses. Unforeseeable events and changes in these factors may require an increase or decrease in the provisions that the Group accounts for (whether it is considered unlikely or has not recorded a provision due to inability of a reliable estimation).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 3. DIVIDENDS

Based on the Group's Ordinary General Assembly held on 29 March 2016; regarding to the distribution of the year 2015 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.08 full TL gross / 0.071 full TL net in total TL 600,000 (2015 - TL 588,000); further it has been resolved to distribute TL 21,998 (2015 - TL 25,887) as cash dividend to founder shares. Net in total TL 280,000 from TL 600,000 has been distributed as an advance dividend on 11 November 2015, and the remaning amount net in total TL 320,000 is distributed on 20 April 2016.

In 2016 and 2015, the Group distributed dividends as detailed below:

|  | 20         | 016           | 2015       |               |  |  |
|--|------------|---------------|------------|---------------|--|--|
|  |            | Dividends per |            | Dividends per |  |  |
|  | Dividend   | share         | Dividend   | share         |  |  |
| Ordinary share owners (1 Full TL nominal value)  | 320,000 TL | 0.08 Full TL  | 300,000 TL | 0.08 Full TL  |  |  |
| Founder share owners   | 21,998 TL  | 21.99 TL      | 25,887 TL  | 25.89 TL      |  |  |
| Ordinary share owners (1 Full TL nominal value) (*) Ordinary share owners (1 Full TL nominal value) (**) | 140,000 TL | 0.03 Full TL  | 280,000 TL | 0.07 Full TL  |  |  |
|  | 140,000 TL | 0.03 Full TL  | -          | -             |  |  |
|  | 621,998 TL |               | 605,887 TL |               |  |  |
|  |            |               |            |               |  |  |

<sup>(\*)</sup> Based on the power vested in the Board of Directors of Enka İnsaat by the General Assembly in its ordinary Meeting held on 29 March 2016; regarding to the distribution of the period between 1 January - 30 June 2016 profit, it is resolved to distribute, as of the date of 28 September 2016 a total TL 140,000 from the amount that remains after deduction of the reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, dividend advances at a rate of 3.33% gross and 2.83% net per share.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 4. INTEREST IN JOINT OPERATIONS

The Group's share in the assets and liabilities and the profit/loss of the joint operations using the proportionate consolidation method on a line by line basis is as follows:

|  | 31 December | 31 December |
|--|-------------|-------------|
|  | 2016        | 2015        |
| ASSETS   |             |             |
| Current Assets   |             |             |
| Cash and cash equivalents                                    | 137,463     | 122,458     |
| Trade receivables  | 98,690      | 67,316      |
| Other receivables  | 40          | 28          |
| Inventories  | 8,203       | 11,349      |
| Other current assets   | 13,297      | 7,644       |
| Group's share in current assets of joint operations          | 257,693     | 208,795     |
| Non-Current Assets   |             |             |
| Cost   | 67,037      | 61,829      |
| Accumulated depreciation                                     | (40,250)    | (34,588)    |
| Group's share in joint operations in property,               |             |             |
| plant and equipment  | 26,787      | 27,241      |
| Other non-current assets                                     | 3,904       | 1,138       |
| Group's share in non-current assets of joint operations      | 3,904       | 1,138       |
| LIABILITIES  |             |             |
| Current Liabilities  |             |             |
| Trade payables   | 24,781      | 26,262      |
| Billings in excess of costs and estimated earnings on        |             |             |
| uncompleted contracts  | 160,386     | 125,922     |
| Provisions   | 6,411       | 7,040       |
| Provisions for employee benefits                             | 2,545       | 3,260       |
| Other current liabilities                                    | 12,070      | 6,366       |
| Group's share in current liabilities of joint operations     | 206,193     | 168,850     |
| Non-Current Liabilities                                      |             |             |
| Other non-current liabilities                                | 15,000      | 27,500      |
| Group's share in non-current liabilities of joint operations | 15,000      | 27,500      |

The Group's share in the consolidated statement of profit or loss of the joint operations using the proportionate consolidation method on a line by line basis is as follows:

|                                 | 1 January -      | 1 January -      |
|---------------------------------|------------------|------------------|
|                                 | 31 December 2016 | 31 December 2015 |
| Revenue                         | 592,361          | 342,829          |
| Cost of revenue                 | (461,601)        | (277,601)        |
| General administrative expenses | -                | (19)             |
| Other operating income          | 15               | 941              |
| Other operating expenses        | -                | (48)             |
| Financial income                | -                | 1,893            |
| Financial expenses              | (2,259)          | (124)            |
| Taxation charge                 | (8,370)          | (6,857)          |
| Net profit                      | 120,146          | 61,014           |

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<sup>(\*\*)</sup> Based on the power vested in the Board of Directors of Enka İnsaat by the General Assembly in its ordinary Meeting held on 29 March 2016; regarding to the distribution of the period between 1 January – 30 September 2016 profit, it is resolved to distribute, as of the date of 14 December 2016 a total TL 140,000 from the amount that remains after deduction of the reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, dividend advances at a rate of 3.33% gross and 2.83% net per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 5. SEGMENTAL INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of services and products provided and has four reportable segments as follows: construction, rental, energy and trading and manufacturing.

1 January - 31 December 2016

#### a) Business segments:

|   |              |      |         | 1 Janu                                  | ary - 31 D | ecember 2016 |              |              |
|---|--------------|------|---------|---|------------|--------------|--------------|--------------|
|   | Construction |      |         |   |            |              |              |              |
|   | contracts    |      | Rental  |   | Trade      | Energy       | Eliminations | Consolidated |
| Revenues  | 1,382,388    | 3    | 18,263  | 2                                       | 243,691    | 1,561,771    | -            | 3,506,113    |
| Inter-segment revenues                                | 70,304       |      | 730     |   | 2,354      | 20,375       | (93,763)     | -            |
| Cost of revenues (-)                                  | (1,158,894)  | (    | 79,789) | (2                                      | 205,659)   | (1,269,206)  | -            | (2,713,548)  |
| Inter-segment cost of revenues (-)                    | (70,539)     |      |         |   | (2,354)    | (20,375)     | 93,268       | -            |
| Gross profit  | 223,259      | 23   | 39,204  |   | 38,032     | 292,565      | (495)        | 792,565      |
| Administrative expenses (-)<br>Marketing, selling and | (81,105)     | (    | 14,140) |   | (14,384)   | (9,393)      | 730          | (118,292)    |
| distribution expenses (-)                             | (15,499)     |      | (5,035) |   | (10,434)   | -            | -            | (30,968)     |
| Other operating income                                | 14,851       |      | 6,123   |   | 2,737      | 1,698        | -            | 25,409       |
| Other operating expenses (-)                          | (26,212)     |      | (6,112) |   | (1,626)    | (6,846)      | -            | (40,796)     |
| Profit from operations                                | 115,294      | 22   | 20,040  |   | 14,325     | 278,024      | 235          | 627,918      |
| Investment income                                     | 226,768      |      | 46,257  |   | 13         | 100          |              | 273,138      |
| Investment expenses (-)                               | (129,688)    |      | -       |   | -          | -            | _            | (129,688)    |
| Profit from operations                                | (12),000)    |      |         |   |            |              |              | (12),000)    |
| Before financial income/(expenses)                    | 212,374      | 20   | 66,297  |   | 14,338     | 278,124      | 235          | 771,368      |
| Financial income                                      | 13,360       |      | 7,186   |   | 4,179      | 6,791        | (4,204)      | 27,312       |
| Financial expenses (-)                                | (4,593)      |      | (6,117) |   | (3,086)    | (1,579)      | 4,162        | (11,213)     |
| Profit before tax                                     | 221,141      |      | 67,366  |   | 15,431     | 283,336      | 193          | 787,467      |
| Current tax expense (-)                               | (67,090)     | (:   | 34,022) |   | (7,780)    | (34,696)     |              | (143,588)    |
| Deferred tax expense (-)                              | 838          | (1   | 14,588) |   | 369        | (31,068)     | -            | (44,449)     |
| Profit for the year from                              |              |      |         |   |            |              |              |              |
| continuing operations                                 | 154,889      | 2    | 18,756  |   | 8,020      | 217,572      | 193          | 599,430      |
|   |              |      |         |   | 31 Decer   | mber 2016    |              |              |
|   | Construct    | ion  |         |   |            |              |              |              |
|   | contra       | ects | ]       | Rental                                  |            | Trade        | Energy       | Consolidated |
| Segment assets  | 3,807,       | 142  | 1.96    | 0,577                                   |            | 211,590      | 1,607,103    | 7,586,412    |
| Unallocated assets                                    | , i          |      |         | ĺ                                       |            | ,            |              | 209          |
| Total assets  | 3,807,1      | 42   | 1,960   | ),577                                   | 2          | 11,590       | 1,607,103    | 7,586,621    |
| Segment liabilities                                   | 728,0        | 779  | 40      | 0,904                                   |            | 88,524       | 640,520      | 1,858,027    |
| Unallocated liabilities                               | 720,         | 317  | -10     | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |            | 00,524       | 040,520      | 91           |
| Total liabilities                                     | 728,0        | 79   | 400     | 0,904                                   |            | 88,524       | 640,520      | 1,858,118    |
|   |              |      |         |   | _          |              |              | , ,          |
|   |              |      |         | 1 Janu                                  | uary - 31  | December 2   | 016          |              |
|   | Construct    | ion  |         |   |            |              |              |              |
| Other segment information                             | contra       | ects | ]       | Rental                                  |            | Trade        | Energy       | Consolidated |
| Capital expenditures Property, plant and equipment &  |              |      |         |   |            |              |              |              |
| investment property                                   | 67,6         | 38   | 5′      | 7,390                                   |            | 86           | 32,919       | 158,033      |
| Intangible assets                                     | 6,1          | 22   |         | 59                                      |            | 12           | 198          | 6,391        |
| Total capital expenditures                            | 73,7         | 60   | 5′      | 7,449                                   |            | 98           | 33,117       | 164,424      |
| Depreciation expenses                                 | 45,3         | 83   |         | 3,100                                   |            | 738          | 52,591       | 101,812      |
| Amortization expenses                                 | 1,4          |      | •       | 113                                     |            | 99           | 170          | 1,808        |
| Г   | 2,.          | -    |         | -                                       |            |              |              | -,- 30       |

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#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 5. SEGMENTAL INFORMATION (cont'd)

