

**ENKA İNŞAAT VE SANAYİ  
ANONİM ŞİRKETİ  
AND ITS SUBSIDIARIES**

Condensed Consolidated Interim Financial  
Statements As at and for the Six-Month Period  
Ended  
30 June 2017

15 August 2017

*This report contains 2 pages of independent auditors' review report and 23 pages of condensed consolidated interim financial statements and notes to the consolidated financial statements.*

## **Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information**

To the Board of Directors of Enka İnşaat ve Sanayi Anonim Şirketi,

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Enka İnşaat ve Sanayi Anonim Şirketi and its subsidiaries and joint operations (together the "Group") as at 30 June 2017, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

### *Other Matter*

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 1 March 2017.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member firm of KPMG International Cooperative

Erdal Tıkmak, SMMM  
Partner

15 August 2017  
İstanbul, Turkey

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**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

<b>ASSETS</b>	<b>Note</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Current Assets</b>		<b>2,467,624</b>	<b>2,468,211</b>
Cash and cash equivalents		1,140,383	1,000,020
Financial investments		546,069	684,133
Trade receivables		377,813	419,938
Other receivables			
Other receivables from related parties		16	-
Other receivables from third parties		851	1,537
Inventories		262,543	264,804
Prepaid expenses		56,073	45,679
Costs and estimated earnings in excess of billings on uncompleted contracts	5	21,716	3,060
Other current assets		61,380	48,356
		<u>2,466,844</u>	<u>2,467,527</u>
Assets held for sale and discontinued operations		780	684
<b>Non-Current Assets</b>		<b>5,488,246</b>	<b>5,118,410</b>
Financial investments		1,701,136	1,510,400
Trade receivables		29,874	28,933
Investment properties	7	1,983,031	1,886,911
Property, plant and equipment		1,632,114	1,602,005
Intangible assets			
Goodwill		55,168	55,168
Other intangible assets		25,988	24,462
Deferred tax assets		1,886	1,400
Prepaid expenses		54,957	4,868
Other non-current assets		4,092	4,263
<b>TOTAL ASSETS</b>		<b><u>7,955,870</u></b>	<b><u>7,586,621</u></b>

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

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

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

<b>LIABILITIES</b>	<b>Note</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Current Liabilities</b>		<b>967,066</b>	<b>851,737</b>
Short-term borrowings		27,047	24,279
Current portion of long-term borrowings		35,350	42,482
Trade payables		357,314	238,110
Payables to employees		21,440	21,873
Other payables			
Payables to related parties		58	90
Payables to third parties		15,149	13,133
Billings in excess of costs and estimated earnings on uncompleted contracts	5	223,210	241,027
Deferred income		134,425	98,681
Taxation on income		36,841	51,979
Provisions			
Provisions for employee benefits		11,274	18,342
Other provisions		59,933	58,465
Other current liabilities		45,025	43,276
<b>Non-Current Liabilities</b>		<b>979,282</b>	<b>1,006,381</b>
Long-term borrowings		253,721	217,249
Other payables		20,546	22,059
Deferred income		245,892	329,481
Provisions for employee benefits		16,649	16,290
Deferred tax liabilities		442,474	421,302
<b>EQUITY</b>		<b>6,009,522</b>	<b>5,728,503</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>5,937,088</b>	<b>5,666,583</b>
Share capital	10	2,556,803	2,445,227
Treasury Shares		(12,032)	(12,032)
Revaluation surplus		181,243	182,004
Currency translation difference		(1,146,897)	(1,190,023)
Other reserves		(541)	(541)
Legal reserves and accumulated profit		4,358,512	4,241,948
<b>Non-Controlling Interests</b>		<b>72,434</b>	<b>61,920</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,955,870</b>	<b>7,586,621</b>

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

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

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
<b>CONTINUING OPERATIONS</b>				
Revenue	1,361,362	1,842,236	699,259	937,893
Cost of revenues (-)	(1,029,661)	(1,442,617)	(527,074)	(744,386)
<b>GROSS PROFIT</b>	<b>331,701</b>	<b>399,619</b>	<b>172,185</b>	<b>193,507</b>
Administrative expenses (-)	(45,497)	(61,080)	(26,472)	(35,246)
Marketing, selling and distribution expenses (-)	(15,781)	(14,984)	(9,681)	(7,893)
Other operating income	7,672	12,561	3,373	3,651
Other operating expenses (-)	(7,227)	(12,901)	(1,648)	(5,956)
<b>PROFIT FROM OPERATIONS</b>	<b>270,868</b>	<b>323,215</b>	<b>137,757</b>	<b>148,063</b>
Income from investing activities	233,474	173,602	105,899	70,955
Expenses from investing activities (-)	(43,440)	(55,379)	(20,178)	(2,526)
<b>OPERATING PROFIT BEFORE FINANCE EXPENSES</b>	<b>460,902</b>	<b>441,438</b>	<b>223,478</b>	<b>216,492</b>
Financial income	8,533	18,718	1,188	10,999
Financial expenses (-)	(9,443)	(12,397)	7,186	(2,800)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>459,992</b>	<b>447,759</b>	<b>231,852</b>	<b>224,691</b>
Current tax expense (-)	(60,722)	(69,817)	(18,153)	(35,976)
Deferred tax expense (-)	(20,845)	(12,245)	(7,648)	(9,483)
<b>NET PROFIT FOR THE PERIOD</b>	<b>378,425</b>	<b>365,697</b>	<b>206,051</b>	<b>179,232</b>
<b>Attributable to:</b>				
Non-controlling interest	6,229	7,219	3,267	4,315
Equity holders of the parent	372,196	358,478	202,784	174,917
	<b>378,425</b>	<b>365,697</b>	<b>206,051</b>	<b>179,232</b>
<b>Earning per share from continuing operations</b>				
- ordinary share certificate (full cent)	0.08	0.08	0.04	0.04
<b>Weighted average number of shares (1 cent weighted average shares)</b>				
	459,080,000,000	459,080,000,000	459,080,000,000	459,080,000,000

