

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

Condensed Consolidated Interim Financial
Statements As at and for the Three-Month
Period Ended
31 March 2018

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 20108**

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

ASSETS	Note	31 March 2018	31 December 2017
Current Assets		2,303,954	2,086,281
Cash and cash equivalents		983,370	781,718
Financial investments		561,296	578,886
Trade receivables		275,455	306,459
Other receivables			
Other receivables from related parties		28	21
Other receivables from third parties		877	793
Inventories		278,637	223,772
Prepaid expenses		85,519	90,103
Costs and estimated earnings in excess of billings on uncompleted contracts	5	27,937	12,168
Other current assets		67,276	68,725
		<u>2,280,395</u>	<u>2,062,645</u>
Assets held for sale and discontinued operations		23,559	23,636
Non-Current Assets		5,906,860	5,945,008
Financial investments		2,051,555	2,118,672
Trade receivables		46,435	46,877
Investment properties	7	2,108,281	2,081,941
Property, plant and equipment		1,617,671	1,614,651
Intangible assets			
Goodwill		22,077	22,077
Other intangible assets		35,369	34,959
Deferred tax assets		1,427	2,759
Prepaid expenses		19,767	18,745
Other non-current assets		4,278	4,327
TOTAL ASSETS		<u>8,210,814</u>	<u>8,031,289</u>

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 31 MARCH 20108

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

LIABILITIES	Note	31 March 2018	31 December 2017
Current Liabilities		986,029	949,558
Short-term borrowings		62,168	40,105
Current portion of long-term borrowings		21,674	37,598
Trade payables		217,441	153,562
Payables to employees		27,281	26,704
Other payables			
Payables to related parties		46	34
Payables to third parties		22,330	19,513
Billings in excess of costs and estimated earnings on uncompleted contracts	5	222,675	267,629
Deferred income		240,180	224,234
Taxation on income		63,132	60,188
Provisions			
Provisions for employee benefits		12,210	20,460
Other provisions		51,741	50,795
Other current liabilities		45,151	48,736
Non-Current Liabilities		800,622	797,918
Long-term borrowings		237,929	233,807
Trade payables	9	59,002	59,002
Other payables		17,887	17,997
Deferred income		1,963	4,412
Provisions for employee benefits		15,328	15,520
Deferred tax liabilities		468,513	467,180
EQUITY		6,424,163	6,283,813
Equity Attributable to Equity Holders of the Parent		6,347,123	6,207,493
Share capital	10	2,556,803	2,556,803
Treasury Shares		(32,660)	(25,866)
Revaluation surplus		175,968	176,262
Currency translation difference		(1,078,912)	(1,094,940)
Other reserves		280	280
Legal reserves and accumulated profit		4,725,644	4,594,954
Non-Controlling Interests		77,040	76,320
TOTAL LIABILITIES AND EQUITY		8,210,814	8,031,289

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 31 MARCH 2018**

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

	1 January- 31 March 2018	1 January- 31 March 2017
CONTINUING OPERATIONS		
Revenue	550,530	662,103
Cost of revenues (-)	(359,384)	(502,587)
GROSS PROFIT	191,146	159,516
Administrative expenses (-)	(20,449)	(17,397)
Marketing, selling and distribution expenses (-)	(6,552)	(7,728)
Other operating income	9,938	4,299
Other operating expenses (-)	(4,897)	(5,579)
PROFIT FROM OPERATIONS	169,186	133,111
Income from investing activities	39,759	127,575
Expenses from investing activities (-)	(45,142)	(23,262)
OPERATING PROFIT BEFORE FINANCE EXPENSES	163,803	237,424
Financial income	8,091	7,345
Financial expenses (-)	(9,904)	(16,629)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	161,990	228,140
Current tax expense (-)	(30,616)	(42,569)
Deferred tax expense (-)	(2,271)	(13,197)
NET PROFIT FOR THE PERIOD	129,103	172,374
Attributable to:		
Non-controlling interest	(1,256)	2,962
Equity holders of the parent	130,359	169,412
	129,103	172,374
Earning per share from continuing operations		
- ordinary share certificate (full cent)	0.03	0.04
Weighted average number of shares (1 cent weighted average shares)		
	457,700,000,000	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 31 MARCH 2018**