| Business segments (cont'd)         |  |           |               |            |              |   |              |
|------------------------------------|--|-----------|---------------|------------|--------------|---|--------------|
|                                    | -  |           | 1 Janu        | ary - 31 D | ecember 2015 |   |              |
|                                    | Construction                               |           |               |            |              |   |              |
|                                    | contracts                                  | Rental    |               | Trade      | Energy       | Eliminations                            | Consolidated |
| Revenues                           | 1,415,112                                  | 381,552   |               | 266,844    | 2,491,247    | _                                       | 4,554,755    |
| Inter-segment revenues             | 76,775                                     | -         |               | 6,535      | 20,398       | (103,708)                               | -            |
| Cost of revenues (-)               | (1,219,136)                                | (103,168) | (             | 217,556)   | (2,239,706)  | (100,700)                               | (3,779,566)  |
| Inter-segment cost of revenues (-) | (79,184)                                   | -         | (             | (6,535)    | (20,398)     | 106,117                                 | (5,775,500)  |
| Gross profit                       | 193,567                                    | 278,384   |               | 49,288     | 251,541      | 2,409                                   | 775,189      |
| Administrative expenses (-)        | (68,577)                                   | (11,698)  |               | (13,815)   | (9,793)      | -                                       | (103,883)    |
| Marketing, selling and             |  |           |               |            |              |   | (20, (24)    |
| distribution expenses (-)          | (12,693)                                   | (4,935)   |               | (10,919)   | (77)         | -                                       | (28,624)     |
| Other operating income             | 17,399                                     | 2,445     |               | 3,972      | 4,222        | -                                       | 28,038       |
| Other operating expenses (-)       | (45,554)                                   | (956)     |               | (3,302)    | (39)         | -                                       | (49,851)     |
| Profit from operations             | 84,142                                     | 263,240   |               | 25,224     | 245,854      | 2,409                                   | 620,869      |
| Investment income                  | 182,328                                    | 11,220    |               | 2,065      | 91           | -                                       | 195,704      |
| Investment expenses (-)            | (135,638)                                  | (131)     |               | -          | -            | -                                       | (135,769)    |
| Profit from operations             |  |           |               |            |              |   |              |
| Before financial income/(expenses) | 130,832                                    | 274,329   |               | 27,289     | 245,945      | 2,409                                   | 680,804      |
| Financial income                   | 17,571                                     | 5,250     |               | 6,581      | 7,151        | (5,037)                                 | 31,516       |
| Financial expenses (-)             | (12,366)                                   | (8,216)   |               | (3,066)    | (1,485)      | 5,003                                   | (20,130)     |
| Profit before tax                  | 136,037                                    | 271,363   |               | 30,804     | 251,611      | 2,375                                   | 692,190      |
| Current tax expense (-)            | (40,193)                                   | (38,720)  |               | (8,097)    | (40,541)     |   | (127,551)    |
| Deferred tax expense (-)           | 2,230                                      | (8,616)   |               | (362)      | (22,583)     | _                                       | (29,331)     |
| Profit for the year from           | _,   | (0,0-0)   |               | (= ==)     | (==,= ==)    |   | (=>,===)     |
| continuing operations              | 98,074                                     | 224,027   |               | 22,345     | 188,487      | 2,375                                   | 535,308      |
| <b>.</b>                           |  |           |               |            |              |   |              |
|                                    | -  |           |               | 21 Dagge   | nber 2015    |   |              |
|                                    | Constructi                                 | on        |               | 31 Decei   | 110er 2013   |   |              |
|                                    | contrac                                    |           | Rental        |            | Trade        | Energy                                  | Consolidated |
|                                    | Contra                                     |           | Rentar        |            | Trade        | Energy                                  | Consolidated |
| Segment assets                     | 3,506,5                                    | 13 1.65   | 50,568        | 2          | 208,182      | 1,779,257                               | 7,144,520    |
| Unallocated assets                 | - , ,-                                     | ,         | , , , , , , , |            |              | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | 266          |
| Total assets                       | 3,506,51                                   | 3 1,65    | 0,568         | 2          | 08,182       | 1,779,257                               | 7,144,786    |
|                                    |  |           |               |            |              |   |              |
| Segment liabilities                | 668,3                                      | 87 3.     | 30,723        |            | 82,707       | 884,482                                 | 1,966,299    |
| Unallocated liabilities            | -  |           |               |            |              |   | 1,135        |
| Total liabilities                  | 668,38                                     | 33        | 0,723         |            | 82,707       | 884,482                                 | 1,967,434    |
|                                    |  |           |               |            |              |   |              |
|                                    |  |           | 1 Ion         |            | Dagamban 20  | 015                                     |              |
|                                    | 1 January - 31 December 2015  Construction |           |               |            |              |   |              |
| Other segment information          | contrac                                    |           | Rental        |            | Trade        | Engrat                                  | Consolidated |
| Capital expenditures               | Contrac                                    |           | Kentai        |            | Trade        | Energy                                  | Consolidated |
| Property, plant and equipment &    |  |           |               |            |              |   |              |
| investment property                | 77,59                                      | )2 5      | 4,772         |            | 126          | 27,618                                  | 160,108      |
| Intangible assets                  | 58   |           | 154           |            | 10           | 332                                     | 1,084        |
| Total capital expenditures         | 78,18                                      |           | 4,926         |            | 136          | 27,950                                  | 161,192      |
|                                    |  |           | <i>,</i>      |            |              | - /                                     | ,            |
| Depreciation expenses              | 41,4                                       | 10        | 3,871         |            | 1,880        | 51,227                                  | 98,388       |
| Amortization expenses              | 1,2  | 86        | 67            |            | 132          | 116                                     | 1,601        |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 5. SEGMENTAL INFORMATION (cont'd)

#### a) Business segments (cont'd)

Transfer prices between business segments are set out on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

For the year ended 31 December 2016, revenues amounting to USD 1,561,771 (31 December 2015 - USD 2,491,247) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the year ended 31 December 2016, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 1,135,046 (31 December 2015 - USD 2,095,785) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds 10%.

#### b) Geographical segments

|                      |           | 1           | January - 31 De | ecember 2016 |              |              |
|----------------------|-----------|-------------|-----------------|--------------|--------------|--------------|
| -                    |           | Russian     | · ·             |              |              |              |
|                      |           | Federation, |                 |              |              |              |
|                      |           | Kazakhstan, |                 |              |              |              |
|                      | Turkey    | Georgia     | Iraq            | Other        | Eliminations | Consolidated |
| Net sales            | 2,181,304 | 697,006     | 320,707         | 307,096      | -            | 3,506,113    |
| Inter-segment sales  | 48,986    | 44,777      | -               | -            | (93,763)     | -            |
| Capital expenditures | 87,091    | 64,864      | 10,323          | 2,146        | -            | 164,424      |
|                      |           |             | 31 December     | er 2016      |              |              |
| <del>-</del>         |           | Russian     |                 |              |              |              |
|                      |           | Federation, |                 |              |              |              |
|                      |           | Kazakhstan, |                 |              |              |              |
|                      | Turkey    | Georgia     | Iraq            | Other        | Eliminations | Consolidated |
| Segmental assets     | 3,939,143 | 2,380,154   | 152,300         | 1,114,815    | -            | 7,586,412    |
|                      |           |             |                 |              |              |              |
|                      |           |             |                 |              |              |              |
| _                    |           | 1           | January - 31 De | ecember 2015 |              |              |
|                      |           | Russian     |                 |              |              |              |
|                      |           | Federation, |                 |              |              |              |
|                      |           | Kazakhstan, |                 |              |              |              |
| _                    | Turkey    | Georgia     | Iraq            | Other        | Eliminations | Consolidated |
| Net sales            | 3,183,384 | 612,713     | 464,200         | 294,458      | -            | 4,554,755    |
| Inter-segment sales  | 64,256    | 39,452      | -               | -            | (103,708)    | -            |
| Capital expenditures | 75,483    | 76,076      | 7,642           | 1,991        | -            | 161,192      |
|                      |           |             |                 |              |              |              |
|                      |           |             | 31 December     | er 2015      |              |              |
| _                    |           | Russian     |                 |              |              |              |
|                      |           | Federation, |                 |              |              |              |
|                      |           | Kazakhstan, |                 |              |              |              |
| _                    | Turkey    | Georgia     | Iraq            | Other        | Eliminations | Consolidated |
| Segmental assets     | 3,816,537 | 2,042,646   | 220,170         | 1,065,167    | -            | 7,144,520    |

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 6. CASH AND CASH EQUIVALENTS

|   | 31 December | 31 December |
|---|-------------|-------------|
|   | 2016        | 2015        |
| Cash on hand  | 1,837       | 1,967       |
| Cash in bank  |             |             |
| Demand deposits   | 647,980     | 618,953     |
| Time deposits   | 347,260     | 325,358     |
| Other   | 2,943       | 2,910       |
|   | 1,000,020   | 949,188     |
| Less: restricted time deposits with maturity over three months and less than one year | (1,000)     | (1,000)     |
| Cash and cash equivalents at consolidated statement of cash flows                     | 999,020     | 948,188     |
| · · · · · · · · · · · · · · · · · · ·   |             |             |

Informations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

#### 7. FINANCIAL INVESTMENTS

#### **Current financial investments**

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2016 and 2015 are detailed below:

| 31 December | 31 December   |
|-------------|---|
| 2016        | 2015  |
|             |   |
| 40,736      | 19,394  |
|             |   |
| 267,639     | 339,906   |
|             |   |
| 273,216     | 308,674   |
|             |   |
| 102,480     | 107,077   |
| 62          | 86  |
| 684,133     | 775,137   |
|             | 2016<br>40,736<br>267,639<br>273,216<br>102,480<br>62 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 7. FINANCIAL INVESTMENTS (cont'd)

#### Non-current financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2016 and 2015 are detailed below:

|   | 31 December | 31 December |
|---|-------------|-------------|
| Financial assets at fair value through profit or loss | 2016        | 2015        |
| Private sector bonds                                  |             |             |
| - International markets                               | 1,466,390   | 1,174,200   |
| Foreign Government bonds                              |             |             |
| - International markets                               | 15,015      | 25,948      |
| Turkish Government bonds                              |             |             |
| - International markets                               | 28,742      | 25,839      |
| Equity securities                                     | 253         | 360         |
|   | 1,510,400   | 1,226,347   |

Maximum maturity dates of financial assets in the nature of borrowings are as follows:

|  | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| Private Sector Bonds - International markets     | 28 March 2073    | 31 December 2049 |
| Foreign Government Bonds - International markets | 17 October 2044  | 17 October 2044  |
| Turkish Government Bonds - International markets | 14 January 2041  | 14 January 2041  |

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 8. FINANCIAL LIABILITIES

#### a) Bank loans

| _   |                  | 31 December | 2016      |            |
|---|------------------|-------------|-----------|------------|
| Short-term borrowings:                    | Weighted Average | Currency    | Original  | USD        |
| _   | Interest Rate    | Type        | Currency  | Equivalent |
| Short-term bank borrowings                | 0.75%            | EUR         | 13,500    | 14,232     |
|   | 2.15%            | USD         | 10,047    | 10,047     |
|   |                  |             |           |            |
| Total short-term borrowings               |                  |             | _         | 24,279     |
|   |                  |             | -         |            |
| Long-term borrowings:                     |                  |             |           |            |
| Hermes loan (*)                           | 1.16%            | EUR         | 732       | 771        |
| Other long-term bank borrowings (*)       | 2.50%            | EUR         | 49,999    | 52,708     |
|   | 1.89%            | JPY         | 8,101,623 | 69,124     |
| Finance lease obligations                 |                  |             |           | 137,128    |
|   |                  |             | _         | 259,731    |
| Less: Current portion of long-term borrow | rings            |             |           | (42,482)   |
| Total long-term borrowings                |                  |             | _         | 217,249    |
|   |                  |             |           |            |

<sup>(\*)</sup> Hermes loan and loan denominated in Japanese Yen were obtained to finance the operations of Enka Pazarlama which is the subsidiary of the Group.

|                             | 31 December 2015 |          |          |            |
|-----------------------------|------------------|----------|----------|------------|
| Short-term borrowings:      | Weighted Average | Currency | Original | USD        |
|                             | Interest Rate    | Type     | Currency | Equivalent |
| Short-term bank borrowings  | 1.75%            | EUR      | 3,350    | 3,661      |
|                             | 2.40%            | USD      | 2,351    | 2,351      |
|                             | -                | TL       | 186      | 64         |
| Total short-term borrowings |                  |          | -<br>-   | 6,076      |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 8. FINANCIAL LIABILITIES (cont'd)

#### a) Bank loans (cont'd)

| Long-term borrowings:                     | 31 December 2015 |          |           |            |  |
|---|------------------|----------|-----------|------------|--|
|   | Weighted Average | Currency | Original  | USD        |  |
| _   | Interest Rate    | Type     | Currency  | Equivalent |  |
| Hermes loan (*)                           | 1.00%            | EUR      | 3,287     | 3,592      |  |
| Other long-term bank borrowings (*)       | 2.18%            | JPY      | 7,111,507 | 58,891     |  |
|   | -                | TL       | 546       | 188        |  |
| Finance lease obligations                 |                  |          |           | 76,392     |  |
|   |                  |          | <u>-</u>  | 139,063    |  |
| Less: Current portion of long-term borrow | vings            |          |           | (34,773)   |  |
| Total long-term borrowings                |                  |          | _         | 104,290    |  |

<sup>(\*)</sup> Hermes loan and loan denominated in Japanese Yen were obtained to finance the operations of Enka Pazarlama which is the subsidiary of the Group.

Repayment schedule of long-term bank borrowings are as follows:

|  | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| Less than 1 year                             | 37,869           | 32,184           |
| 1 - 2 years                                  | 30,026           | 29,555           |
| 2 - 3 years                                  | 22,543           | 233              |
| 3 - 4 years                                  | 22,542           | 233              |
| 4 - 5 years                                  | 9,623            | 233              |
| More than 5 years                            | -                | 233              |
| Less: Current portion of long-termborrowings | (37,869)         | (32,184)         |
|  | 84,734           | 30,487           |

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 8. FINANCIAL LIABILITIES (cont'd)

#### b) Finance lease obligations

| b) Finance lease obligations |                  | 31 December      | 2016         |            |
|------------------------------|------------------|------------------|--------------|------------|
|                              | Weighted Average |                  | Original     | USD        |
|                              | Interest Rate    | Currency<br>Type | Currency     | Equivalent |
|                              | Interest Rate    | Туре             | Currency     | Equivalent |
| Current portion of long-term |                  |                  |              |            |
| finance lease obligations    | 3.00%            | RUB              | 279,775      | 4,613      |
|                              |                  |                  | _<br>_       | 4,613      |
| Long-term                    | 3.00%            | RUB              | 8,038,026    | 132,515    |
|                              |                  |                  | <del>-</del> | 132,515    |
|                              |                  |                  | _            | 137,128    |
|                              |                  |                  |              |            |
|                              |                  | 31 December      | 2015         |            |
|                              | Weighted Average | Currency         | Original     | USD        |
|                              | Interest Rate    | Туре             | Currency     | Equivalent |
| Current portion of long-term |                  |                  |              |            |
| finance lease obligations    | 3.00%            | RUB              | 188,704      | 2,589      |
|                              |                  |                  | =            | 2,589      |
| Long-term                    | 3.00%            | RUB              | 5,378,946    | 73,803     |
|                              |                  |                  | _<br>_       | 73,803     |
|                              |                  |                  | -            | 76,392     |

#### c) Finance lease commitments

As of 31 December 2016 and 2015, repayment schedule of finance lease obligations are as follows:

| 31 December 2016 | 31 December 2015           |
|------------------|----------------------------|
|                  |                            |
| 4,613            | 2,589                      |
| 24,495           | 16,693                     |
| 108,020          | 57,110                     |
|                  |                            |
| 137,128          | 76,392                     |
|                  |                            |
| -                | -                          |
|                  |                            |
| 137,128          | 76,392                     |
|                  | 4,613<br>24,495<br>108,020 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 9. TRADE RECEIVABLES AND PAYABLES

#### a) Trade receivables

|   | 31 December | 31 December |
|---|-------------|-------------|
| Short-term trade receivables                  | 2016        | 2015        |
| Trade receivables                             | 186,960     | 298,007     |
| Discount on trade receivables (-)             | (31)        | (31)        |
| Contract receivables                          | 248,381     | 224,636     |
| Notes and cheques receivables                 | 3,288       | 6,120       |
| Discount on notes and cheques receivables (-) | (134)       | (163)       |
| Retention receivables (*)                     | 10,421      | 27,921      |
|   | 448,885     | 556,490     |
| Less: Allowance for doubtful receivables      | (28,947)    | (28,702)    |
| <u> </u>                                      | 419,938     | 527,788     |

<sup>(\*)</sup> Retention receivables are described as withheld by the customers until the contracts are completed or, in certain instances for even longer periods and undue trade receivables in the construction contracts.