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

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

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>378,425</b>	<b>365,697</b>	<b>206,051</b>	<b>179,232</b>
<b>Other Comprehensive Income / (Expense):</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>158</b>	<b>510</b>	<b>(292)</b>	<b>319</b>
Changes in currency translation difference in revaluation fund of property	158	510	(292)	319
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>47,853</b>	<b>116,310</b>	<b>(47,533)</b>	<b>28,527</b>
Changes in currency translation difference	47,853	115,805	(47,533)	28,315
<i>Changes in cash flow hedge</i>	-	505	-	212
Gain arising during the period	-	505	-	212
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>	<b>48,011</b>	<b>116,820</b>	<b>(47,825)</b>	<b>28,846</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>426,436</b>	<b>482,517</b>	<b>158,226</b>	<b>208,078</b>
<b>Attributable to:</b>				
Non-controlling interest	10,956	9,527	6,945	4,869
Equity holders of the parent	415,480	472,990	151,281	203,209
	<b>426,436</b>	<b>482,517</b>	<b>158,226</b>	<b>208,078</b>

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



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

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

	Share capital	Treasury Shares	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>	<b>2,378,041</b>	-	<b>148,222</b>	<b>(1,326,308)</b>	<b>(1,207)</b>	<b>3,926,794</b>	<b>5,125,542</b>	<b>51,810</b>	<b>5,177,352</b>
Total other comprehensive income	-	-	510	113,497	505	-	114,512	2,308	116,820
Profit for the period	-	-	-	-	-	358,478	358,478	7,219	365,697
Total comprehensive income	-	-	510	113,497	505	358,478	472,990	9,527	482,517
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(1,068)	-	-	1,068	-	-	-
Share capital increase	67,186	-	-	-	-	(67,186)	-	-	-
Dividends paid	-	-	-	-	-	(120,724)	(120,724)	(575)	(121,299)
<b>Balance at 30 June 2016</b>	<b>2,445,227</b>	-	<b>147,664</b>	<b>(1,212,811)</b>	<b>(702)</b>	<b>4,098,430</b>	<b>5,477,808</b>	<b>60,762</b>	<b>5,538,570</b>
<b>Balance at 1 January 2017</b>	<b>2,445,227</b>	<b>(12,032)</b>	<b>182,004</b>	<b>(1,190,023)</b>	<b>(541)</b>	<b>4,241,948</b>	<b>5,666,583</b>	<b>61,920</b>	<b>5,728,503</b>
Total other comprehensive income	-	-	158	43,126	-	-	43,284	4,727	48,011
Profit for the period	-	-	-	-	-	372,196	372,196	6,229	378,425
Total comprehensive income	-	-	158	43,126	-	372,196	415,480	10,956	426,436
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(919)	-	-	919	-	-	-
Share capital increase	111,576	-	-	-	-	(111,576)	-	-	-
Dividends paid	-	-	-	-	-	(144,975)	(144,975)	(442)	(145,417)
<b>Balance at 30 June 2017</b>	<b>2,556,803</b>	<b>(12,032)</b>	<b>181,243</b>	<b>(1,146,897)</b>	<b>(541)</b>	<b>4,358,512</b>	<b>5,937,088</b>	<b>72,434</b>	<b>6,009,522</b>