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

	1 January- 31 March 2018	1 January- 31 March 2017
NET PROFIT FOR THE PERIOD	129,103	172,374
Other Comprehensive Income / (Expense):		
Items that will not be reclassified subsequently to profit or loss	37	450
Changes in currency translation difference in revaluation fund of property	37	450
Items that may be reclassified subsequently to profit or loss	18,004	95,386
Changes in currency translation difference	18,004	95,386
OTHER COMPREHENSIVE INCOME / (LOSS)	18,041	95,836
TOTAL COMPREHENSIVE INCOME	147,144	268,210
Attributable to:		
Non-controlling interest	720	4,011
Equity holders of the parent	146,424	264,199
	147,144	268,210

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 31 MARCH 2018

(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
Balance at 1 January 2017	2,445,227	(12,032)	182,004	(1,190,023)	(541)	4,241,948	5,666,583	61,920	5,728,503
Total other comprehensive income	-	-	450	94,334	-	-	94,784	1,049	95,833
Profit for the period	-	-	-	-	-	169,415	169,415	2,962	172,377
Total comprehensive income	-	-	450	94,334	-	169,415	264,199	4,011	268,210
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(283)	-	-	283	-	-	-
Balance at 31 March 2017	2,445,227	(12,032)	182,171	(1,095,689)	(541)	4,411,646	5,930,782	65,931	5,996,713
Balance at 1 January 2018	2,556,803	(25,866)	176,262	(1,094,940)	280	4,594,954	6,207,493	76,320	6,283,813
Total other comprehensive income	-	-	37	16,028	-	-	16,065	1,976	18,041
Profit for the period	-	-	-	-	-	130,359	130,359	(1,256)	129,103
Total comprehensive income	-	-	37	16,028	-	130,359	146,424	720	147,144
Increase (Decrease) through Treasury Share Transactions	-	(6,794)	-	-	-	-	(6,794)	-	(6,794)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(331)	-	-	331	-	-	-
Balance at 31 March 2018	2,556,803	(32,660)	175,968	(1,078,912)	280	4,725,644	6,347,123	77,040	6,424,163

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 31 MARCH 2018

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

	1 January- 31 March 2018	1 January- 31 March 2017
Cash flows from operating activities		
Profit for the period	129,103	172,374
Adjustments to reconcile net income to net cash used in operating activities:		
- Depreciation and amortization of non-current assets	26,587	25,590
- Provision for employment termination benefits	550	1,180
- Allowance for doubtful receivables	169	290
- Provision for litigations	1,357	563
- Adjustments to deferred income from electricity sale	(41,010)	(44,497)
- Loss / (gain) from fair value of forward transactions	974	111
- Interest expense	1,629	608
- Interest income	(30,492)	(34,744)
- Dividend income	(2,104)	(1,340)
- Provision for inventory impairment, net	(364)	147
- Gain on sale or disposal of property, plant and equipment, net	(134)	(79)
- Valuation of investment securities	44,975	(59,837)
- Tax expense	32,888	55,766
	<u>164,128</u>	<u>116,132</u>
Movements in working capital		
Decrease in trade and other receivables	29,036	46,757
Decrease / (Increase) in cost and estimated earnings in excess of billings on uncompleted contracts	(15,769)	(22,711)
(Increase) / Decrease in inventory	(54,499)	(54,858)
(Increase) / Decrease in other current assets and other non current assets	5,246	(9,434)
Decrease / (Increase) in trade and other payables	63,879	63,652
(Increase) / Decrease in billings in excess of cost and estimated earnings on uncompleted contracts	(44,954)	(33,445)
Increase / (Decrease) in provision for liabilities and other liabilities	44,585	(4,183)
	<u>27,524</u>	<u>(14,222)</u>
Income taxes paid	(27,672)	(19,239)
Employee termination benefits paid	(485)	(1,105)
Net cash generated from operating activities	<u>163,495</u>	<u>81,566</u>
Cash flows from investing activities		
Proceeds from / (Purchases of) financial investments	39,519	(29,392)
Proceeds on disposal or sale of property, plant and equipment	553	3,132
Purchases of property, plant and equipment, intangible assets and investment properties	(57,529)	(42,161)
Interest received	28,492	33,321
Dividend income	2,104	1,340
Net cash used in investing activities	<u>13,139</u>	<u>(33,760)</u>
Cash flows from financing activities		
Short-term borrowings, net	22,114	43,075
Repayments of borrowings	(15,967)	-
Payments to acquire entity's shares	(6,794)	-
Interest received	2,000	1,423
Interest paid	(937)	(442)
Net cash used in financing activities	<u>416</u>	<u>44,056</u>
Translation reserve	24,602	21,880
Net increase / (decrease) in cash and cash equivalents	<u>201,652</u>	<u>113,742</u>
Cash and cash equivalents at beginning of the period	780,718	999,020
Cash and cash equivalents at end of the period	<u>982,370</u>	<u>1,112,762</u>

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 31 MARCH 2018

(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 31 March 2018, 11.98% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 31 March 2018, the average numbers of white and blue-collar personnel are respectively 4,649 and 13,509(31 December 2017 – 4,641 and 15,751).