Collection periods of receivables from construction works depends on the agreement conditions are between 30 and 90 days.

As of 31 December 2016 and 2015, movement of allowance for doubtful receivables is as follows:

|   | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|---|---------------------------------|---------------------------------|
| Balance at beginning of the year            | 28,702                          | 32,305                          |
| Additional provision (Note 26)              | 4,141                           | 3,292                           |
| Foreign currency translation effect         | (249)                           | (4,968)                         |
| Amounts recovered during the year (Note 26) | (189)                           | (194)                           |
| Write-offs (*)                              | (3,458)                         | (1,733)                         |
| Closing balance                             | 28,947                          | 28,702                          |

(\*) Allowances of the previous periods which were decided as bad debts were written-off as of 31 December 2016 and 2015.

| Long-term trade receivables                   | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Notes and cheques receivables                 | 800              | 1,049            |
| Discount on notes and cheques receivables (-) | (22)             | (16)             |
| Trade receivables                             | 28,175           | 7,762            |
| Discount on trade receivables (-)             | (20)             | (15)             |
|   | 28,933           | 8,780            |

Explanations about the nature and level of risks related to trade receivables are provided in Note 34.

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 9. TRADE RECEIVABLES AND PAYABLES (cont'd)

#### b) Trade payables

|                           | 31 December | 31 December |
|---------------------------|-------------|-------------|
| Short-term trade payables | 2016        | 2015        |
| Trade payables            | 237,699     | 412,186     |
| Notes payable             | 73          | 119         |
| Other trade payables      | 338         | 17,899      |
|                           | 238,110     | 430,204     |

Explanations about the nature and level of risks related to trade payables are provided in Note 34.

#### 10. OTHER RECEIVABLES AND PAYABLES

#### a) Other receivables

| Short-term other receivables                     | 31 December<br>2016 | 31 December 2015 |
|--|---------------------|------------------|
| Deposits and guarantees given                    | 1,537               | 446              |
| Other receivables from related parties (Note 33) | -                   | 19               |
|  | 1,537               | 465              |
| b) Other payables                                |                     |                  |
|  | 31 December         | 31 December      |
| Short-term other payables                        | 2016                | 2015             |
| Deposits and guarantees taken                    | 13,133              | 18,575           |
| Other payables to related parties (Note 33)      | 90                  | 860              |
|  | 13,223              | 19,435           |
|  | 31 December         | 31 December      |
| Long-term other payables                         | 2016                | 2015             |
| Deposits and guarantees taken                    | 20,708              | 22,898           |
| Other taxes payable                              | 1,351               | -                |
|  | 22,059              | 22,898           |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 11. INVENTORIES

| 31 December | 31 December  |
|-------------|--|
| 2016        | 2015   |
| 174,220     | 150,463  |
| 24,167      | 15,158   |
| 25,969      | 31,987   |
| 6,502       | 5,899  |
| 9,577       | 14,722   |
| 25,321      | 16,046   |
| (952)       | (676)  |
| 264,804     | 233,599  |
|             | 2016<br>174,220<br>24,167<br>25,969<br>6,502<br>9,577<br>25,321<br>(952) |

(\*) As of 31 December 2016 and 2015, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 December 2016, there is not any pledge on inventories (31 December 2015 - None).

#### 12. CONSTRUCTION CONTRACTS

|   | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Costs incurred on uncompleted contracts               | 1,802,842        | 2,131,584        |
| Recognized profit less recognized losses to date, net | 265,532          | 275,997          |
|   | 2,068,374        | 2,407,581        |
| Less: Progress billing                                | (2,306,341)      | (2,488,637)      |
|   | (237,967)        | (81,056)         |

The net balance is included in the consolidated balance sheet under the following captions:

|   | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Costs and estimated earnings in excess of billings on uncompleted contracts (net) | 3,060            | 79,844           |
| Billings in excess of costs and estimated earnings on uncompleted contracts (net) | (241,027)        | (160,900)        |
|   | (237,967)        | (81,056)         |

As of 31 December 2016, the amount of advances received of subsidiaries and companies shares in joint operations is USD 68,406 (31 December 2015: USD 105,059).

#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

#### 13. INVESTMENT PROPERTIES

As of 31 December 2016 and 2015, movement of investment properties is as follows:

|  | 1 January -      | 1 January -      |
|--|------------------|------------------|
|  | 31 December 2016 | 31 December 2015 |
|  |                  |                  |
| Opening balance                              | 1,558,724        | 1,814,215        |
| Currency translation difference              | 180,443          | (259,445)        |
| Change in fair value, net (Note 27)          | 45,870           | 11,199           |
| Additions                                    | 54,474           | 51,560           |
| Change in present value of lease obligations | 47,465           | (57,390)         |
| Disposals                                    | (65)             | (1,415)          |
| Closing balance                              | 1,886,911        | 1,558,724        |

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2016 and 2015 investment properties consist of real estates in Russia from which rent income is obtained and lands and buildings held as investment in Turkey amounting to USD 11,021 (31 December 2015 - USD 11,021). These properties are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licenced independent valuation firm

"Krasconsalt" which is licenced by Russian Federation as an independent valuation firm, has revalued the fair values of the investment properties of the Group in Russia.

Investment properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2016, the fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 11.84 million RUB equivalent to USD 195,131 (31 December 2015 - 11.47 million RUB equivalent to USD 157,416), Mosenka; 4.42 million RUB equivalent to USD 72,911 (31 December 2015 - 4.51 million RUB equivalent to USD 61,909), Enka TC; 48.72 million RUB equivalent to USD 803,184 (31 December 2015 – 44.56 million RUB equivalent to USD 611,518).

The fair values of the investment properties of the Company in Russia, determined at 31 December 2016 as USD 654,946 (31 December 2015 - USD 627,879). The investment properties of the Group located in Moscow includes land leased from Moscow City Authorities under a 49 year operating lease agreement, which are renewable at the option of the Group.

The investment properties owned by the Group are carried at fair value determined by independent professionally qualified valuers on the basis of market value supported by market evidence and other information obtained in the course of market research. Fair values of such investment properties are periodically reviewed by the Group through the report of independent valuers.

For the circumstances that the fair value of the properties have not been determined based on transactions observable in the market because of the nature of the property and the lack of comparable data, a valuation model based on income capitalisation method has been applied. The fair value of the investment properties of the Group are estimated by using income capitalization method, with capitalization and discount rates ranging between 11.60% to 15.80% and 11.40% to 15.60% (31 December 2015-11.35% to 16.22% and 11.57% to 16.44%) respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed

#### 13. INVESTMENT PROPERTIES (cont'd)

As of 31 December 2016 and 2015 fair value hierarchy table of investment properties is as follows:

|                                 |             | Fair valu | ie as at 31 Decemb | er 2016   |
|---------------------------------|-------------|-----------|--------------------|-----------|
|                                 | 31 December | 1. Level  | 2. Level           | 3. Level  |
|                                 | 2016        | USD       | USD                | USD       |
| Investment properties in Russia | 1,875,890   | -         | -                  | 1,875,890 |
| Investment properties in Turkey | 11,021      | -         | 11,021             | -         |
| Total                           | 1,886,911   |           | 11,021             | 1,875,890 |
|                                 |             | Fair va   | lue as at 31 Decem | ber 2015  |
|                                 | 31 December | 1. Level  | 2. Level           | 3. Level  |
|                                 | 2015        | USD       | USD                | USD       |
| Investment properties in Russia | 1,547,703   | -         | -                  | 1,547,703 |
| Investment properties in Turkey | 11,021      | -         | 11,021             | -         |
| Total                           | 1,558,724   |           | 11,021             | 1,547,703 |

There is no transition between second and third levels during the year.

# ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

# PROPERTY, PLANT AND EQUIPMENT 4.

| 2,076,150         33,365         53,906         26,212         14,899         12,153         21,765         2,608,316           (1,588)         76         81         (35)         -         277         107         (764)           41,509         1,717         4,073         933         -         2,424         46,819         103,559           16,583         191         239         -         -         (80)         -         17,508           (7,999)         (1,322)         (2,730)         (4,221)         -         (80)         (2,675)         (22,837)           35,922         348         15         -         (90)         (2,675)         (22,837)           2,160,577         34,375         55,584         22,889         14,899         14,796         16,922         2,721,520           2,160,577         34,375         55,584         22,889         14,899         14,796         16,922         2,721,520           8,74464         (18,236)         (42,085)         (24,403)         (24,403)         (32,281)         (11,143)         (11,613)           1,489         (16,151)         (345)         (44,418)         (701)         (44,418)         (701)         (44,418) </th <th>Land and land improvements</th>  | Land and land improvements |
|--|----------------------------|
| 76         81         (35)         -         277         107           -         -         -         -         -         -           -         -         -         -         -         -           191         239         -         -         (80)         -         -           191         239         -         -         (80)         (2,675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7676) <td>222,762 147,104</td>  | 222,762 147,104            |
| 1,717       4,073       933       -       2,424       46,819       1         191       239       -       (80)       -       600       (2,675)       (7         (1,322)       (2,730)       (4,221)       -       (90)       (2,675)       (7         (18,236)       (42,085)       (22,889)       14,899       14,796       16,922       2,7         (18,236)       (42,085)       (24,403)       (8,281)       (11,363)       -       (1,0         (18,236)       (44,419)       (701)       (473)       (1,176)       -       (1,1         (24,99)       (44,458)       (20,871)       (9,935)       (11,441)       -       (1,1         (20,066)       (44,458)       (20,871)       (9,935)       (11,441)       -       (1,1         (15,129)       (11,821)       (1,809)       6,618       790       21,765       1,6         (14,309)       (11,126)       2,018       4,964       3,355       16,922       1,6  | (2,514) 2,832              |
| 1,717         4,073         933         -         2,424         46,819         -           191         239         -         -         (80)         -         -         (80)         -         -         (80)         -         -         (80)         -         (5675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7675)         (7676)  | 15,091                     |
| $ \begin{array}{c ccccccccccccccccccccccccccccccccccc$   | 971 5,113                  |
| $ \begin{array}{c ccccccccccccccccccccccccccccccccccc$   | - 575                      |
| 348         15         -         -         112         (49,094)           34,375         55,584         22,889         14,899         14,796         16,922         2,73           (18,236)         (42,085)         (24,403)         (8,281)         (11,363)         -         (1,0           61         54         12         -         (60)         -         (1,0           -         -         -         -         -         (1,176)         -         (11           (345)         (24,419)         (701)         (473)         (1,176)         -         (1,1           (345)         (24,418)         (701)         -         (1,181)         987         -         (1,1           (345)         (20,066)         (44,458)         (20,871)         (9,935)         (11,441)         -         (1,1           (15,129)         11,821         1,809         6,618         790         21,765         1,6           (14,309)         11,126         2,018         4,964         3,355         16,922         1,6  | (1,041) (2,759)            |
| 34,375         55,584         22,889         14,899         14,796         16,922         2,73           (18,236)         (42,085)         (24,403)         (8,281)         (11,363)         - (1,00           61         54         12         - (60)         - (1,00           -         -         - (60)         - (1,00           (2,499)         (4,419)         (701)         (473)         (1,176)         - (11           (345)         (243)         - (1,181)         987         - (11           (20,066)         (44,458)         (20,871)         (9,935)         (11,441)         - (1,1           (15,129)         (11,821)         1,809         6,618         790         21,765         1,4           (14,309)         (11,126)         2,018         4,964         3,355         16,922         1,6   | 713 11,984                 |
| (18,236)       (42,085)       (24,403)       (8,281)       (11,363)       - (1,00)         61       54       12       - (60)       - (60)       - (11,100) <td>235,982</td> | 235,982                    |
| $ \begin{array}{c ccccccccccccccccccccccccccccccccccc$   |                            |
| 61 54 12 - (60) - (11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1  | (28,945) (20,261)          |
| -        | (368) (228)                |
| (2,499)         (4,419)         (701)         (473)         (1,176)         -         (1,176)         -         (1,176)         -         (1,176)         -         (1,176)         -         (1,181)         987         -         (1,181)         -         (1,181)         -         (1,181)         -         (1,111)         -         (1,111)         -         (1,111)         -         (1,111)         -         (1,111)         -         -         (1,111)         -  | 4,733 6,810                |
| (345)         (243)         -         (1,181)         987         -         (1,181)         987         -         (1,181)         987         -         (1,111)         -         -         (1,1141)         -         -         (1,1141)         -         -         (1,111)         -         -         (1,11441)         -         -         (1,111)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -         -         (1,11441)         -  | (3,093) $(8,790)$          |
| 953         2,235         4,221         -         171         -         171         -         (1,1441)         -         (1,1441)         -         (1,114411)         -         (1,114411)         -         -         (1,114411)         -         <   | - (575)                    |
| (20,066)         (44,458)         (20,871)         (9,935)         (11,441)         -         (1           15,129         11,821         1,809         6,618         790         21,765           14,309         11,126         2,018         4,964         3,355         16,922   | 39 2,422                   |
| 15,129         11,821         1,809         6,618         790         21,765           14,309         11,126         2,018         4,964         3,355         16,922  | (27,634) (20,622)          |
| 14,309         11,126         2,018         4,964         3,355         16,922   | 193,817 126,843            |
|  | 208,348 144,604            |

