

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

Condensed Consolidated Interim Financial
Statements As at and for the Six-Months Period
Ended with Independent Auditors' Review
Report
30 June 2019

8 August 2019

This interim report includes 2 pages independent auditors' review report and 26 pages of condensed consolidated interim financial statements with their explanatory notes.

Independent Auditors' Report on Review of 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 ("the Company") and its subsidiaries and joint operations (collectively referred to as "the Group") as at 30 June 2019, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standards 34 *Interim Financial Reporting* ("IAS 34"). 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 Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410"). 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 the 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 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Erdal Tıkmak, SMMM
Partner

8 August 2019
Istanbul, Turkey

TABLE OF CONTENTS**PAGE**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION.....	1-2
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS.....	3
CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME....	4
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY.....	5
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS.....	6
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	7-26
NOTE 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP.....	7
NOTE 2 BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7-11
NOTE 3 CHANGES IN OPERATIONAL SEASON.....	11
NOTE 4 SEGMENTAL INFORMATION	12-17
NOTE 5 CONSTRUCTION CONTRACTS.....	17
NOTE 6 INVESTMENT PROPERTY.....	18
NOTE 7 PROPERTY, PLANT AND EQUIPMENT.....	18
NOTE 8 COMMITMENTS.....	19
NOTE 9 RELATED PARTY BALANCES AND TRANSACTIONS.....	20
NOTE 10 SHARE CAPITAL AND RESERVES.....	20
NOTE 11 INVESTMENT INCOME.....	20
NOTE 12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	21-24
NOTE 13 FINANCIAL INSTRUMENTS - FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK.....	25-26
NOTE 14 SUBSEQUENT EVENTS	26

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

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

ASSETS	Note	30 June 2019	31 December 2018
Current Assets		2,511,432	2,521,452
Cash and cash equivalents		695,274	626,712
Financial investments		1,065,732	899,517
Trade receivables		272,732	505,938
Other receivables			
Other receivables from related parties		87	20
Other receivables from third parties		1,111	1,033
Inventories		304,840	307,082
Prepaid expenses		48,096	45,890
Costs and estimated earnings in excess of billings on uncompleted contracts	5	47,023	45,203
Other current assets		53,183	66,681
		<u>2,488,078</u>	<u>2,498,076</u>
Assets held for sale		23,354	23,376
Non-Current Assets		5,435,578	5,274,829
Financial investments		1,785,795	1,725,464
Trade receivables		16,811	44,103
Investment properties	6	2,014,414	1,891,078
Property, plant and equipment	7	1,547,918	1,554,394
Right of use assets		25,305	-
Intangible assets			
Other intangible assets		25,751	44,062
Deferred tax assets		6,202	5,415
Prepaid expenses		9,683	6,426
Other non-current assets		3,699	3,887
TOTAL ASSETS		<u>7,947,010</u>	<u>7,796,281</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 30 JUNE 2019

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

LIABILITIES	Note	30 June 2019	31 December 2018
Current Liabilities		769,204	913,251
Short-term borrowings		58,662	54,540
Current portion of long-term borrowings		19,009	18,914
Trade payables		160,629	344,400
Payables to employees		18,770	19,751
Other payables			
Payables to related parties		28	29
Payables to third parties		17,964	20,776
Billings in excess of costs and estimated earnings on uncompleted contracts	5	143,535	167,209
Deferred income		224,113	139,368
Taxation on income		22,678	53,126
Provisions			
Provisions for employee benefits		12,092	14,780
Other provisions		41,679	51,630
Other current liabilities		50,045	28,728
Non-Current Liabilities		718,107	701,812
Long-term borrowings		173,715	178,355
Other payables		25,224	25,009
Deferred income		1,739	1,079
Provisions for employee benefits		12,559	13,309
Deferred tax liabilities		504,870	484,060
EQUITY		6,459,699	6,181,218
Equity Attributable to Equity Holders of the Parent		6,385,712	6,102,790
Share capital	10	2,639,338	2,639,338
Treasury Shares	10	(64,870)	(55,725)
Revaluation surplus		153,304	169,342
Currency translation difference		(1,211,787)	(1,311,178)
Other reserves		(1,267)	(1,644)
Legal reserves and accumulated profit		4,870,994	4,662,657
Non-Controlling Interests		73,987	78,428
TOTAL LIABILITIES AND EQUITY		7,947,010	7,796,281