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. Additionally the Group is operating in trading activities.
- 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, Kenya, Djibouti, Mauritania and Equatorial Guinea in Africa; Saudi Arabia, Sri Lanka, India, Oman, Iraq and Afganistan in Asia and also in Mexico and Paraguay.
- iv. *Europe*: engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Greece, 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 2017 (‘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 8 November 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 2017.

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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

2.4 Changes in the accounting policies

With the exception of followings, the accounting policies applied in the interim condensed consolidated financial statements as at and for three months period ended 31 March 2018 are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2017.

2.4.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized and replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The amendments are effective for periods beginning on or after 1 January 2018 and the Group does not expect that application of IFRS 15 will have significant impact on its consolidated financial statements.

2.4.2 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company’s accounting policies related to financial liabilities and derivative financial instruments.

Detailed information on how the Company classifies, measures and recognizes the related income and expenses in accordance with IFRS 9 is presented below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

2.4 Changes in the accounting policies (cont’d)

2.4.2 IFRS 9 Financial Instruments (cont’d)

i. Classification and measurement of financial assets and financial liabilities (cont’d)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at FVTOCI	These assets are measured at fair value through other comprehensive income
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

ii. Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in TAS 39 with an “expected credit loss” model. The new impairment model applies to financial assets measured at amortized cost and contract assets but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables, corporate borrowing instruments and cash and cash equivalents.

The Company recognizes loss allowances for the expected credit losses of the following items under IFRS 9:

- financial assets measured at amortized cost;

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

2.4 Changes in the accounting policies (cont’d)

2.4.2 IFRS 9 Financial Instruments (cont’d)

ii. Impairment of financial assets (cont’d)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its obligations arising from retail sales, turnover premiums contracts and supplier discounts to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or the financial asset is more than 360 days past due.

The Company considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Lifetime expected credit losses are that result from all possible default events over the expected life of a financial instrument 12-month expected credit losses are that result from possible default events within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses:

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

Expected credit losses are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Company applies the simplified approach to providing for expected credit losses (IFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on actual credit loss experience over the past years.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery (such as a debtor failing to engage in a repayment plan with the Company). Where trade receivables, other receivables, other assets and contract assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Impact of the IFRS 9

As of 1 January 2018, the Group does not expect that application of IFRS 9 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 31 MARCH 2018

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

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

2.5 Standards and interpretations issued but not yet effective

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 9.

Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 28.

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 16 Leases

On 13 January 2016, IASB issued 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 *Leases* 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.

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

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 (cont’d)

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. 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.

IFRS 3 Business Combinations and IFRS11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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

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 (cont’d)

Annual Improvements to IFRSs 2015-2017 Cycle (cont’d)

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted 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.

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.

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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 - 31 March 2018					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	211,618	79,156	58,881	200,875	-	550,530
Inter-segment revenues	31,846	-	2,346	5,621	(39,813)	-
Cost of revenues (-)	(164,784)	(29,029)	(45,758)	(119,813)	-	(359,384)
Inter-segment cost of revenues (-)	(31,846)	-	(2,346)	(5,621)	39,813	-
Gross profit	46,834	50,127	13,123	81,062	-	191,146
Administrative expenses (-)	(12,510)	(3,072)	(3,438)	(1,458)	29	(20,449)
Marketing expenses (-)	(2,756)	(1,377)	(2,419)	-	-	(6,552)
Other operating income	6,351	272	1,447	1,868	-	9,938
Other operating expenses (-)	(4,736)	(64)	(91)	(6)	-	(4,897)
Profit from operations	33,183	45,886	8,622	81,466	29	169,186
Investment income	39,759	-	-	-	-	39,759
Investment expenses (-)	(45,142)	-	-	-	-	(45,142)
Profit from operations before financial income / (expenses)	27,800	45,886	8,622	81,466	29	163,803
Financial income	3,734	122	2,492	2,591	(848)	8,091
Financial expenses (-)	(7,259)	(720)	(1,068)	(1,455)	598	(9,904)
Profit before tax	24,275	45,288	10,046	82,602	(221)	161,990
Current tax expense (-)	(8,530)	(9,111)	(2,022)	(10,953)	-	(30,616)
Deferred taxation income/ (expenses)	4,550	(465)	1,016	(7,372)	-	(2,271)
Profit for the period from continuing operations	20,295	35,712	9,040	64,277	(221)	129,103
	31 March 2018					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	4,308,603	2,235,536	329,327	1,337,348		8,210,814
Total assets	4,308,603	2,235,536	329,327	1,337,348		8,210,814
Segment liabilities	697,437	426,437	176,622	486,155		1,786,651
Total liabilities	697,437	426,437	176,622	486,155		1,786,651
	1 January - 31 March 2018					
Other segment information	Construction contracts	Rental	Trade	Energy		Consolidated
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	27,029	29,684	203	169		57,085
Intangible assets	396	27	-	21		444
Total capital expenditures	27,425	29,711	203	190		57,529
Depreciation expense	11,509	700	399	13,330		25,938
Amortisation	575	25	13	36		649