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

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

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
<b>Cash flows from operating activities</b>		
Profit for the period	378,425	365,697
Adjustments to reconcile net income		
to net cash used in operating activities:		
- Depreciation and amortization of non-current assets	50,929	49,070
- Provision for employment termination benefits	1,308	601
- Allowance for doubtful receivables	118	585
- Provision for litigations	1,394	6,394
- Adjustments to deferred income from electricity sale	(81,162)	(79,344)
- Loss / (gain) from fair value of forward transactions	57	(1,247)
- Interest expense	2,489	1,606
- Interest income	(62,896)	(46,979)
- Dividend income	(6,010)	(5,521)
- Provision for inventory impairment, net	222	97
- Gain on sale or disposal of property, plant and equipment, net	(539)	(4,542)
- Valuation of investment securities	(97,407)	(61,558)
- Tax expense	81,567	82,062
	<u>268,495</u>	<u>306,921</u>
Movements in working capital		
Decrease in trade and other receivables	40,256	23,821
Decrease / (Increase) in cost and estimated earnings in excess of billings on uncompleted contracts	(18,656)	63,815
(Increase) / Decrease in inventory	2,038	(48,232)
(Increase) / Decrease in other current assets and other non current assets	(72,747)	32,577
Decrease / (Increase) in trade and other payables	119,212	(72,515)
(Increase) / Decrease in billings in excess of cost and estimated earnings on uncompleted contracts	(17,817)	12,150
Increase / (Decrease) in provision for liabilities and other liabilities	28,047	(30,991)
	<u>80,333</u>	<u>(19,375)</u>
Income taxes paid	(75,860)	(80,021)
Employee termination benefits paid	(1,411)	(332)
<b>Net cash generated from operating activities</b>	<b><u>271,557</u></b>	<b><u>207,193</u></b>
<b>Cash flows from investing activities</b>		
Purchases of financial investments	(304,844)	(594,983)
Sale of financial investments	349,579	435,156
Proceeds on disposal or sale of property, plant and equipment	2,018	10,056
Purchases of property, plant and equipment, intangible assets and investment properties	(141,027)	(79,538)
Interest received	59,286	43,092
Dividend income	6,010	5,521
<b>Net cash used in investing activities</b>	<b><u>(28,978)</u></b>	<b><u>(180,696)</u></b>
<b>Cash flows from financing activities</b>		
Addition to borrowings	44,459	91,370
Repayments of borrowings	(22,247)	(21,238)
Interest received	3,280	3,680
Interest paid	(1,982)	(1,681)
Dividend paid to non-controlling interests	(442)	(575)
Dividend paid	(144,975)	(120,724)
<b>Net cash used in financing activities</b>	<b><u>(121,907)</u></b>	<b><u>(49,168)</u></b>
Translation reserve	19,691	22,074
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>140,363</u></b>	<b><u>(597)</u></b>
Cash and cash equivalents at beginning of the period	999,020	948,188
<b>Cash and cash equivalents at end of the period</b>	<b><u>1,139,383</u></b>	<b><u>947,591</u></b>

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

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

#### 1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

Enka İnşaat ve Sanayi Anonim Şirketi (“the Group”) was established on 4 December 1967 and registered in İstanbul, Turkey, under the Turkish Commercial Code. The address of the headquarters 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 30 June 2017, 12.16% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 30 June 2017, the average numbers of white and blue-collar personnel are respectively 5,048 and 23,456 (31 December 2016 – 4,975 and 26,262).

For the purpose of the condensed consolidated interim 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:

- i. *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, Turkmenistan, Georgia 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 and also in Dominican Republic.
- iv. *Europe*: engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Germany and Kosovo.

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

##### 2.1 Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2016 (‘last annual financial statements’). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company’s Board of Directors on 15 August 2017.

The condensed consolidated interim financial statements are presented in U.S. Dollars (“USD”) and all values are rounded to the nearest thousand (’000) except when otherwise indicated.

##### 2.2 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

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

### 2.3 Comparative information and reclassification of prior year financial statements

The Group prepares comparative condensed consolidated interim 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, the Group had made no reclassification.

### 2.4 Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements.

### 2.5 Standards and interpretations issued but not yet effective

#### *Standards issued but not yet effective and not early adopted*

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

#### **IFRS 15 Revenue from Contracts with Customers**

As issued in September 2016 by IASB, the new standard replaces existing IFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Group expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

#### **IFRS 9 Financial Instruments**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “*Financial Instruments: Recognition and Measurement*”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

#### **Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 2.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

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

### 2.5 Standards and interpretations issued but not yet effective (cont’d)

#### *Annual Improvements to IFRSs 2014-2016 Cycle*

##### **Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

#### *Annual Improvements to IFRSs 2014-2016 Cycle*

##### *IFRS 1 “First Time Adoption of International Financial Reporting Standards”*

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

##### *IFRS 12 “Disclosure of Interests in Other Entities”*

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

##### *IAS 28 “Investments in Associates and Joint Ventures”*

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

##### **IAS 40 – Transfers of Investment Property**

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 40.

##### **IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. 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. This IFRIC is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 22.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

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

### 2.5 Standards and interpretations issued but not yet effective (cont’d)

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

#### **IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

#### **IFRIC 23 –Uncertainty Over Income Tax Treatments**

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

#### **IFRS 17 –Insurance Contracts**

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

#### 3. CHANGES IN OPERATIONAL SEASON

The Group’s operations related to construction slow down during the winter season and differ significantly from other operational areas.