 <sup>(\*\*)</sup> The amount consists of the aircraft used by subsidiary of the Company, Air Enka.
 (\*\*) As of 31 December 2016, Group's investments in Turkey are revalued by Arti Gayrimenkul Degerleme A.Ş. which is a CMB licenced independent valuation firm and hotel building of MKH is revaluation independent qualified valuer "American Appraisal". Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation are made by discounted cash flow methods.
 (\*\*\*) Other reclassifications are classifiacations between sub-groups of fixed assets and have no effect on net book value of fixed assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

# PROPERTY, PLANT AND EQUIPMENT (cont'd)

4.

|  | Land and land Buildings and | Buildings and | Machinery and | Motor    | Furniture and | Scaffolding and |              |          | Construction |             |
|--|-----------------------------|---------------|---------------|----------|---------------|-----------------|--------------|----------|--------------|-------------|
|  | imp rovements               | barracks      | equip ment    | vehicles | fixtures      | formworks       | Aircraft (*) | Others   | in progress  | Total       |
| Cost                                   |                             |               |               |          |               |                 |              |          |              | Ī           |
| Opening balance as of 1 January 2015   | 235,933                     | 159,701       | 2,024,726     | 35,069   | 57,948        | 28,372          | 14,899       | 8,673    | 14,848       | 2,580,169   |
| Currency translation differences       | (7,363)                     | (16,848)      | (11,880)      | (68)     | (6,101)       | 287             | 1            | 2,380    | (1,085)      | (40,699)    |
| Revaluation (**)                       | 1                           | (5,154)       | 1             | •        | 1             | 1               | •            | •        | ı            | (5,154)     |
| Additions                              | 1,498                       | 10,979        | 41,338        | 3,885    | 4,791         | 348             | 1            | 1,865    | 43,844       | 108,548     |
| Disposals                              | (7,306)                     | (1,889)       | (11,885)      | (5,500)  | (2,732)       | (2,795)         | ı            | (765)    | (1,676)      | (34,548)    |
| Transfers (***)                        | •                           | 315           | 33,851        | 1        | 1             | •               | 1            | ٠        | (34,166)     | 1           |
| Closing balance as of 31 December 2015 | 222,762                     | 147,104       | 2,076,150     | 33,365   | 53,906        | 26,212          | 14,899       | 12,153   | 21,765       | 2,608,316   |
| Accumulated depreciation               |                             |               |               |          |               |                 |              |          |              |             |
| Opening balance as of 1 January 2015   | (26,655)                    | (13,522)      | (810,574)     | (20,022) | (42,283)      | (25,700)        | (7,174)      | (8,343)  | 1            | (954,273)   |
| Currency translation differences       | (98)                        | 739           | 7,571         | (158)    | 2,187         | (30)            | 1            | (1,278)  | 1            | 8,945       |
| Revaluation (**)                       | •                           | 777           | •             | 1        | 1             | •               | 1            | 1        | 1            | 777         |
| Charge of the year                     | (2,204)                     | (9,126)       | (76,854)      | (2,079)  | (4,306)       | (636)           | (1,107)      | (2,076)  | •            | (98,388)    |
| Disposals                              | •                           | 871           | 5,393         | 4,023    | 2,317         | 1,963           | 1            | 334      | •            | 14,901      |
| Closing balance as of 31 December 2015 | (28,945)                    | (20,261)      | (874,464)     | (18,236) | (42,085)      | (24,403)        | (8,281)      | (11,363) |              | (1,028,038) |
| Net book value as of 1 January 2015    | 209,278                     | 146,179       | 1,214,152     | 15,047   | 15,665        | 2,672           | 7,725        | 330      | 14,848       | 1,625,896   |
| Net book value as of 31 December 2015  | 193,817                     | 126,843       | 1,201,686     | 15,129   | 11,821        | 1,809           | 6,618        | 790      | 21,765       | 1,580,278   |
|  |                             |               |               |          |               |                 |              |          |              |             |

The amount consists of the aircraft used by subsidiary of the Company, Air Enka.

As of 31 December 2015, hotel building of MKH is revalued by independent qualified valuer "American Appraisal". Revaluation difference arising from difference between book netted off with the related deferred tax and classified as revaluation surplus and included under equity. Revaluations are made by discounted cash flow methods.

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#### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

As of 31 December 2016, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to USD 4,063 (31 December 2015 - USD 4,477) and USD 3,730 (31 December 2015 - USD 3,785).

As of 31 December 2016, there is no security on the property, plant and equipment of the Group (31 December 2015 - None).

If the buildings were measured using the cost model, the carrying amounts would be as follows:

|                          | 31 December | 31 December |
|--------------------------|-------------|-------------|
|                          | 2016        | 2015        |
| Cost                     | 295,355     | 288,241     |
| Accumulated depreciation | (99,749)    | (96,776)    |
| Net book value           | 195,606     | 191,465     |

The distribution of depreciation expenses as of 31 December 2016 and 2015 is presented in Note 25.

As of 31 December 2016 and 2015 fair value hierarchy table of fixed asset is as follows:

|           |             | Fair value as at 31 December 2016 |          |          |
|-----------|-------------|-----------------------------------|----------|----------|
|           | 31 December | 1. Level                          | 2. Level | 3. Level |
|           | 2016        | USD                               | USD      | USD      |
| Lands     | 208,348     | -                                 | 208,348  | -        |
| Buildings | 144,604     | -                                 | -        | 144,604  |
| Total     | 352,952     |                                   | 208,348  | 144,604  |
|           | _           | Fair value as at 31 December 2015 |          |          |
|           | 31 December | 1. Level                          | 2. Level | 3. Level |
|           | 2015        | USD                               | USD      | USD      |
| Lands     | 193,817     | -                                 | 193,817  | -        |
| Buildings | 126,843     | -                                 | -        | 126,843  |
| Total     | 320,660     |                                   | 193,817  | 126,843  |

There is no transition between second and third levels during the year.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 15. INTANGIBLE ASSETS

|                                 | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|---------------------------------|---------------------------------|---------------------------------|
| Cost                            |                                 |                                 |
| Opening balance                 | 31,024                          | 31,239                          |
| Currency translation difference | (65)                            | (1,056)                         |
| Additions                       | 6,391                           | 1,084                           |
| Disposals                       | (25)                            | (243)                           |
| Closing balance                 | 37,325                          | 31,024                          |
| Accumulated amortization        |                                 |                                 |
| Opening balance                 | (10,784)                        | (10,164)                        |
| Currency translation difference | (294)                           | 752                             |
| Charge of the year              | (1,808)                         | (1,601)                         |
| Disposals                       | 23                              | 229                             |
| Closing balance                 | (12,863)                        | (10,784)                        |
| Carrying value                  | 24,462                          | 20,240                          |

As of 31 December 2016, there is not any pledge on intangible assets (31 December 2015 - None).

The distribution of amortization expenses as of 31 December 2016 and 2015 is presented in Note 25.

### 16. GOODWILL

The Group had acquired the remaining 100% interest stake in the Power Companies between the years 2003 to 2005, where the Company had 40% shareholding. As a result of these acquisitions goodwill amounting to USD 55,168 (31 December 2015 - USD 55,168) was recorded in the consolidated financial statements. There is no impairment of the goodwill.

As of 31 December 2016 and 2015, the movement of goodwill is as follows:

|                 | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|-----------------|---------------------------------|---------------------------------|
| Opening balance | 55,168                          | 55,168                          |
| Closing balance | 55,168                          | 55,168                          |

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 17. PREPAID EXPENSES AND DEFERRED INCOME

|   | 31 December      | 31 December                                       |
|---|------------------|---|
| Short-term Prepaid Expenses   | 2016             | 2015  |
| Advances given  | 40,599           | 71,791  |
| Prepaid expenses  | 5,080            | 8,259   |
|   | 45,679           | 80,050  |
|   | 31 December      | 31 December                                       |
| Long-term Prepaid Expenses  | 2016             | 2015  |
| Prepaid expenses  | 4,868            | 1,222   |
|   | 4,868            | 1,222   |
|   | 31 December      | 31 December                                       |
| Short-term Deferred Income  | 2016             | 2015  |
| Advances taken  | 53,519           | 79,008  |
| Deferred rent revenue   | 45,162           | 61,766  |
|   | 98,681           | 140,774   |
|   |                  |   |
|   | 31 December      | 31 December                                       |
| Long-term Deferred Income   | 31 December 2016 |   |
|   |                  | 2015  |
| Deferred income (*)   | 2016             | 2015<br>475,655                                   |
| Long-term Deferred Income  Deferred income (*) Advances taken Deferred rent revenue | 311,662          | 31 December<br>2015<br>475,655<br>29,066<br>1,176 |

<sup>(\*)</sup> Represents the Power Companies' deferred income, which is the difference between the average price recognized over the life of the project and actual charges.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

|                                | 31 December | 31 December |
|--------------------------------|-------------|-------------|
| Short-term accrued expenses    | 2016        | 2015        |
| Accrual for construction costs | 38,631      | 28,693      |
| Provision for legal claims     | 11,029      | 10,801      |
| Accrued expenses               | 7,892       | 7,361       |
| Forward accrual (*)            | 891         | 1,370       |
| Other accured expenses         | 22          | 28          |
|                                | 58,465      | 48,253      |

(\*) As of 31 December 2016, the Group's derivative liabilities formed from forward foreign-currency transactions are USD 891 (31 December 2015 - derivative liabilities USD 1,370). These contracts are reflected in the consolidated financial statements as follows.

### Derivative instruments / forward contracts purchase – sales agreements

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The table below shows derivative financial instruments analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

As of 31 December 2016 and 2015, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

|                                       |                    | 31 December 20    | 16              |                 |
|---------------------------------------|--------------------|-------------------|-----------------|-----------------|
|                                       | Unrealized<br>Loss | 1 to 12<br>months | 1 to 2<br>years | 2 to 5<br>years |
| Derivative instruments                | (891)              |                   |                 |                 |
| Forward contracts sales agreements    | -                  | 34,920            | -               | -               |
| Forward contracts purchase agreements | -                  | 34,752            | -               | -               |

|            | 31 December 20                | 15   |                                    |
|------------|-------------------------------|--|------------------------------------|
| Unrealized | 1 to 12                       | 1 to 2   | 2 to 5                             |
| Loss       | months                        | years  | years                              |
| (1,370)    |                               |  | -                                  |
| -          | 58,283                        | -  | -                                  |
| -          | 56,934                        | -  | -                                  |
|            | Unrealized<br>Loss<br>(1,370) | Unrealized 1 to 12  Loss months (1,370) - 58,283 | Loss months years (1,370) 58,283 - |

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 19. COMMITMENTS

### Operating lease commitments - Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 31 December 2016 and 2015 are as follows:

|   | 31 December | 31 December |
|---|-------------|-------------|
|   | 2016        | 2015        |
|   |             |             |
| Within one year                             | 252,694     | 265,411     |
| After one year but not more than five years | 569,690     | 630,289     |
| More than 5 years                           | 250,494     | 247,467     |
|   | 1,072,878   | 1,143,167   |

### Litigations

As of 31 December 2016, the international arbitration which has been filed by the Group for the losses incurred and unbilled receivables related to the joint operation in Oman was under progress. Necessary provisions have been reserved in the Group's consolidated financial statements.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 19. COMMITMENTS (cont'd)

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 December 2016 and 2015 is as follows:

| _   | 31 Decem | ber 2016   | 31 Decem | ber 2015   |
|---|----------|------------|----------|------------|
| Letters of guarantee, guarantee notes given,          | Original | USD        | Original | USD        |
| mortgage and pledges                                  | Currency | Equivalent | Currency | Equivalent |
| A. Total amount of guarantees provided by             |          |            |          |            |
| the Company on behalf of itself                       |          | 543,737    |          | 758,850    |
| -USD  | 398,701  | 398,701    | 653,008  | 653,008    |
| -EUR  | 101,035  | 106,510    | 85,404   | 93,334     |
| -TL   | 53,923   | 15,323     | 28,749   | 9,888      |
| -Others (*)   |          | 23,203     |          | 2,620      |
| B. Total amount for guarantees provided on behalf of  |          |            |          |            |
| subsidiaries accounted under full consolidation metho | od       | 70,033     |          | 62,896     |
| -USD  | 85       | 85         | 85       | 85         |
| -EUR  | 526      | 555        | 3,285    | 3,591      |
| -TL   | 957      | 272        | 957      | 329        |
| -Others (*)   |          | 69,121     |          | 58,891     |
| C. Provided on behalf of third parties in order to    |          |            |          |            |
| maintain operating activities                         |          | -          |          | -          |
| (to secure third party payables)                      |          |            |          |            |
| D. Other guarantees given                             |          | -          |          | -          |
| i. Total amount of guarantees given on                |          |            |          |            |
| behalf of the parent company                          |          | -          |          | -          |
| ii. Total amount of guarantees provided on behalf of  |          |            |          |            |
| the associates which are not in the scope of B and C  |          | -          |          | -          |
| iii. Total amount of guarantees provided on behalf of |          |            |          |            |
| third parties which are not in the scope of C         |          | -          |          | -          |
|   | _        | 613,770    | -        | 821,746    |
|   | _        |            | -        |            |

<sup>(\*)</sup> U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR.