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 2019

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

	Note	1 January- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2019	1 April- 30 June 2018
CONTINUING OPERATIONS					
Revenue	4	1,007,595	1,242,844	454,877	692,314
Cost of revenues (-)	4	(758,217)	(873,684)	(347,459)	(514,300)
GROSS PROFIT		249,378	369,160	107,418	178,014
Administrative expenses (-)	4	(44,230)	(46,174)	(23,282)	(25,725)
Marketing, selling and distribution expenses (-)	4	(12,289)	(13,168)	(5,972)	(6,616)
Other operating income	4	7,512	19,564	3,427	9,626
Other operating expenses (-)	4	(23,600)	(14,311)	(16,903)	(9,414)
PROFIT FROM OPERATIONS		176,771	315,071	64,688	145,885
Income from investing activities	4	235,427	74,466	148,996	34,707
Expenses from investing activities (-)	4	(14,325)	(207,663)	(879)	(162,521)
OPERATING PROFIT BEFORE FINANCE EXPENSES		397,873	181,874	212,805	18,071
Financial income	4	20,378	27,977	8,291	19,886
Financial expenses (-)	4	(17,666)	(21,639)	(2,360)	(11,735)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		400,585	188,212	218,736	26,222
Current tax expense (-)		(50,066)	(57,316)	(28,981)	(26,700)
Deferred tax expense (-)		(9,145)	(10,649)	(4,054)	(8,378)
NET PROFIT (LOSS) FOR THE PERIOD		341,374	120,247	185,701	(8,856)
Attributable to:					
Non-controlling interest		(180)	916	(162)	2,172
Equity holders of the parent		341,554	119,331	185,863	(11,028)
		341,374	120,247	185,701	(8,856)
Earning / (Loss) per share from continuing operations					
- ordinary share certificate (full USD)		0.07	0.02	0.04	-
Weighted average number of shares (1 dollar weighted average shares)					
		4,940,000,000	4,940,000,000	4,940,000,000	4,940,000,000

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 2019

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

	1 January- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2019	1 April- 30 June 2018
NET PROFIT FOR THE PERIOD	341,374	120,247	185,701	(8,856)
Other Comprehensive Income / (Expense):				
Items that will not be reclassified subsequently to profit or loss				
Gains / (losses) on revaluation of property, plant and equipment	(15,350)	(512)	(15,729)	(549)
Changes in currency translation difference in revaluation fund of property	(15,880)	-	(15,880)	-
Items that may be reclassified subsequently to profit or loss	530	(512)	151	(549)
Changes in currency translation difference	96,654	(105,332)	30,326	(123,336)
Gains (Losses) on financial assets measured at fair value through other comprehensive income	96,277	(105,332)	29,963	(123,336)
	377	-	363	-
OTHER COMPREHENSIVE INCOME / (LOSS)	81,304	(105,844)	14,597	(123,885)
TOTAL COMPREHENSIVE INCOME	422,678	14,403	200,298	(132,741)
Attributable to:				
Non-controlling interest	(3,293)	(1,441)	(2,382)	(2,161)
Equity holders of the parent	425,971	15,844	202,680	(130,580)
	422,678	14,403	200,298	(132,741)

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 2019

(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 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	-	-	(512)	(102,975)	-	-	(103,487)	(2,357)	(105,844)
Profit for the period	-	-	-	-	-	119,331	119,331	916	120,247
Total comprehensive income	-	-	(512)	(102,975)	-	119,331	15,844	(1,441)	14,403
Increase (Decrease) through Treasury Share Transactions	-	(16,624)	-	-	-	-	(16,624)	-	(16,624)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(669)	-	-	669	-	-	-
Share capital increase	82,535	-	-	-	-	(82,535)	-	-	-
Dividends paid	-	-	-	-	-	(141,975)	(141,975)	(434)	(142,409)
Transfer of revaluation surplus of sold lands	-	-	-	-	-	-	-	-	-
Balance at 30 June 2018	2,639,338	(42,490)	175,081	(1,197,915)	280	4,490,444	6,064,738	74,445	6,139,183
Balance at 1 January 2019	2,639,338	(55,725)	169,342	(1,311,178)	(1,644)	4,662,657	6,102,790	78,428	6,181,218
Total other comprehensive income	-	-	(15,351)	99,391	377	-	84,417	(3,113)	81,304
Profit for the period	-	-	-	-	-	341,554	341,554	(180)	341,374
Total comprehensive income	-	-	(15,351)	99,391	377	341,554	425,971	(3,293)	422,678
Increase (Decrease) through Treasury Share Transactions	-	(9,145)	-	-	-	-	(9,145)	-	(9,145)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(687)	-	-	687	-	-	-
Dividends paid	-	-	-	-	-	(133,904)	(133,904)	(1,148)	(135,052)
Balance at 30 June 2019	2,639,338	(64,870)	153,304	(1,211,787)	(1,267)	4,870,994	6,385,712	73,987	6,459,699