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4. SEGMENTAL INFORMATION (cont’d)

a) Business segments(cont’d)

	1 January - 31 March 2017					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	222,885	77,409	41,893	319,916	-	662,103
Inter-segment revenues	25,648	-	307	2,972	(28,927)	-
Cost of revenues (-)	(188,864)	(25,868)	(33,214)	(254,641)	-	(502,587)
Inter-segment cost of revenues (-)	(25,648)	-	(307)	(2,972)	28,927	-
Gross profit	34,021	51,541	8,679	65,275	-	159,516
Administrative expenses (-)	(11,723)	(2,221)	(1,792)	(1,710)	49	(17,397)
Marketing expenses (-)	(2,807)	(3,017)	(1,894)	(10)	-	(7,728)
Other operating income	3,480	379	369	71	-	4,299
Other operating expenses (-)	(4,965)	(145)	(456)	(13)	-	(5,579)
Profit from operations	18,006	46,537	4,906	63,613	49	133,111
Investment income	127,575	-	-	-	-	127,575
Investment expenses (-)	(22,892)	(370)	-	-	-	(23,262)
Profit from operations before financial income / (expenses)	122,689	46,167	4,906	63,613	49	237,424
Financial income	1,449	1,690	2,266	2,176	(236)	7,345
Financial expenses (-)	(15,029)	(1,351)	(494)	(420)	665	(16,629)
Profit before tax	109,109	46,506	6,678	65,369	478	228,140
Current tax expense (-)	(18,864)	(12,220)	(1,587)	(9,898)	-	(42,569)
Deferred taxation income/ (expenses)	(5,525)	(949)	560	(7,283)	-	(13,197)
Profit for the period from continuing operations	84,720	33,337	5,651	48,188	478	172,374
	31 December 2017					
	Construction contracts	Rental	Trade	Energy	Consolidated	
Segment assets	4,232,520	2,204,963	230,174	1,363,632	8,031,289	
Total assets	4,232,520	2,204,963	230,174	1,363,632	8,031,289	
Segment liabilities	696,449	430,388	91,396	529,243	1,747,476	
Total liabilities	696,449	430,388	91,396	529,243	1,747,476	
	1 January - 31 March 2017					
	Construction contracts	Rental	Trade	Energy	Consolidated	
Other segment information						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	11,001	25,761	13	3,816	40,591	
Intangible assets	1,467	92	-	10	1,569	
Total capital expenditures	12,468	25,853	13	3,826	42,160	
Depreciation expense	10,536	855	332	13,309	25,032	
Amortisation	481	24	23	32	560	

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4. SEGMENTAL INFORMATION (cont’d)

a) Business segments(cont’d)

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation. For the period ended 31 March 2018, revenues amounting to USD 200,875 (31 March 2017 - USD 319,916) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the period ended 31 March 2018, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 95,277 (31 March 2017 - USD 214,302) 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 March 2018						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	301,801	154,482	39,213	55,034	-	550,530
Inter-segment sales	17,018	22,795	-	-	(39,813)	-
Capital expenditures	13,066	30,179	13,765	519	-	57,529
31 March 2018						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,174,442	2,723,202	98,829	214,341	-	8,210,814
1 January - 31 March 2017						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	429,162	148,806	48,087	36,048	-	662,103
Inter-segment sales	9,576	19,351	-	-	(28,927)	-
Capital expenditures	15,032	26,552	3	573	-	42,160
31 December 2017						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,073,605	2,630,522	101,135	226,027	-	8,031,289