As of 31 December 2016 the portion of other guarantess given to shareholders' equity is 0% (31 December 2015 - 0%).

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### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 20. PROVISIONS FOR EMPLOYEE BENEFITS

### a) Short-term employee benefits

### Liabilities with the scope of employee benefits

|  | 31 December | 31 December |
|--|-------------|-------------|
|  | 2016        | 2015        |
| Payroll payable                                    | 21,873      | 13,551      |
|  | 21,873      | 13,551      |
| Short-term provisions related to employee benefits |             |             |
|  | 31 December | 31 December |
|  | 2016        | 2015        |
| Bonus accrual                                      | 9,402       | 5,057       |
| Vacation pay liability                             | 8,940       | 9,626       |
|  | 18,342      | 14,683      |

### b) Long-term employee benefits

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay limited to a maximum of full TL 4,297 equivalent to full USD 1,221 (31 December 2015 - full TL 3,828 equivalent to full USD 1,317) per year of employment at the rate of pay applicable at the date of retirement or termination.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with 3.99% real discount rate, assuming an annual inflation rate of 6.5% and a discount rate of 10.75% (31 December 2015 - 3.99%).

Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration. Retirement ceiling pay revised each six month period basis and ceiling amount of full TL 4,426 which is in effect since 1 January 2017 is used in the calculation of Groups' provision for retirement pay liability (1 January 2016 – full TL 4,093).

Movements of the provision for employee termination benefits during years ended 31 December 2016 and 2015 are as follows:

|                          | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|--------------------------|---------------------------------|---------------------------------|
| Opening balance          | 16,952                          | 16,294                          |
| Service cost             | 2,606                           | 2,589                           |
| Actuarial loss           | 483                             | 2,005                           |
| Retirement benefits paid | (1,830)                         | (1,869)                         |
| Translation gain         | (1,921)                         | (2,067)                         |
| Closing balance          | 16,290                          | 16,952                          |

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 21. OTHER ASSETS AND LIABILITIES

|                            | 31 December | 31 December |
|----------------------------|-------------|-------------|
| Other current assets       | 2016        | 2015        |
| Deferred VAT               | 7,647       | 14,159      |
| VAT receivable             | 9,228       | 13,012      |
| Prepaid taxes and funds    | 13,040      | 10,238      |
| Other                      | 18,441      | 4,849       |
|                            | 48,356      | 42,258      |
|                            | 21.7        | 21.5        |
|                            | 31 December | 31 December |
| Other non-current assets   | 2016        | 2015        |
| Prepayment for land leases | 3,530       | 4,419       |
| Other                      | 733         | 378         |
|                            | 4,263       | 4,797       |
|                            |             |             |
|                            | 31 December | 31 December |
| Other current liabilities  | 2016        | 2015        |
| VAT payable                | 24,800      | 17,493      |
| Taxes and funds payable    | 17,786      | 10,143      |
| Other                      | 690         | 1,118       |
|                            | 43,276      | 28,754      |

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 22. SHARE CAPITAL AND RESERVES

### a) Share capital

The shareholders of the Group and their percentage of ownership as of 31 December 2016 and 2015 is as follows:

|                                 | 31 December 2016        |           | 31 December 2015        |           |
|---------------------------------|-------------------------|-----------|-------------------------|-----------|
| _                               | Percentage of ownership | Amount    | Percentage of ownership | Amount    |
| Tara Holding A.Ş.               | 49.42%                  | 1,208,431 | 49.27%                  | 1,171,661 |
| Vildan Gülçelik                 | 7.99%                   | 195,374   | 7.99%                   | 190,005   |
| Sevda Gülçelik                  | 6.43%                   | 157,228   | 6.43%                   | 152,908   |
| Enka Spor Eğitim ve Sosyal      |                         |           |                         |           |
| Yardım Vakfı                    | 5.87%                   | 143,535   | 5.87%                   | 139,591   |
| Other                           | 30.29%                  | 740,659   | 30.44%                  | 723,876   |
| _                               | 100%                    | 2,445,227 | 100%                    | 2,378,041 |
| Purchase of treasury shares (*) |                         | (12,032)  |                         | -         |
|                                 |                         | 2,433,195 |                         | 2,378,041 |

<sup>(\*)</sup> Group's buyback transactions have reached 840,000,000 shares in 2016. Group has paid USD 12,032 for the buyback transactions

Based on the Group's Ordinary General Assembly held on 29 March 2016; it has been resolved to increase the share capital from TL 4,000,000 to TL 4,200,000; and covered the TL 200,000 from the 2nd Dividend.

Within the above mentioned shares, founders of Enka İnşaat and former Enka Holding have one thousand founders share each. The founder shares of Enka İnşaat and the founder shares of former Enka Holding are entitled to receive, 5% and 2.5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 22. SHARE CAPITAL AND RESERVES (cont'd)

### b) Revaluation surplus

### Revaluation fund

Revaluation difference arising from difference between book value and fair value of the buildings is netted off with the related deferred tax and classified as revaluation surplus and included under equity.

The movement of revaluation fund for years 2016 and 2015 is as follows:

|  | 1 January-<br>31 December 2016 | 1 January-<br>31 December 2015 |
|--|--------------------------------|--------------------------------|
| <del>-</del>                                       |                                | 51 B0001110 01 2010            |
| Opening balance                                    | 148,222                        | 161,888                        |
| Currency translation difference                    | 836                            | (2,044)                        |
| Revaluation of fixed as sets                       | 33,826                         | (4,377)                        |
| Deferred tax effect of revaluation of fixed assets | 3,624                          | 875                            |
| Share of non-controlling interests                 | (2,376)                        | -                              |
| Transfer of depreciation difference                |                                |                                |
| (net of deferred tax) of revaluation effect        | (2,128)                        | (2,278)                        |
| Transfer of revaluation surplus of sold lands      | -                              | (5,842)                        |
| Closing balance                                    | 182,004                        | 148,222                        |

### Financial Risk Hedge Fund

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

### c) Legal reserves and accumulated profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Public companies in Turkey make profit distributions in accordance with the regulations of CMB.

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 22. SHARE CAPITAL AND RESERVES (cont'd)

### c) Legal reserves and accumulated profit (cont'd)

When net profit for the year ended 2016 based on consolidated financial statements prepared according to CMB and financial statements prepared in accordance with Turkish Trade Law are compared, distributable net profit for the year is determined as TL 1,693,697 equivalent to USD 561,182 after deduction of first legal reserve (2015 – TL 1,392,780 equivalent to USD 512,240).

Equity inflation adjustment and carrying value of extraordinary reserves can be used in free capital increase, cash profit distribution and loss deduction. However, equity inflation adjustment is subject to corporate tax if it is used in cash profit distribution.

As of 31 December 2016, legal reserves of Enka İnşaat are amounting to TL 560,570 equivalent to USD 159,289 (31 December 2015 – TL 471,353 equivalent to USD 162,111).

The movement of the share capital (in numbers and in historical TL) of the Group during 31 December 2016 and 2015 is as follows:

|                            | 31 December 2   | 2016      | 31 December     | 2015      |
|----------------------------|-----------------|-----------|-----------------|-----------|
|                            | Number          | TL        | Number          | TL        |
| At 1 January,              | 400,000,000,000 | 4,000,000 | 360,000,000,000 | 3,600,000 |
| Bonus shares issued out of |                 |           |                 |           |
| general reserve            | 20,000,000,000  | 200,000   | 40,000,000,000  | 400,000   |
| Treasury shares            | (840,000,000)   | (8,400)   | -               | -         |
|                            | 419,160,000,000 | 4,191,600 | 400,000,000,000 | 4,000,000 |

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 23. SALES AND COST OF SALES

| Sales                  | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|------------------------|---------------------------------|---------------------------------|
| Domestic sales         | 2,181,304                       | 3,183,384                       |
| Export sales           | 1,324,809                       | 1,371,371                       |
|                        | 3,506,113                       | 4,554,755                       |
| Cost of Sales          | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
| Cost of domestic sales | 1,776,448                       | 2,815,339                       |
| Cost of export sales   | 937,100                         | 964,227                         |
|                        | 2,713,548                       | 3,779,566                       |

The Group is operating in five main geographical areas alone or together with its affiliated companies or, in partnerships with other contractors through joint ventures. Segmental information of the Group is disclosed in Note 5.

### 24. MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

|  | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|--|---------------------------------|---------------------------------|
| Administrative expenses                          | 118,292                         | 103,883                         |
| Marketing, sales and distribution expenses       | 30,968                          | 28,624                          |
|  | 30,968                          | 28,624                          |
| a) Marketing, sales and distribution expenses    |                                 |                                 |
|  | 1 January -                     | 1 January -                     |
|  | 31 December 2016                | 31 December 2015                |
| Employee benefit expenses                        | 21,344                          | 19,572                          |
| Transportation expenses                          | 1,762                           | 1,536                           |
| Office expenses                                  | 1,046                           | 1,097                           |
| Business development expenses                    | 339                             | 522                             |
| Depreciation and amortization expenses (Note 25) | 67                              | 182                             |
| Other  | 6,410                           | 5,715                           |
|  | 30,968                          | 28,624                          |
| b) General administrative expenses               |                                 |                                 |
| •  | 1 January -                     | 1 January -                     |
|  | 31 December 2016                | 31 December 2015                |
| Employee benefit expenses                        | 67,617                          | 59,941                          |
| Consulting and legal expenses                    | 16,027                          | 8,830                           |
| Depreciation and amortization expenses (Note 25) | 6,701                           | 6,213                           |
| Insurance expense                                | 5,336                           | 5,233                           |
| Transportation expenses                          | 4,404                           | 5,585                           |
| Rent expenses                                    | 915                             | 1,276                           |
| Other  | 17,292                          | 16,805                          |
|  | 118,292                         | 103,883                         |

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### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 25. EXPENSES BY NATURE

Depreciation and amortization expenses are detailed below:

|   | 1 January -      | 1 January -      |
|---|------------------|------------------|
|   | 31 December 2016 | 31 December 2015 |
| Depreciation expenses                         |                  |                  |
| Cost of revenues                              | 95,387           | 92,302           |
| Selling and administrative expenses           | 6,425            | 6,086            |
|   | 101,812          | 98,388           |
| Amortization expenses                         |                  |                  |
| Cost of revenues                              | 1,465            | 1,292            |
| Selling and administrative expenses           | 343              | 309              |
|   | 1,808            | 1,601            |
|   | 103,620          | 99,989           |
| Employee benefit expenses are detailed below: |                  |                  |
|   | 1 January -      | 1 January -      |
|   | 31 December 2016 | 31 December 2015 |
| Wages and salaries                            | 218,189          | 233,135          |
| Social security costs                         | 34,456           | 36,222           |
| Provision for employee termination benefits   | 3,089            | 4,594            |
| Other benefits                                | 6,716            | 4,551            |
|   | 262,450          | 278,502          |
|   |                  |                  |

### 26. OTHER OPERATING INCOME / EXPENSES

| Other operating income                        | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|---|---------------------------------|---------------------------------|
| Foreign exchange gains from trade receivables | 10,553                          | 14,308                          |
| Compensation income (net)                     | 6,085                           | 3,423                           |
| Machinery and other rent income               | 1,802                           | 1,938                           |
| Repaired spare parts gained as an inventory   | 1,297                           | 2,723                           |
| Insurance income                              | 908                             | 374                             |
| Service income                                | 735                             | 963                             |
| Collection of doubtful receivables (Note 9)   | 189                             | 194                             |
| Commission income                             | 183                             | 65                              |
| Warranty income                               | -                               | 1,115                           |
| Other   | 3,657                           | 2,935                           |
|   | 25,409                          | 28,038                          |