#### 4. 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.

##### a) Business segments

	1 January - 30 June 2017					Consolidated
	Construction contracts	Rental	Trade	Energy	Eliminations	
Revenues	457,178	156,006	121,407	626,771	-	1,361,362
Inter-segment revenues	63,141	-	1,837	9,554	(74,532)	-
Cost of revenues (-)	(374,904)	(53,170)	(97,598)	(503,989)	-	(1,029,661)
Inter-segment cost of revenues (-)	(63,141)	-	(1,644)	(9,554)	74,339	-
<b>Gross profit</b>	<b>82,274</b>	<b>102,836</b>	<b>24,002</b>	<b>122,782</b>	<b>(193)</b>	<b>331,701</b>
Administrative expenses (-)	(29,397)	(6,906)	(5,012)	(4,182)	-	(45,497)
Marketing expenses (-)	(7,132)	(3,051)	(5,588)	(10)	-	(15,781)
Other operating income	5,838	866	729	239	-	7,672
Other operating expenses (-)	(5,388)	(1,244)	(562)	(33)	-	(7,227)
<b>Profit from operations</b>	<b>46,195</b>	<b>92,501</b>	<b>13,569</b>	<b>118,796</b>	<b>(193)</b>	<b>270,868</b>
Investment income	233,433	-	-	41	-	233,474
Investment expenses (-)	(42,696)	(744)	-	-	-	(43,440)
<b>Profit from operations before financial income / (expenses)</b>	<b>236,932</b>	<b>91,757</b>	<b>13,569</b>	<b>118,837</b>	<b>(193)</b>	<b>460,902</b>
Financial income	3,857	1,300	1,678	3,039	(1,341)	8,533
Financial expenses (-)	(7,148)	(2,282)	(1,574)	(87)	1,648	(9,443)
<b>Profit before tax</b>	<b>233,641</b>	<b>90,775</b>	<b>13,673</b>	<b>121,789</b>	<b>114</b>	<b>459,992</b>
Current tax expense (-)	(25,200)	(17,839)	(3,010)	(14,673)	-	(60,722)
Deferred taxation income/ (expenses)	(4,881)	(2,334)	401	(14,031)	-	(20,845)
<b>Profit for the period from continuing operations</b>	<b>203,560</b>	<b>70,602</b>	<b>11,064</b>	<b>93,085</b>	<b>114</b>	<b>378,425</b>
	30 June 2017					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	4,119,635	2,093,761	255,851	1,486,623		7,955,870
<b>Total assets</b>	<b>4,119,635</b>	<b>2,093,761</b>	<b>255,851</b>	<b>1,486,623</b>		<b>7,955,870</b>
Segment liabilities	727,497	423,511	125,471	669,869		1,946,348
<b>Total liabilities</b>	<b>727,497</b>	<b>423,511</b>	<b>125,471</b>	<b>669,869</b>		<b>1,946,348</b>
	1 January - 30 June 2017					
<b>Other segment information</b>	Construction contracts	Rental	Trade	Energy		Consolidated
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	43,628	66,411	245	28,126		138,410
Intangible assets	2,378	92	92	55		2,617
<b>Total capital expenditures</b>	<b>46,006</b>	<b>66,503</b>	<b>337</b>	<b>28,181</b>		<b>141,027</b>
Depreciation expense	20,834	1,627	460	26,772		49,693
Amortisation	1,097	39	36	64		1,236

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

### 4. SEGMENTAL INFORMATION (cont’d)

#### a) Business segments (cont’d)

	1 April - 30 June 2017					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	234,293	78,597	79,514	306,855	-	699,259
Inter-segment revenues	37,493	-	1,530	6,582	(45,605)	-
Cost of revenues (-)	(186,040)	(27,302)	(64,384)	(249,348)	-	(527,074)
Inter-segment cost of revenues (-)	(37,493)	-	(1,337)	(6,582)	45,412	-
<b>Gross profit</b>	<b>48,253</b>	<b>51,295</b>	<b>15,323</b>	<b>57,507</b>	<b>(193)</b>	<b>172,185</b>
Administrative expenses (-)	(17,674)	(3,057)	(3,220)	(2,472)	(49)	(26,472)
Marketing expenses (-)	(4,325)	(1,662)	(3,694)	-	-	(9,681)
Other operating income	2,358	487	360	168	-	3,373
Other operating expenses (-)	(423)	(1,099)	(106)	(20)	-	(1,648)
<b>Profit from operations</b>	<b>28,189</b>	<b>45,964</b>	<b>8,663</b>	<b>55,183</b>	<b>(242)</b>	<b>137,757</b>
Investment income	105,858	-	-	41	-	105,899
Investment expenses (-)	(19,804)	(374)	-	-	-	(20,178)
<b>Profit from operations before financial income / (expenses)</b>	<b>114,243</b>	<b>45,590</b>	<b>8,663</b>	<b>55,224</b>	<b>(242)</b>	<b>223,478</b>
Financial income	2,408	(390)	(588)	863	(1,105)	1,188
Financial expenses (-)	7,881	(931)	(1,080)	333	983	7,186
<b>Profit before tax</b>	<b>124,532</b>	<b>44,269</b>	<b>6,995</b>	<b>56,420</b>	<b>(364)</b>	<b>231,852</b>
Current tax expense (-)	(6,336)	(5,619)	(1,423)	(4,775)	-	(18,153)
Deferred taxation income/ (expenses)	644	(1,385)	(159)	(6,748)	-	(7,648)
<b>Profit for the period from continuing operations</b>	<b>118,840</b>	<b>37,265</b>	<b>5,413</b>	<b>44,897</b>	<b>(364)</b>	<b>206,051</b>
	1 April - 30 June 2017					
<b>Other segment information</b>	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated	
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	32,627	40,650	232	24,310	97,819	
Intangible assets	911	-	92	45	1,048	
<b>Total capital expenditures</b>	<b>33,538</b>	<b>40,650</b>	<b>324</b>	<b>24,355</b>	<b>98,867</b>	
Depreciation expense	10,298	772	128	13,463	24,661	
Amortisation	616	15	13	32	676	