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5. CONSTRUCTION CONTRACTS

The Group’s construction contracts details as of 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018	31 December 2017
Costs incurred on uncompleted contracts	2,562,295	2,259,859
Recognized profit less recognized losses to date, net	428,987	384,951
	<u>2,991,282</u>	<u>2,644,810</u>
Less: Progress billing	(3,186,020)	(2,900,271)
	<u>(194,738)</u>	<u>(255,461)</u>
	31 March 2018	31 December 2017
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	27,937	12,168
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(222,675)	(267,629)
	<u>(194,738)</u>	<u>(255,461)</u>

As of 31 March 2018, the amount of advances received of subsidiaries and companies shares in joint operations is USD 37,392 (31 December 2017: USD 26,322).

6. INVESTMENT PROPERTIES

As of 31 March 2018 and 2017, movement of investment properties is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance	2,081,941	1,886,911
Currency translation difference	(2,998)	89,766
Additions	29,338	25,457
Closing balance	<u>2,108,281</u>	<u>2,002,134</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 March 2018 the Group purchased property plant and equipment amounting to USD 27,747 (31 March 2017: USD 15,134). In addition during the period ended 31 March 2018 net book value of USD 419 (31 March 2017: 3,053) property plant and equipment sold for USD 553 (31 March 2017: USD 3,132).

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8. COMMITMENTS

Litigations

During the period ended 31 March 2018, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2017 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 31 March 2018 and 31 December 2017 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	31 March 2018		31 December 2017	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		607,745		510,867
-USD	368,102	368,102	346,577	346,577
-EUR	128,841	158,805	76,192	91,213
-TL	81,812	20,718	79,838	21,166
-Others (*)		60,120		51,911
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		73,430		69,282
-USD	85	85	85	85
-EUR	-	-	-	-
-TL	826	209	826	219
-Others (*)		73,136		68,978
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>681,175</u>		<u>580,149</u>

(*) U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR. As of 31 March 2018 the portion of other guarantess given to shareholders' equity is 0% (31 December 2017 - 0%).

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

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10. SHARE CAPITAL AND RESERVES

The shareholders of the Group and their percentage of ownership as of 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018		31 December 2017	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.57%	1,267,408	49.52%	1,266,129
Vildan Gülçelik	7.99%	204,289	7.99%	204,289
Sevda Gülçelik	6.43%	164,402	6.43%	164,402
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	150,084	5.87%	150,084
Other	30.14%	770,620	30.19%	771,899
	100%	2,556,803	100%	2,556,803
Purchase of treasury shares (*)		(32,660)		(25,866)
		2,524,143		2,530,937

Based on the Group’s Ordinary General Assembly held on 28 March 2018; it has been resolved to increase the share capital from TL 4.600.000 to TL 5.000.000; and to cover TL 400.000 from the Dividend.

Based on the Group’s Ordinary General Assembly held on 28 March 2018; regarding to the distribution of the year 2017 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share net in total TL 901,000 (2017 - TL 784,000); further it has been resolved to distribute TL 32,348 (2017 - TL 29,352) as cash dividend to founder shares. Net in total TL 165,000 from TL 901,000 has been distributed as an advance dividend on 27 September 2017, net in total TL 184,000 from TL 901,000 has been distributed as an advance dividend on 13 December 2017 and the remaining amount net in total TL 552,000 is distributed on 17 April 2018.

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.

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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 31 March 2018 and 31 December 2017:

	31 March 2018	31 December 2017
A. Assets denominated in foreign currency	877,879	819,844
B. Liabilities denominated in foreign currency	(514,534)	(406,852)
Net foreign currency position (A+B)	<u>363,345</u>	<u>412,992</u>

The Group’s foreign currency position at 31 March 2018 and 31 December 2017 is as follows (non monetary items are not included in the table as they don’t have foreign currency risk):