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 26. OTHER OPERATING INCOME / EXPENSES (cont'd)

|  | 1 January -      | 1 January -      |
|--|------------------|------------------|
| Other operating expense                        | 31 December 2016 | 31 December 2015 |
| The second                                     | 10.004           | 10.256           |
| Litigation provisions                          | 10,004           | 19,256           |
| Foreign exchange losses from trade receivables | 9,722            | 16,748           |
| Loss from change in fair value of lands        | 6,815            | -                |
| Provision for doubtful receivables (Note 9)    | 4,141            | 3,292            |
| Donations                                      | 3,953            | 4,613            |
| Commission expense                             | 685              | 912              |
| Capital increase expense                       | 541              | 704              |
| Rent expense                                   | -                | 80               |
| Other  | 4,935            | 4,246            |
|  | 40,796           | 49,851           |

### 27. INVESTMENT INCOME / EXPENSES

| Income from investing activities                              | 1 January -<br>31 December 2016 | 1 January -<br>31 December 2015 |
|---|---------------------------------|---------------------------------|
| Interest revenue from financial investments                   | 92,143                          | 71,272                          |
| Increase in value of financial investments                    | 63,416                          | 28,104                          |
| Increase in the fair value of investment properties (Note 13) | 45,870                          | 11,199                          |
| Income from sale of securities                                | 41,833                          | 25,088                          |
| Foreign exchange income from investing activities             | 16,053                          | 49,051                          |
| Dividend income   | 9,618                           | 7,446                           |
| Gains from sales of property, plant and equipment             | 4,205                           | 3,544                           |
|   | 273,138                         | 195,704                         |

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 27. INVESTMENT INCOME / EXPENSES (cont'd)

| Expenses from investing activities   | 1 January -<br>31 December 2016                        | 1 January -<br>31 December 2015                        |
|--|--|--|
| Losses from valuation of investment securities Foreign exchange losses from investing activities Losses from sale of securities Loss from sales of property, plant and equipment | (53,254)<br>(41,439)<br>(34,192)<br>(803)<br>(129,688) | (92,190)<br>(24,053)<br>(19,374)<br>(152)<br>(135,769) |
| FINANCIAL INCOME   | (123,000)  | (135,765)  |
|  | 1 January -<br>31 December 2016                        | 1 January -<br>31 December 2015                        |
| Foreign exchange gains Interest income   | 18,403<br>6,709  | 22,653<br>8,708  |

### 29. FINANCIAL EXPENSES

Forward income

Other

Due date charges on credit sales

28.

|   | 1 January -      | 1 January -      |
|---|------------------|------------------|
|   | 31 December 2016 | 31 December 2015 |
| Bank commission expenses                    | 5,160            | 5,672            |
| Interest expenses                           | 2,858            | 2,792            |
| Foreign exchange losses                     | 1,559            | 7,357            |
| Forward losses                              | 1,016            | 3,725            |
| Commission expenses of letters of guarantee | 507              | 397              |
| Other                                       | 113              | 187              |
|   | 11,213           | 20,130           |
|   |                  |                  |

2,092

108 27,312 147

31,516

8

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 30. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

### Lands and buildings held for sale

As of 31 December 2016, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama in consideration of its doubtful receivables are amounting to USD 684 (31 December 2015 – USD 852).

### 31. TAXATION ON INCOME

### Tax legislation in Turkey

Enka İnşaat and its consolidated subsidiaries are subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which they operate.

In Turkey, the corporation tax rate is 20% (31 December 2015 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (31 December 2015: 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate entity basis.

Dividend income obtained from full fledged tax payer subsidiaries are exempt from corporate tax (except dividend obtained from investment fund shares and equities). 75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The cost of the sale has to be collected up until the end of the second calendar year the sale was realized. Brokerage houses and real estate companies who are dealing with the trading and the leasing of real estate can not benefit from this exemption.

15% (31 December 2015 - 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

As of 31 December 2016 and 2015, components of tax expense are as follows:

|  | 1 January -      | 1 January -      |
|--|------------------|------------------|
|  | 31 December 2016 | 31 December 2015 |
| Consolidated statement of profit or loss |                  |                  |
| Current corporate tax                    | (143,588)        | (127,551)        |
| Deferred tax expense                     | (44,449)         | (29,331)         |
|  | (188,037)        | (156,882)        |

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 31. TAXATION ON INCOME (cont'd)

### Tax legislations in other countries

As of 31 December 2016 and 2015 effective corporation tax rate in other countries are as follows:

| Russia         20%         2015           Netherlands         25%         25%           Kazakhstan         %28 - %32         %28 - %32           Iraq         %15 - %35         %15 - %35           Romania         16%         16%           Oman         12%         12%           Kosovo         10%         10%           The movement of the current income tax liability is given as follows:           The movement of the current income tax liability is given as follows:         2016         2015           1 January         56,430         51,706           Current year tax expense         143,588         127,551           Taxes paid         (148,039)         (122,827)           31 December         51,979         56,430 |   | 31 December | 31 December |
|---|---|-------------|-------------|
| Netherlands       25%       25%         Kazakhstan       %28 - %32       %28 - %32         Iraq       %15 - %35       %15 - %35         Romania       16%       16%         Oman       12%       12%         Kosovo       10%       10%         The movement of the current income tax liability is given as follows:       2016       2015         1 January       56,430       51,706         Current year tax expense       143,588       127,551         Taxes paid       (148,039)       (122,827)   |   | 2016        | 2015        |
| Kazakhstan       %28 - %32       %28 - %32         Iraq       %15 - %35       %15 - %35         Romania       16%       16%         Oman       12%       12%         Kosovo       10%       10%         The movement of the current income tax liability is given as follows:       2016       2015         1 January       56,430       51,706         Current year tax expense       143,588       127,551         Taxes paid       (148,039)       (122,827)   | Russia  | 20%         | 20%         |
| Iraq         %15 - %35         %15 - %35           Romania         16%         16%           Oman         12%         12%           Kosovo         10%         10%           The movement of the current income tax liability is given as follows:           1 January         2016         2015           1 January         56,430         51,706           Current year tax expense         143,588         127,551           Taxes paid         (148,039)         (122,827)  | Netherlands   | 25%         | 25%         |
| Romania       16%       16%         Oman       12%       12%         Kosovo       10%       10%         The movement of the current income tax liability is given as follows:         2016       2015         1 January       56,430       51,706         Current year tax expense       143,588       127,551         Taxes paid       (148,039)       (122,827)   | Kazakhstan  | %28 - %32   | %28 - %32   |
| Oman         12%         12%           Kosovo         10%         10%           The movement of the current income tax liability is given as follows:           2016         2015           1 January         56,430         51,706           Current year tax expense         143,588         127,551           Taxes paid         (148,039)         (122,827)   | Iraq  | %15 - %35   | %15 - %35   |
| Kosovo       10%       10%         The movement of the current income tax liability is given as follows:         2016       2015         1 January       56,430       51,706         Current year tax expense       143,588       127,551         Taxes paid       (148,039)       (122,827)  | Romania   | 16%         | 16%         |
| The movement of the current income tax liability is given as follows:    2016   2015  | Oman  | 12%         | 12%         |
| 2016         2015           1 January         56,430         51,706           Current year tax expense         143,588         127,551           Taxes paid         (148,039)         (122,827)   | Kosovo  | 10%         | 10%         |
| 1 January       56,430       51,706         Current year tax expense       143,588       127,551         Taxes paid       (148,039)       (122,827)   | The movement of the current income tax liability is given as follows: |             |             |
| Current year tax expense       143,588       127,551         Taxes paid       (148,039)       (122,827)   |   | 2016        | 2015        |
| Taxes paid (148,039) (122,827)  | 1 January   | 56,430      | 51,706      |
|   | Current year tax expense  | 143,588     | 127,551     |
| 31 December 51,979 56,430   | Taxes paid  | (148,039)   | (122,827)   |
|   | 31 December   | 51,979      | 56,430      |

A reconciliation of the nominal (on the basis of the income tax rate of the Company and the Turkish subsidiaries) to the effective tax rate for the years ended 31 December 2016 and 2015 is provided below:

|  | 1 January - 31 Dec | eember 2016 | 1 January - 31 Dec | 31 December 2015 |  |
|--|--------------------|-------------|--------------------|------------------|--|
| Profit before tax                                    | 787,467            |             | 692,190            |                  |  |
| Tax per statutory tax rate 20%                       | 157,493            | 20%         | 138,438            | 20%              |  |
| Jobsites exempt from income tax                      | (9,454)            | (1.2%)      | (8,567)            | (1.2%)           |  |
| Effect of different functional currencies and others | 39,998             | 5.1%        | 27,011             | 3.9%             |  |
| Taxation charge                                      | 188,037            | 23.9%       | 156,882            | 22.7%            |  |

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

### 31. TAXATION ON INCOME (cont'd)

As of 31 December 2016 and 2015, the breakdown of temporary differences which give rise to deferred taxes is as follows:

|  | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| Remeasurement and revaluation of property, plant and |                  |                  |
| equipment, intangible assets and investment property | (435,679)        | (426,494)        |
| GE Inventory in the context of "PSA" (*)             | (47,927)         | (45,230)         |
| Adjustments on financial instruments and derivatives | (11,276)         | (9,037)          |
| Gross deferred income tax liabilities                | (494,882)        | (480,761)        |
| Adjustment of revenue levelization                   | 61,709           | 94,180           |
| Allowance for retirement pay liability               | 2,446            | 3,200            |
| Allowance for doubtful receivables                   | 2,562            | 2,187            |
| Allowance for inventories                            | 339              | 381              |
| Others   | 7,924            | 17,298           |
| Gross deferred income tax assets                     | 74,980           | 117,246          |
| Net deferred tax liability                           | (419,902)        | (363,515)        |

<sup>(\*)</sup> Implies deferred tax liabilities estimated from temporary differences related to "Parts and Services Agreement" (PSA) made with the Group's spare part supplier General Electric (GE).

### Reflected as:

|  | 31 December 2016   | 31 December<br>2015 |
|--|--------------------|---------------------|
| Deferred tax assets Deferred tax liabilities | 1,400<br>(421,302) | 49<br>(363,564)     |
| Net deferred liabilities                     | (421,302)          | (363,515)           |

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2016 related with Group's shares in its subsidiaries, branches and associates is USD 1,623,266 (31 December 2015 - USD 1,535,783).

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### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 31. TAXATION ON INCOME (cont'd)

Movement of net deferred tax asset (liability) can be presented as follows:

|  | 31 December | 31 December |
|--|-------------|-------------|
|  | 2016        | 2015        |
| Balance at 1 January                                   | 363,515     | 359,366     |
| Deferred income tax expense recognized in consolidated |             |             |
| statement of profit or loss                            | 44,449      | 29,331      |
| Deferred income tax expense recognized in equity       | (3,786)     | (1,276)     |
| Currency translation difference                        | 15,724      | (23,906)    |
|  | 419,902     | 363,515     |

As of 31 December 2016 and 2015, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

|                          | 31       | December 20  | 016          | 31 December 2015 |                                       |           |  |  |
|--------------------------|----------|--------------|--------------|------------------|---------------------------------------|-----------|--|--|
|                          |          | Deferred tax |              |                  | Deferred tax                          |           |  |  |
|                          | Before   | (expense)/   | Netted-off   | Before           | Before (expense) /<br>Taxation income |           |  |  |
|                          | Taxation | income       | deferred tax | Taxation         |                                       |           |  |  |
| Change in revaluation of |          |              |              |                  |                                       |           |  |  |
| buildings                | 33,826   | 3,689        | 37,515       | (4,377)          | 875                                   | (3,502)   |  |  |
| Revaluation loss of      |          |              |              |                  |                                       |           |  |  |
| defined benefit plans    | (483)    | 97           | (386)        | (2,005)          | 401                                   | (1,604)   |  |  |
| Changes in fair value of |          |              |              |                  |                                       |           |  |  |
| derivative assets        | 666      | -            | 666          | (1,207)          | -                                     | (1,207)   |  |  |
| Changes in currency      |          |              |              |                  |                                       |           |  |  |
| translation differences  | 136,747  | -            | 136,747      | (340,468)        | -                                     | (340,468) |  |  |
|                          | 170,756  | 3,786        | 174,542      | (348,057)        | 1,276                                 | (346,781) |  |  |
|                          |          |              |              |                  | ·                                     |           |  |  |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 32. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 December 2016.

|   | 31 December 2016 | 31 December 2015 |  |
|---|------------------|------------------|--|
| Earning per share                             |                  |                  |  |
| - ordinary share certificate (full cent)      | 0.14             | 0.13             |  |
| - founder shares (*)                          | -                | -                |  |
| Weighted average number of share certificates |                  |                  |  |
| (nominal value of 1 Kr each)                  | 419,160,000,000  | 420,000,000,000  |  |
| - ordinary share certificate                  | 420,000,000,000  | 420,000,000,000  |  |
| -treasury shares                              | (840,000,000)    | -                |  |

<sup>(\*)</sup> Since 2016 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earnings per share is reflected on ordinary share certificates.