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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

### 4. SEGMENTAL INFORMATION (cont’d)

#### a) Business segments (cont’d)

	1 January - 30 June 2016					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	738,362	162,559	127,033	814,282	-	1,842,236
Inter-segment revenues	29,665	-	4,952	10,846	(45,463)	-
Cost of revenues (-)	(628,158)	(38,315)	(104,646)	(671,498)	-	(1,442,617)
Inter-segment cost of revenues (-)	(29,902)	-	(4,952)	(10,846)	45,700	-
<b>Gross profit</b>	<b>109,967</b>	<b>124,244</b>	<b>22,387</b>	<b>142,784</b>	<b>237</b>	<b>399,619</b>
Administrative expenses (-)	(40,517)	(8,663)	(7,759)	(4,375)	234	(61,080)
Marketing expenses (-)	(6,960)	(2,529)	(5,495)	-	-	(14,984)
Other operating income	6,475	5,475	507	104	-	12,561
Other operating expenses (-)	(6,878)	(4,949)	(1,115)	(26)	67	(12,901)
<b>Profit from operations</b>	<b>62,087</b>	<b>113,578</b>	<b>8,525</b>	<b>138,487</b>	<b>538</b>	<b>323,215</b>
Investment income	173,487	4	11	100	-	173,602
Investment expenses (-)	(55,124)	(255)	-	-	-	(55,379)
<b>Profit from operations before financial income / (expenses)</b>	<b>180,450</b>	<b>113,327</b>	<b>8,536</b>	<b>138,587</b>	<b>538</b>	<b>441,438</b>
Financial income	8,433	3,820	3,943	4,499	(1,977)	18,718
Financial expenses (-)	(8,500)	(3,938)	(1,649)	(267)	1,957	(12,397)
<b>Profit before tax</b>	<b>180,383</b>	<b>113,209</b>	<b>10,830</b>	<b>142,819</b>	<b>518</b>	<b>447,759</b>
Current tax expense (-)	(32,471)	(17,749)	(2,839)	(16,758)	-	(69,817)
Deferred taxation income/ (expenses)	3,005	(691)	(183)	(14,376)	-	(12,245)
<b>Profit for the period from continuing operations</b>	<b>150,917</b>	<b>94,769</b>	<b>7,808</b>	<b>111,685</b>	<b>518</b>	<b>365,697</b>
	31 December 2016					
	Construction contracts	Rental	Trade	Energy	Consolidated	
Segment assets	3,807,351	1,960,577	211,590	1,607,103	7,586,621	
<b>Total assets</b>	<b>3,807,351</b>	<b>1,960,577</b>	<b>211,590</b>	<b>1,607,103</b>	<b>7,586,621</b>	
Segment liabilities	728,170	400,904	88,524	640,520	1,858,118	
<b>Total liabilities</b>	<b>728,170</b>	<b>400,904</b>	<b>88,524</b>	<b>640,520</b>	<b>1,858,118</b>	
	1 January - 30 June 2016					
	Construction contracts	Rental	Trade	Energy	Consolidated	
<b>Other segment information</b>						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	40,282	22,828	73	15,909	79,092	
Intangible assets	358	33	20	35	446	
<b>Total capital expenditures</b>	<b>40,640</b>	<b>22,861</b>	<b>93</b>	<b>15,944</b>	<b>79,538</b>	
Depreciation expense	20,125	1,527	377	26,150	48,179	
Amortisation	666	48	71	106	891	