	31 March 2018						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	44,584	11,290	70,001	86,283	206,611	22,052	326,236
Financial investments	263,434	66,711	107,184	132,114	65,668	-	264,493
Trade and other receivables	35,415	8,968	29,928	36,889	24,400	4,983	75,240
Other current assets	203,135	51,441	20,444	25,200	20,931	44,034	141,606
Current assets	546,568	138,410	227,557	280,486	317,610	71,069	807,575
Financial investments	-	-	13,271	16,358	41,869	-	58,227
Trade and other receivables	-	-	-	-	-	-	-
Other non-current assets	9,097	2,304	-	-	5,135	4,638	12,077
Non-current assets	9,097	2,304	13,271	16,358	47,004	4,638	70,304
Total assets	555,665	140,714	240,828	296,844	364,614	75,707	877,879
Short-term borrowings	25	6	42,294	52,132	26,899	-	79,037
Trade and other payables	40,913	10,361	20,978	25,858	113,092	8,130	157,441
Other current liabilities and accrued expenses	320,177	81,080	2,283	2,814	48,025	23,118	155,037
Current liabilities	361,115	91,447	65,555	80,804	188,016	31,248	391,515
Trade and other payables	11	3	-	-	-	-	3
Long-term borrowings	-	-	35,713	44,020	76,182	-	120,202
Other non-current liabilities	2,316	587	-	-	-	2,227	2,814
Non-current liabilities	2,327	590	35,713	44,020	76,182	2,227	123,019
Total liabilities	363,442	92,037	101,268	124,824	264,198	33,475	514,534
Net foreign currency position	192,223	48,677	139,560	172,020	100,416	42,232	363,345
Net notional amount of derivatives	-	-	121,798	150,128	-	-	150,128

(*) 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.

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

Foreign currency risk (cont’d)

	31 December 2017						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	23,571	6,249	72,952	87,331	189,815	16,798	300,193
Financial investments	286,925	76,069	101,119	121,050	48,303	-	245,422
Trade and other receivables	122,326	32,431	21,694	25,970	23,301	3,629	85,331
Other current assets	207,691	55,063	3,998	4,785	19,705	42,825	122,378
Current assets	640,513	169,812	199,763	239,136	281,124	63,252	753,324
Financial investments	-	-	12,341	14,773	40,485	-	55,258
Trade and other receivables	10	3	-	-	-	-	3
Other non-current assets	9,192	2,437	35	42	4,276	4,504	11,259
Non-current assets	9,202	2,440	12,376	14,815	44,761	4,504	66,520
Total assets	649,715	172,252	212,139	253,951	325,885	67,756	819,844
Short-term borrowings	7	2	33,500	40,103	15,628	-	55,733
Trade and other payables	56,151	14,887	14,083	16,859	28,339	348	60,433
Other current liabilities and accrued expenses	340,102	90,167	4,061	4,861	40,858	18,946	154,832
Current liabilities	396,260	105,056	51,644	61,823	84,825	19,294	270,998
Trade and other payables	11	3	-	-	-	-	3
Long-term borrowings	-	-	50,090	59,963	72,921	-	132,884
Other non-current liabilities	3,180	843	-	-	-	2,124	2,967
Non-current liabilities	3,191	846	50,090	59,963	72,921	2,124	135,854
Total liabilities	399,451	105,902	101,734	121,786	157,746	21,418	406,852
Net foreign currency position	250,264	66,350	110,405	132,165	168,139	46,338	412,992
Net notional amount of derivatives	-	-	76,075	91,069	-	-	91,069

(*) 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

(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 March 2018		31 December 2017	
	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)	4,867	(4,867)	6,635	(6,635)
2- Portion hedged against TL risk (-)	-	-	-	-
3- TL net effect (1+2)	4,867	(4,867)	6,635	(6,635)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	17,202	(17,202)	13,217	(13,217)
5- Portion hedged against Euro risk (-)	15,013	(15,013)	9,107	(9,107)
6- Euro net effect (4+5)	32,215	(32,215)	22,324	(22,324)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	10,042	(10,042)	16,814	(16,814)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	10,042	(10,042)	16,814	(16,814)
Total (3+6+9)	47,124	(47,124)	45,773	(45,773)

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.

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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

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.

31 March 2018

	Level 1	Level 2	Level 3
Private sector bonds	1,679,413	-	-
Equity securities	358,038	-	-
Foreign government bonds	442,757	-	-
Turkish government bonds	28,785	-	-
Mutual funds	103,858	-	-
Financial assets at fair value through profit or loss	2,612,851	-	-
Derivative instruments	-	893	-
Financial liabilities at fair value through profit or loss	-	893	-

31 December 2017

	Level 1	Level 2	Level 3
Private sector bonds	1,786,574	-	-
Equity securities	323,758	-	-
Foreign government bonds	457,950	-	-
Turkish government bonds	15,955	-	-
Mutual funds	113,321	-	-
Financial assets at fair value through profit or loss	2,697,558	-	-
Derivative instruments	-	3,881	-
Financial liabilities at fair value through profit or loss	-	3,881	-

13. SUBSEQUENT EVENTS

On 30 April 2018, 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 9 May 2018, the company has bought back 2,600,000 TL nominal value of the shares.