### 33. RELATED PARTY BALANCES AND TRANSACTIONS

### Related parties

The Group is controlled by Tara Holding (49.42%) (31 December 2015 – 49.27%) and Tara and Gülçelik families (28.01%) (31 December 2015 – 27.89%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also include management and members of the Group's Board of Directors.

In the course of conducting business, the Group conducted various business transactions with related parties on commercial terms. The breakdown of balances with related parties and details of significant related party transactions are as follows:

|                  | 31 Decemb   | er 2016  | 31 December 2015 |          |  |
|------------------|-------------|----------|------------------|----------|--|
|                  | Receivables | Payables | Receivable       | Payables |  |
| Shareholders     | -           | 82       | -                | 860      |  |
| Enka Spor Kulübü | -           | 8        | 19               | -        |  |
|                  |             | 90       | 19               | 860      |  |

<sup>(\*)</sup> Funds provided by Enka İnşaat (in USD) with interest rates Libor + 0.5% and Libor + 2%.

As of 31 December 2016, the Group gained USD 6.96 rent income from related parties (31 December 2015 - USD 6.3). As of 31 December 2016 the Group does not have any sales to related parties (2015 - None).

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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### 33. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

### **Directors' remuneration**

The total wages paid for the members of Board of Directors of the Group is amounting to USD 7,112 (31 December 2015 - USD 5,152), the social security payments and retirement pay provisions are USD 632 (31 December 2015 – USD 471) and USD 272 (31 December 2015 – USD 271) respectively. Total wages paid for the general manager, general coordinators and vice general managers of the Group (except BOD members), is amounting to USD 18,728 (31 December 2015 – USD 17,326), the social security payment and retirement pay provisions are USD 1,057 (31 December 2015 – USD 815) and USD 1,334 (31 December 2015 – USD 2,171) respectively.

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, investment securities, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks. The Group monitors the market price risk arising from all financial instruments periodically.

### Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital structure of the Group comprises from liabilities, cash and cash equivalents, paid-in capital and legal reserves explained in Note 22.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

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### **Total Assets / Total Equity**

|                                   | 31 December | 31 December |
|-----------------------------------|-------------|-------------|
|                                   | 2016        | 2015        |
| Cash and cash equivalents (*)     | 3,194,553   | 2,950,672   |
| Less: Total Financial Liabilities | 284,010     | 145,139     |
| Net Assets                        | 2,910,543   | 2,805,533   |
| Equity                            | 5,728,503   | 5,177,352   |
| Equity - Net Assets               | 2,817,960   | 2,371,819   |
| Total Net Assets to Equity Ratio  | 50.81%      | 54.19%      |
|                                   |             |             |

<sup>(\*)</sup> Includes short and long term financial investments.

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

### Financial risk factors

### Interest risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group is managing interest risk that arises from assets and liabilities sensitive to interest risk by using derivative instruments.

The following table demonstrates the sensitivity to a reasonably possible increase of 1% in the interest rates, with all other variables held constant, on the floating rate borrowings of the Group's profit before tax and the Group's non-controlling interest.

| non-condoming interest.              | 31 December 2016 | 31 December 2015 |  |  |
|--------------------------------------|------------------|------------------|--|--|
| Financial assets with floating rates |                  |                  |  |  |
| Financial assets                     | -                | -                |  |  |
| Financial liabilities                | (8)              | (36)             |  |  |

### Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro, Russian Ruble and also U.S Dollar which arises from the liabilities belonging to the companies in the consolidation scope, whose the functional currency is not U.S Dollar.

The Group is engaged in construction, trading, energy and real estate operations business in several countries and, as a result, is exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movements on its net investments in foreign subsidiaries. The Group manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

The foreign currency risk of the Group arises from the credits used in U.S. Dollars and Euro. In order to mitigate the risk, the Group continuously monitors its cash inflows/outflows and also uses financial instruments to hedge the risk when it is necessary.

The following table details the Group's foreign currency position as at 31 December 2016 and 2015:

|  | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
|  |                  |                  |
| A. Assets denominated in foreign currency      | 1,598,859        | 1,497,900        |
| B. Liabilities denominated in foreign currency | (424,604)        | (339,131)        |
| Net foreign currency position (A+B)            | 1,174,255        | 1,158,769        |

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

### Financial risk factors (cont'd)

### Foreign currency risk (cont'd)

The Group's foreign currency position at 31 December 2016 and 2015 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

| meruded in the table as they       | 31 December 2016 |                   |         |                   |                  |          |                         |
|------------------------------------|------------------|-------------------|---------|-------------------|------------------|----------|-------------------------|
|                                    | ТL               | USD<br>Equivalent | Euro    | USD<br>Equivalent | Other<br>USD (*) | USD (**) | Total USD<br>Equivalent |
| Cash and cash equivalents          | 28,033           | 7,966             | 197,247 | 207,938           | 192,380          | 100,465  | 508,749                 |
| Financial investments              | 235,130          | 66,814            | 69,137  | 72,884            | 93,243           | 272,485  | 505,426                 |
| Trade and other receivables        | 21,790           | 6,192             | 25,465  | 26,845            | 32,261           | 256      | 65,554                  |
| Other currrent assets              | 41,799           | 11,877            | 25,310  | 26,682            | 12,030           | 4,775    | 55,364                  |
| Current assets                     | 326,752          | 92,849            | 317,159 | 334,349           | 329,914          | 377,981  | 1,135,093               |
| Financial investments              | -                |                   | 10,255  | 10,811            | 38,231           | 397,318  | 446,360                 |
| Trade and other receivables        | _                | _                 | 580     | 611               | _                | 6,666    | 7,277                   |
| Other non-current assets           | 6,501            | 1,847             | 247     | 261               | 4,055            | 3,966    | 10,129                  |
| Non-current assets                 | 6,501            | 1,847             | 11,082  | 11,683            | 42,286           | 407,950  | 463,766                 |
| Tron current assets                | 0,001            | 1,017             | 11,002  | 11,000            | ,_00             | 107,500  | 100,700                 |
| Total assets                       | 333,253          | 94,696            | 328,241 | 346,032           | 372,200          | 785,931  | 1,598,859               |
|                                    |                  |                   |         |                   |                  |          |                         |
| Short-term borrowings              | -                | -                 | 14,026  | 14,786            | 37,855           | -        | 52,641                  |
| Trade and other payables           | 39,662           | 11,270            | 53,185  | 56,068            | 34,142           | 3,515    | 104,995                 |
| Other current liabilities          |                  |                   |         |                   |                  |          |                         |
| and accrued expenses               | 282,742          | 80,343            | 14,684  | 15,480            | 33,967           | 29,865   | 159,655                 |
| Current liabilities                | 322,404          | 91,613            | 81,895  | 86,334            | 105,964          | 33,380   | 317,291                 |
| Trade and other payables           | -                | -                 | -       | -                 | -                | 15       | 15                      |
| Long-term borrowings               | -                | -                 | 49,999  | 52,709            | 50,833           | -        | 103,542                 |
| Other non-current liabilities      | 5,096            | 1,448             | 79      | 84                | -                | 2,224    | 3,756                   |
| Non-current liabilities            | 5,096            | 1,448             | 50,078  | 52,793            | 50,833           | 2,239    | 107,313                 |
| Total liabilities                  | 327,500          | 93,061            | 131,973 | 139,127           | 156,797          | 35,619   | 424,604                 |
| Net foreign currency position      | 5,753            | 1,635             | 196,268 | 206,905           | 215,403          | 750,312  | 1,174,255               |
| Net notional amount of derivatives | _                |                   | 2,450   | 2,583             |                  |          | 2,583                   |

<sup>(\*)</sup> U.S.Dollar equivalents of the foreign currency balances other than TL and Euro.

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<sup>(\*\*)</sup> U.S.Dollar balances of consolidated subsidiaries and joint ventures whose functional currency is other than U.S.Dollar

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31 December 2015

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

### Financial risk factors (cont'd)

### Foreign currency risk (cont'd)

|                                    | ть      | USD<br>Equivalent | Euro    | USD<br>Equivalent | Other<br>USD (*) | USD (**) | Total USD<br>Equivalent |
|------------------------------------|---------|-------------------|---------|-------------------|------------------|----------|-------------------------|
| Cash and cash equivalents          | 32,484  | 11,172            | 196,245 | 214,476           | 164,640          | 122,498  | 512,786                 |
| Financial investments              | 147,177 | 50,618            | 56,971  | 62,263            | 144,498          | 374,501  | 631,880                 |
| Trade and other receivables        | 10,384  | 3,571             | 31,862  | 34,822            | 25,082           | 11,191   | 74,666                  |
| Other currrent assets              | 57,369  | 19,731            | 14,542  | 15,893            | 7,668            | 3,082    | 46,374                  |
| Current assets                     | 247,414 | 85,092            | 299,620 | 327,454           | 341,888          | 511,272  | 1,265,706               |
| Financial investments              | -       | -                 | 3,582   | 3,915             | 46,812           | 165,633  | 216,360                 |
| Trade and other receivables        | -       | -                 | 536     | 586               | -                | 6,701    | 7,287                   |
| Other non-current assets           | 3,589   | 1,234             | 232     | 254               | 2,947            | 4,112    | 8,547                   |
| Non-current assets                 | 3,589   | 1,234             | 4,350   | 4,755             | 49,759           | 176,446  | 232,194                 |
| Total assets                       | 251,003 | 86,326            | 303,970 | 332,209           | 391,647          | 687,718  | 1,497,900               |
| Short-term borrowings              | 121     | 42                | 6,111   | 6.679             | 29,203           | _        | 35,924                  |
| Trade and other payables           | 46,337  | 15,936            | 56,058  | 61,266            | 40,183           | 911      | 118,296                 |
| Other current liabilities          |         |                   |         |                   |                  |          |                         |
| and accrued expenses               | 198,139 | 68,145            | 8,616   | 9,416             | 26,083           | 41,970   | 145,614                 |
| Current liabilities                | 244,597 | 84,123            | 70,785  | 77,361            | 95,469           | 42,881   | 299,834                 |
| Trade and other payables           | -       | -                 | -       | -                 | -                | -        | -                       |
| Long-term borrowings               | -       | -                 | 526     | 575               | 37,774           | -        | 38,349                  |
| Other non-current liabilities      | -       | -                 | -       | -                 | -                | 948      | 948                     |
| Non-current liabilities            | -       | -                 | 526     | 575               | 37,774           | 948      | 39,297                  |
| Total liabilities                  | 244,597 | 84,123            | 71,311  | 77,936            | 133,243          | 43,829   | 339,131                 |
| Net foreign currency positio       | 6,406   | 2,203             | 232,659 | 254,273           | 258,404          | 643,889  | 1,158,769               |
| Net notional amount of derivatives |         |                   | 52,096  | 56,936            |                  |          | 56,936                  |

<sup>(\*)</sup> U.S.Dollar equivalents of the foreign currency balances other than TL and Euro.

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

### Financial risk factors (cont'd)

### Foreign currency risk (cont'd)

The details of the forward contracts and sales-purchase agreements are explained in Note 18 in order to manage Group's foreign currency position.

The following table demonstrates the sensitivity to reasonably possible increase of 10% in the exchange rates against functional currency, with all other variables held constant, of the Group's consolidated statement of profit

The following table details the Group's foreign currency sensitivity as at 31 December 2016 and 2015:

|   | 31 December 2016 |            | 31 December 2015 |            |
|---|------------------|------------|------------------|------------|
|   | Profit /         | (loss)     | Profit /         | (loss)     |
|   | Valuation        | Valuation  | Valuation        | Valuation  |
|   | of foreign       | of foreign | of foreign       | of foreign |
|   | currency         | currency   | currency         | currency   |
| In the case of TL gaining 10% value against US Dollar                       |                  |            |                  |            |
| 1- TL net asset / (liability)   | 164              | (164)      | 220              | (220)      |
| 2- Portion hedged against TL risk (-)                                       | -                | -          | -                | -          |
| 3- TL net effect (1+2)  | 164              | (164)      | 220              | (220)      |
| In the case of Euro gaining 10% value against US Dollar                     |                  |            |                  |            |
| 4- Euro net asset / (liability)   | 20,691           | (20,691)   | 25,427           | (25,427)   |
| 5- Portion hedged against Euro risk (-)                                     | 258              | (258)      | 5,694            | (5,694)    |
| 6- Euro net effect (4+5)  | 20,949           | (20,949)   | 31,121           | (31,121)   |
| In the case of other foreign currencies gaining 10% value against US Dollar |                  |            |                  |            |
| 7- Other foreign currency net asset / (liability)                           | 21,540           | (21,540)   | 25,840           | (25,840)   |
| 8- Portion hedged against other foreign currency risk (-)                   | -                | -          | -                | -          |
| 9- Other foreign currency net effect (7+8)                                  | 21,540           | (21,540)   | 25,840           | (25,840)   |
| Total (3+6+9)   | 42,653           | (42,653)   | 57,181           | (57,181)   |

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

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<sup>(\*\*)</sup> U.S.Dollar balances of consolidated subsidiaries and joint ventures whose functional currency is other than U.S.Dollar.

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## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd) 34.