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

### 4. SEGMENTAL INFORMATION (cont’d)

#### a) Business segments (cont’d)

	1 April - 30 June 2016					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	398,015	80,088	72,677	387,113	-	937,893
Inter-segment revenues	18,248	-	2,830	7,790	(28,868)	-
Cost of revenues (-)	(339,703)	(21,756)	(60,760)	(322,167)	-	(744,386)
Inter-segment cost of revenues (-)	(18,251)	-	(2,830)	(7,790)	28,871	-
<b>Gross profit</b>	<b>58,309</b>	<b>58,332</b>	<b>11,917</b>	<b>64,946</b>	<b>3</b>	<b>193,507</b>
Administrative expenses (-)	(21,929)	(6,307)	(4,974)	(2,196)	160	(35,246)
Marketing expenses (-)	(3,712)	(1,418)	(2,763)	-	-	(7,893)
Other operating income	2,525	1,236	(110)	-	-	3,651
Other operating expenses (-)	(529)	(4,618)	(813)	(26)	30	(5,956)
<b>Profit from operations</b>	<b>34,664</b>	<b>47,225</b>	<b>3,257</b>	<b>62,724</b>	<b>193</b>	<b>148,063</b>
Investment income	70,851	4	-	100	-	70,955
Investment expenses (-)	(2,849)	323	-	-	-	(2,526)
<b>Profit from operations before financial income / (expenses)</b>	<b>102,666</b>	<b>47,552</b>	<b>3,257</b>	<b>62,824</b>	<b>193</b>	<b>216,492</b>
Financial income	2,718	3,124	2,589	3,675	(1,107)	10,999
Financial expenses (-)	(2,186)	(1,023)	(908)	349	968	(2,800)
<b>Profit before tax</b>	<b>103,198</b>	<b>49,653</b>	<b>4,938</b>	<b>66,848</b>	<b>54</b>	<b>224,691</b>
Current tax expense (-)	(20,559)	(7,965)	(989)	(6,463)	-	(35,976)
Deferred taxation income/ (expenses)	1,086	(1,518)	(53)	(8,998)	-	(9,483)
<b>Profit for the period from continuing operations</b>	<b>83,725</b>	<b>40,170</b>	<b>3,896</b>	<b>51,387</b>	<b>54</b>	<b>179,232</b>
	1 April - 30 June 2016					
<b>Other segment information</b>	Construction contracts	Rental	Trade and manufacturing	Energy		Consolidated
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	15,028	13,451	45	14,569		43,093
Intangible assets	199	6	-	33		238
<b>Total capital expenditures</b>	<b>15,227</b>	<b>13,457</b>	<b>45</b>	<b>14,602</b>		<b>43,331</b>
Depreciation expense	9,794	747	202	13,075		23,818
Amortisation	339	16	31	87		473

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation. For the period ended 30 June 2017, revenues amounting to USD 626,771 (30 June 2016 - USD 814,282) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the period ended 30 June 2017, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 429,308 (30 June 2016 - USD 605,528) 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%.

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(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

#### 4. SEGMENTAL INFORMATION (cont’d)

##### b) Geographical segments

	1 January - 30 June 2017					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	899,849	317,536	65,718	78,259	-	1,361,362
Inter-segment sales	23,147	51,385	-	-	(74,532)	-
Capital expenditures	71,659	67,683	93	1,592	-	141,027
	30 June 2017					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,167,487	2,541,898	50,848	195,637	-	7,955,870
	1 January - 30 June 2016					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	1,135,788	341,388	191,638	173,422	-	1,842,236
Inter-segment sales	29,665	15,798	-	-	(45,463)	-
Capital expenditures	45,244	25,291	8,122	881	-	79,538
	31 December 2016					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	3,939,352	2,380,154	152,300	1,114,815	-	7,586,621

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

#### 5. CONSTRUCTION CONTRACTS

The Group’s construction contracts details as of 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Costs incurred on uncompleted contracts	2,093,101	1,802,842
Recognized profit less recognized losses to date, net	323,614	265,532
	<u>2,416,715</u>	<u>2,068,374</u>
Less: Progress billing	(2,618,209)	(2,306,341)
	<u>(201,494)</u>	<u>(237,967)</u>
	30 June 2017	31 December 2016
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	21,716	3,060
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(223,210)	(241,027)
	<u>(201,494)</u>	<u>(237,967)</u>

As of 30 June 2017, the amount of advances received of subsidiaries and companies shares in joint operations is USD 92,293 (31 December 2016: USD 68,406).

#### 6. INVESTMENT PROPERTIES

As of 30 June 2017 and 2016, movement of investment properties is as follows:

	1 January - 30 June 2017	1 January - 30 June 2016
Opening balance	1,886,911	1,558,724
Currency translation difference	30,838	117,696
Additions	65,282	20,860
Closing balance	<u>1,983,031</u>	<u>1,697,280</u>

#### 7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2017 the Group purchased property plant and equipment amounting to USD 73,128 (30 June 2016: USD 58,232). In addition during the period ended 30 June 2017 net book value of USD 1,479 (30 June 2016: 5,514) property plant and equipment sold for USD 2,018 (30 June 2016: USD 10,056).

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

#### 8. COMMITMENTS

##### Litigations

During the period ended 30 June 2017, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2016 consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

##### Commitments and contingencies

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 30 June 2017 and 31 December 2016 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	30 June 2017		31 December 2016	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		551,447		543,737
-USD	368,571	368,571	398,701	398,701
-EUR	84,433	96,372	101,035	106,510
-TL	70,906	20,218	53,923	15,323
-Others (*)		66,286		23,203
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		92,204		70,033
-USD	85	85	85	85
-EUR	-	-	526	555
-TL	826	236	957	272
-Others (*)		91,883		69,121
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		-		-
		<u>643,651</u>		<u>613,770</u>

(\*) U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR. As of 30 June 2017 the portion of other guarantess given to shareholders' equity is 0% (31 December 2016 - 0%).