### Financial risk factors (cont'd) Credit risk (cont'd)

|  |                   | Receivables | es                |         |          |             | Financial assets |
|--|-------------------|-------------|-------------------|---------|----------|-------------|------------------|
|  | Trade receivables | ables       | Other receivables | ivables |          |             | at fair value    |
|  | Related           | 3rd         | Related           | 3rd     | Bank     | Derivative  | through          |
| 31 December 2016   | party             | party       | party             | party   | deposits | instruments | profit or loss   |
| The maximum amount of exposure to credit risk at the end of the          |                   |             |                   |         |          |             |                  |
| reporting period (A+B+C+D+E)   | 1                 | 448,871     | ı                 | 1,537   | 998,183  | 1           | 2,194,533        |
| - Total receivable that have been secured with collaterals, other credit |                   |             |                   |         |          |             |                  |
| enhancements etc.*   | 1                 | 120,254     | ı                 | ı       | ı        | 1           | 1                |
| A. Financial assets that are either past due or impaired                 | ı                 | 438,287     | ı                 | 1,537   | 998,183  |             | 2,194,533        |
| B. The amount of financial assets that would otherwise be past due or    |                   |             |                   |         |          |             |                  |
| impaired whose terms have been renegotiated                              |                   | 1           | ,                 | 1       | 1        | •           |                  |
| C. The amount of financial assets that are past due as at the end of the |                   |             |                   |         |          |             |                  |
| reporting period but not impaired.                                       |                   | 10,584      | ı                 | •       | 1        | 1           | •                |
| - The amount that have been secured with collaterals, other credit       |                   |             |                   |         |          |             |                  |
| enhancements etc.  |                   | 10,054      | ,                 | 1       | 1        | •           |                  |
| D. The amount of financial assets that are impaired                      |                   | ı           | 1                 | ı       | 1        | •           |                  |
| - Past due (Gross book value)  | 1                 | 28,947      | 1                 | ı       | ı        | 1           |                  |
| - The amount of impairment (-)   |                   | (28,947)    | 1                 | ı       | 1        | •           |                  |
| - The amount that have been secured with collaterals, other credit       |                   |             |                   |         |          |             |                  |
| enhancements etc.  |                   | 1           | 1                 | 1       | 1        | •           |                  |
| - Not past due (Gross book value)  | 1                 | ı           | ı                 | •       | ı        | 1           |                  |
| - The amount of impairment (-)   |                   | 1           | 1                 | ı       | ı        | •           |                  |
| E. Off balance sheet credit risk amount                                  |                   | 1           | ı                 | ٠       | ı        |             |                  |

eed by Turkish Treasury. (\*) As of 31 December 2016, trade receivables from TETAS amounting to USD 103,308 are gu Receivables

|                                | TO ON             | NC CCI vables                      |               |                                      |       |
|--------------------------------|-------------------|------------------------------------|---------------|--------------------------------------|-------|
|                                | Trade receivables | rade receivables Other receivables | Bank deposits | Bank deposits Derivative instruments | Other |
| 31 December 2016               |                   |                                    |               |                                      |       |
| Overdue between 1 to 30 days   | 3,129             |                                    |               | ı                                    | ,     |
| Overdue between 1 to 3 months  | 925               | •                                  | 1             |                                      |       |
| Overdue between 3 to 12 months | 5,533             | •                                  |               | ı                                    |       |
| Overdue between 1 to 5 years   | 546               | •                                  |               | ı                                    | ,     |
| Overdue over 5 years           | 451               |                                    |               | ı                                    |       |
|                                | 10,584            | •                                  |               |                                      | 1     |
|                                |                   |                                    |               |                                      |       |

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# ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd) 34.

### Financial risk factors (cont'd)

Credit risk (cont'd)

|   |                     | Receivables | 22                |         |          |             | rinaliciai assets |
|---|---------------------|-------------|-------------------|---------|----------|-------------|-------------------|
|   | Trade receivables   | ables       | Other receivables | ivables |          |             | at fair value     |
|   | Related             | 3rd         | Related           | 3rd     | Bank     | Derivative  | through           |
| 31 December 2015  | party               | party       | party             | party   | deposits | instruments | profit or loss    |
| The maximum amount of exposure to credit risk at the end of the   |                     |             |                   |         |          |             |                   |
| reporting period (A+B+C+D+E)  |                     |             |                   |         |          |             |                   |
|   |                     | 536,568     | 19                | 446     | 947,221  | 1           | 2,001,484         |
| - Total receivable that have been secured with collaterals, other credit  |                     |             |                   |         |          |             |                   |
| enhancements etc.*  |                     | 211,944     | •                 | •       | 1        | •           | •                 |
| A. Financial assets that are either past due or impaired  | ٠                   | 524,750     | 19                | 446     | 947,221  | •           | 2,001,484         |
| B. The amount of financial assets that would otherwise be past due or   |                     |             |                   |         |          |             |                   |
| impaired whose terms have been renegotiated   |                     | 1           | ,                 | 1       | 1        | •           | •                 |
| C. The amount of financial assets that are past due as at the end of the  |                     |             |                   |         |          |             |                   |
| reporting period but not impaired.  | ٠                   | 11,818      | ı                 | ٠       | 1        | ٠           | •                 |
| - The amount that have been secured with collaterals, other credit  |                     |             |                   |         |          |             |                   |
| enhancements etc.   |                     | 8,241       | •                 | 1       | 1        | •           |                   |
| <b>D</b> . The amount of financial assets that are impaired   |                     | •           | •                 | 1       | •        | •           |                   |
| - Past due (Gross book value)   |                     | 28,702      | •                 | 1       | •        | •           | •                 |
| - The amount of impairment (-)  |                     | (28,702)    | •                 | 1       | 1        | •           |                   |
| - The amount that have been secured with collaterals, other credit  |                     |             |                   |         |          |             |                   |
| enhancements etc.   |                     | •           | •                 | 1       | 1        | •           | •                 |
| - Not past due (Gross book value)   |                     | 1           | 1                 | •       | 1        | 1           |                   |
| - The amount of impairment (-)  |                     | 1           | ,                 | 1       | 1        | •           | •                 |
| E. Off balance sheet credit risk amount   |                     | •           | •                 | 1       | 1        | •           |                   |
| (*) As of 31 December 2015, trade receivables from TETA\$ amounting to USD 195,565 are guaranteed by Turkish Treasury | aranteed by Turkish | Treasury.   |                   |         |          |             |                   |
| Receivables   | •                   |             |                   |         |          |             |                   |

Receivables

|                                | Trade receivables | Other receivables | Bank deposits | Bank deposits Derivative instruments | Other |
|--------------------------------|-------------------|-------------------|---------------|--------------------------------------|-------|
| 31 December 2015               |                   |                   |               |                                      |       |
| Overdue between 1 to 30 days   | 3,904             | •                 | 1             | 1                                    | 1     |
| Overdue between 1 to 3 months  | 1,233             | •                 | 1             | 1                                    | 1     |
| Overdue between 3 to 12 months | 1,727             | •                 | ı             | 1                                    | 1     |
| Overdue between 1 to 5 years   | 2,482             | •                 | 1             | 1                                    | 1     |
| Overdue over 5 years           | 2,472             | 1                 | 1             | 1                                    | 1     |
|                                | 11,818            | •                 | 1             | 1                                    | 1     |
|                                |                   |                   |               |                                      |       |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

### Financial risk factors (cont'd)

### Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The maturity analysis of the non-derivative financial liabilities is presented based on the period between balance sheet date and maturity date of these non-derivatives financial liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

### **Current liabilities**

### **31 December 2016**

| Contractual maturity analysis Non-derivative financial liabilities | Carrying<br>value | Total cash outflow according to contract (I+II+III) | Up to 1<br>month (I) | 1 to 3<br>months<br>(II) | 3 to 12<br>months<br>(III) |
|--|-------------------|---|----------------------|--------------------------|----------------------------|
| Financial liabilities and finance lease                            |                   |   |                      |                          |                            |
| obligations  | 66,761            | 66,761  | 848                  | 9,051                    | 56,862                     |
| Trade payables   | 238,110           | 238,110   | 163,264              | 17,426                   | 57,420                     |
| Other payables to related parties                                  | 90                | 90  | 90                   | -                        | -                          |
| Other payables   | 13,133            | 13,133  | -                    | 2                        | 13,131                     |

### Non-current liabilities

### **31 December 2016**

|   |                 | Total cash outflow |            |              |              |
|---|-----------------|--------------------|------------|--------------|--------------|
|   |                 | according to       |            | 3 to 5       |              |
|   | <u>Carrying</u> | <u>contract</u>    | 1 -3 years | <u>years</u> | 5+ years     |
| Contractual maturity analysis           | <u>value</u>    | <u>(I+II+III)</u>  | <u>(I)</u> | <u>(II)</u>  | <u>(III)</u> |
| Non-derivative financial liabilities    |                 |                    |            |              |              |
| Financial liabilities and finance lease |                 |                    |            |              |              |
| obligations                             | 217,249         | 217,249            | 68,090     | 54,771       | 94,388       |
| Other payables                          | 22,059          | 22,059             | 21,852     | 207          | -            |

### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

### Financial risk factors (cont'd)

Liquidity risk (cont'd)

**Current liabilities** 

### 31 December 2015

| Contractual maturity analysis           | Carrying<br>value | Total cash outflow according to contract (I+II+III) | Up to 1<br>month (I) | 1 to 3<br>months<br>(II) | 3 to 12<br>months<br>(III) |
|---|-------------------|---|----------------------|--------------------------|----------------------------|
| Non-derivative financial liabilities    |                   |   |                      |                          |                            |
| Financial liabilities and finance lease |                   |   |                      |                          |                            |
| obligations                             | 40,849            | 42,356  | 6,718                | 441                      | 35,197                     |
| Trade payables                          | 430,204           | 430,204   | 378,755              | 35,938                   | 15,511                     |
| Other payables to related parties       | 860               | 860   | 860                  | -                        | -                          |
| Other payables                          | 18,575            | 18,575  | 286                  | 154                      | 18,135                     |

### Non-current liabilities

### 31 December 2015

|  |                   | Total cash outflow according to |                   | 3 to 5        |                          |
|--|-------------------|---------------------------------|-------------------|---------------|--------------------------|
| Contractual maturity analysis  | Carrying<br>value | contract<br>(I+II+III)          | 1 -3 years<br>(I) | years<br>(II) | <u>5+ years</u><br>(III) |
| Non-derivative financial liabilities                                     |                   |                                 |                   |               |                          |
| Financial liabilities and finance lease<br>obligations<br>Other payables | 104,290<br>22,898 | 104,823<br>22,898               | 44,812<br>22,595  | 4,793<br>243  | 55,218<br>60             |

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 35. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK

### Fair value of financial assets and liabilities

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Foreign currency denominated receivables and payables are revalued with the exchange rates valid as of the date of the financial statements.

The following methods and assumptions were used to estimate the fair value of the financial instruments that are not carried at fair value on the balance sheet:

### Financial assets

The fair values of cash, amounts due from banks and other monetary assets are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables are estimated to be their fair values due to their short-term nature. It is considered that the fair values of the long term receivables are approximate to their respective carrying values as they are accounted for in foreign currencies.

### Financial liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of bank borrowings are considered to approximate their respective carrying values, since initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The fair values of the trade receivables after discount are considered to be approximate to their corresponding carrying values. It is considered that the fair values of the long term payables and long term financial borrowings are approximate to their respective carrying values as they are accounted for in foreign currencies.

### Fair value hierarchy

The Group classifies the fair value measurement of each class of financial instruments that are measured at fair value on the balance sheet, according to the source, using three-level hierarchy, as follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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### ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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### 35. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK (cont'd)

### Fair value hierarchy (cont'd)

### 31 December 2016:

|   | Level I   | Level 2 | Level 3 |
|---|-----------|---------|---------|
|   |           |         |         |
| Private sector bonds                        | 1,507,126 | _       | -       |
| Equity securities                           | 273,469   | -       | -       |
| Foreign government bonds                    | 282,654   | -       | -       |
| Turkish government bonds                    | 28,742    | -       | -       |
| Mutual funds                                | 102,542   | -       | -       |
| Financial assets at fair value through      | 2,194,533 |         |         |
| profit or loss                              |           | -       | -       |
| Derivative instruments                      | -         | 891     | -       |
| Financial liabilities at fair value through |           |         |         |
| profit or loss                              | -         | 891     | -       |

### 31 December 2015:

|  | Level 1   | Level 2 | Level 3 |
|--|-----------|---------|---------|
| Private sector bonds                                       | 1,193,594 | -       | -       |
| Equity securities  | 309,034   | -       | -       |
| Foreign government bonds                                   | 365,854   | -       | -       |
| Turkish government bonds                                   | 25,839    | -       | -       |
| Mutual funds   | 107,163   | -       | -       |
| Financial assets at fair value through profit or loss      | 2,001,484 | -       | -       |
| Derivative instruments                                     | -         | 1,370   | -       |
| Financial liabilities at fair value through profit or loss | -         | 1,370   | _       |

### 36. EVENTS AFTER THE REPORTING PERIOD

None.

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South Caucasus Pipeline Expansion Project, Georgia



### ENKA

### İNŞAAT VE SANAYİ A.Ş.

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