#### 9. RELATED PARTY BALANCES AND TRANSACTIONS

No extraordinary or significant transaction is realized with related parties throughout the interim period.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

#### 10. SHARE CAPITAL AND RESERVES

The shareholders of the Group and their percentage of ownership as of 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017		31 December 2016	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.42%	1,263,572	49.42%	1,208,431
Vildan Gülçelik	7.99%	204,289	7.99%	195,374
Sevda Gülçelik	6.43%	164,402	6.43%	157,228
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	150,084	5.87%	143,535
Other	30.29%	774,456	30.29%	740,659
	100%	2,556,803	100%	2,445,227
Purchase of treasury shares (*)		(12,032)		(12,032)
		2,544,771		2,433,195

Based on the Group’s Ordinary General Assembly held on 24 March 2017; it has been resolved to increase the share capital from TL 4.200.000 to TL 4.600.000; and to cover TL 400.000 (USD 111,576) from the 1st Dividend.

Based on the Group’s Ordinary General Assembly held on 24 March 2017; regarding to the distribution of the year 2016 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share net in total TL 784,000 (2016 - TL 600,000); further it has been resolved to distribute TL 29,352 (2016 - TL 21,988) as cash dividend to founder shares. Net in total TL 140,000 from TL 780,000 has been distributed as an advance dividend on 14 December 2016, net in total TL 140,000 from TL 780,000 has been distributed as an advance dividend on 28 September 2016 and the remaining amount net in total TL 504,000 (USD 144,975) is distributed on 19 April 2017.

#### 11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### 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.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

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

##### Foreign currency risk (cont’d)

The following table details the Group’s foreign currency position as at 30 June 2017 and 31 December 2016:

	30 June 2017	31 December 2016
A. Assets denominated in foreign currency	1,619,549	1,598,859
B. Liabilities denominated in foreign currency	(482,100)	(424,604)
Net foreign currency position (A+B)	<u>1,137,449</u>	<u>1,174,255</u>

The Group’s foreign currency position at 30 June 2017 and 31 December 2016 is as follows (non monetary items are not included in the table as they don’t have foreign currency risk):

	30 June 2017						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	63,654	18,150	136,719	156,051	257,043	131,443	562,687
Financial investments	262,483	74,843	57,660	65,813	93,163	43,914	277,733
Trade and other receivables	26,750	7,627	46,967	53,609	32,082	4,902	98,220
Other current assets	94,168	26,851	10,748	12,268	21,169	5,256	65,544
<b>Current assets</b>	<b>447,055</b>	<b>127,471</b>	<b>252,094</b>	<b>287,741</b>	<b>403,457</b>	<b>185,515</b>	<b>1,004,184</b>
Financial investments	-	-	11,454	13,074	39,617	549,878	602,569
Trade and other receivables	-	-	1,355	1,547	-	-	1,547
Other non-current assets	6,249	1,782	241	276	4,897	4,294	11,249
<b>Non-current assets</b>	<b>6,249</b>	<b>1,782</b>	<b>13,050</b>	<b>14,897</b>	<b>44,514</b>	<b>554,172</b>	<b>615,365</b>
<b>Total assets</b>	<b>453,304</b>	<b>129,253</b>	<b>265,144</b>	<b>302,638</b>	<b>447,971</b>	<b>739,687</b>	<b>1,619,549</b>
Short-term borrowings	788	225	23,500	26,823	31,132	-	58,180
Trade and other payables	39,536	11,273	49,165	56,117	74,135	1,875	143,400
Other current liabilities and accrued expenses	159,002	45,337	16,270	18,571	45,131	30,453	139,492
<b>Current liabilities</b>	<b>199,326</b>	<b>56,835</b>	<b>88,935</b>	<b>101,511</b>	<b>150,398</b>	<b>32,328</b>	<b>341,072</b>
Trade and other payables	-	-	-	-	7	-	7
Long-term borrowings	-	-	50,000	57,070	80,376	-	137,446
Other non-current liabilities	3,799	1,083	59	67	-	2,425	3,575
<b>Non-current liabilities</b>	<b>3,799</b>	<b>1,083</b>	<b>50,059</b>	<b>57,137</b>	<b>80,383</b>	<b>2,425</b>	<b>141,028</b>
<b>Total liabilities</b>	<b>203,125</b>	<b>57,918</b>	<b>138,994</b>	<b>158,648</b>	<b>230,781</b>	<b>34,753</b>	<b>482,100</b>
<b>Net foreign currency position</b>	<b>250,179</b>	<b>71,335</b>	<b>126,150</b>	<b>143,990</b>	<b>217,190</b>	<b>704,934</b>	<b>1,137,449</b>
<b>Net notional amount of derivatives</b>	-	-	-	-	-	-	-

(\*) U.S.Dollar equivalents of the foreign currency balances other than TL and Euro.

(\*\*) U.S.Dollar balances of consolidated subsidiaries and joint ventures whose functional currency is other than U.S.Dollar.

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

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FOR THE PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in thousands of U.S. Dollars (“USD”) unless otherwise stated.)

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

**Foreign currency risk (cont’d)**

	31 December 2016						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD 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 current assets	41,799	11,877	25,310	26,682	12,030	4,775	55,364
<b>Current assets</b>	<b>326,752</b>	<b>92,849</b>	<b>317,159</b>	<b>334,349</b>	<b>329,914</b>	<b>377,981</b>	<b>1,135,093</b>
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
<b>Non-current assets</b>	<b>6,501</b>	<b>1,847</b>	<b>11,082</b>	<b>11,683</b>	<b>42,286</b>	<b>407,950</b>	<b>463,766</b>
<b>Total assets</b>	<b>333,253</b>	<b>94,696</b>	<b>328,241</b>	<b>346,032</b>	<b>372,200</b>	<b>785,931</b>	<b>1,598,859</b>
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
<b>Current liabilities</b>	<b>322,404</b>	<b>91,613</b>	<b>81,895</b>	<b>86,334</b>	<b>105,964</b>	<b>33,380</b>	<b>317,291</b>
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
<b>Non-current liabilities</b>	<b>5,096</b>	<b>1,448</b>	<b>50,078</b>	<b>52,793</b>	<b>50,833</b>	<b>2,239</b>	<b>107,313</b>
<b>Total liabilities</b>	<b>327,500</b>	<b>93,061</b>	<b>131,973</b>	<b>139,127</b>	<b>156,797</b>	<b>35,619</b>	<b>424,604</b>
<b>Net foreign currency position</b>	<b>5,753</b>	<b>1,635</b>	<b>196,268</b>	<b>206,905</b>	<b>215,403</b>	<b>750,312</b>	<b>1,174,255</b>
<b>Net notional amount of derivatives</b>	-	-	2,450	2,583	-	-	2,583

(\*) U.S.Dollar equivalents of the foreign currency balances other than TL and Euro.

(\*\*) U.S.Dollar balances of consolidated subsidiaries and joint ventures whose functional currency is other than U.S.Dollar.



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

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

##### Foreign currency risk (cont’d)

	30 June 2017		31 December 2016	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Devaluation of foreign currency	Valuation of foreign currency	Devaluation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	7,134	(7,134)	164	(164)
2- Portion hedged against TL risk (-)	-	-	-	-
<b>3- TL net effect (1+2)</b>	<b>7,134</b>	<b>(7,134)</b>	<b>164</b>	<b>(164)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	14,399	(14,399)	20,691	(20,691)
5- Portion hedged against Euro risk (-)	-	-	258	(258)
<b>6- Euro net effect (4+5)</b>	<b>14,399</b>	<b>(14,399)</b>	<b>20,949</b>	<b>(20,949)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	21,719	(21,719)	21,540	(21,540)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>21,719</b>	<b>(21,719)</b>	<b>21,540</b>	<b>(21,540)</b>
<b>Total (3+6+9)</b>	<b>43,252</b>	<b>(43,252)</b>	<b>42,653</b>	<b>(42,653)</b>

#### 12. 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.

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

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#### 12. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK (cont’d)

##### 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.

##### 30 June 2017

	Level 1	Level 2	Level 3
Private sector bonds	1,721,749	-	-
Equity securities	282,884	-	-
Foreign government bonds	117,258	-	-
Turkish government bonds	16,156	-	-
Mutual funds	109,158	-	-
<b>Financial assets at fair value through profit or loss</b>	<b>2,247,205</b>	-	-
Derivative instruments	-	-	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### 31 December 2016

	Level 1	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	-	-
<b>Financial assets at fair value through profit or loss</b>	<b>2,194,533</b>	-	-
Derivative instruments	-	891	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>891</b>	<b>-</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

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#### 13. SUBSEQUENT EVENTS

On 6 July 2017, according to the press release of the Capital Markets Board of Turkey (the Board) dated 25.07.2016 in order to protect the interests of minority shareholders, Board of Directors has resolved to buyback the shares up to nominal value of 4,600,000 TL, to determine the funds to be reserved as 50,000,000 TL for this purpose and to authorize Vice President İlhan Gücüyener for the transactions till the second announcement of the Board. As of 15 August 2017, the company has bought back all the determined shares.

On 9 August 2017, according to the press release of the Capital Markets Board of Turkey (the Board) dated 25.07.2016 in order to protect the interests of minority shareholders, Board of Directors has resolved to buyback the shares up to nominal value of 4,600,000 TL, to determine the funds to be reserved as 50,000,000 TL for this purpose and to authorize Vice President İlhan Gücüyener for the transactions till the second announcement of the Board. As of 15 August 2017, the company has bought back 2,300,000 TL nominal value of the shares.