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 2019

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

	1 January- 30 June 2019	1 January- 30 June 2018
Cash flows from operating activities		
Profit for the period	341,374	120,247
Adjustments to reconcile net income to net cash used in operating activities:		
- Adjustments related to depreciation and amortisation	50,890	49,897
- Adjustments related to provision for employment	977	556
- Adjustments related to allowance for doubtful receivables	466	62
- Adjustments related to provision for litigations	3,078	2,946
- Adjustments to related to deferred income from electricity sale	(16,650)	(78,999)
- (Income) / loss from fair value of forward transactions	1,357	(7,700)
- Adjustments to related to interest expense	2,732	2,272
- Adjustments to related to interest income	(66,879)	(63,549)
- Adjustments to related to dividend income	(10,965)	(7,517)
- Adjustments to related to provision for inventory impairment, net	(70)	(76)
- Adjustments to related to gain on sale or disposal of property, plant and equipment	2,211	(729)
- Adjustments to related to valuation of investment securities	(137,630)	194,868
- Interest accrual	152	310
- Tax expense	59,211	67,965
	<u>230,254</u>	<u>280,553</u>
Movements in working capital		
Change in trade and other receivables	260,012	(67,826)
Change cost and estimated earnings in excess of billings on uncompleted contracts	(1,820)	(10,014)
Change in inventory	2,306	(65,132)
Change in other current assets and other non current assets	8,168	16,017
Change in trade and other payables	(183,771)	159,016
Change in billings in excess of cost and estimated earnings on uncompleted contracts	(23,674)	(68,619)
Change provision for liabilities and other liabilities	103,097	56,289
	<u>164,318</u>	<u>19,731</u>
Income taxes paid	(80,513)	(77,124)
Employee termination benefits paid	(467)	(1,149)
Net cash generated from operating activities	<u>313,592</u>	<u>222,011</u>
Cash flows from investing activities		
Purchases of financial investments	(397,318)	(179,424)
Sale of financial investments	308,396	276,855
Proceeds on disposal or sale of property, plant and equipment	14,520	5,811
Purchases of property, plant and equipment, intangible assets and investment properties	(93,683)	(101,043)
Interest received	61,328	58,886
Dividend received	10,965	7,517
Net cash used in investing activities	<u>(95,792)</u>	<u>68,602</u>
Cash flows from financing activities		
Short-term borrowings	11,328	(17,092)
Addition to long-term borrowings	7,127	25,000
Repayments of borrowings	(26,005)	(7,588)
Purchase of treasury shares	(9,145)	(16,624)
Interest received	5,399	4,353
Interest paid	(2,717)	(1,562)
Dividend paid to non-controlling interests	(1,148)	(434)
Dividend paid	(133,904)	(141,975)
Net cash used in financing activities	<u>(149,065)</u>	<u>(155,922)</u>
Translation reserve	(174)	5,192
Net increase / (decrease) in cash and cash equivalents	<u>68,561</u>	<u>139,883</u>
Cash and cash equivalents at beginning of the period	625,713	780,718
Cash and cash equivalents at end of the period	<u>694,274</u>	<u>920,601</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 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

Enka İnşaat ve Sanayi Anonim Şirketi (“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 2019, 11,68% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 30 June 2019, the average numbers of white and blue-collar personnel are respectively 4,459 and 12,291 (31 December 2018 – 4,558 and 12,043).

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 in Africa; Saudi Arabia, Sri Lanka, India, Oman, Iraq and Afganistan in Asia; Mexico in North America and Paraguay in South America.
- 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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial assets at fair value through profit or loss and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (“USD”) and all values are rounded to the nearest thousand (‘000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 30 June 2019. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 8 August 2019. The General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

Enka İnşaat and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting”. The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries where they are registered. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) including requirements of IAS 34 “Interim Financial Reporting”. IAS consists of International Accounting Standards, International Financial Reporting Standards (“IFRS”) and related appendices and interpretations.

The Group also reported separately for the consolidated financial statements for the same period prepared in accordance with TAS. There are no differences between the consolidated financial statements prepared in accordance with TAS and consolidated IFRS financial statements except for the use of TL as the presentation currency in accordance with IAS 21 “the effects of changes in foreign exchange rates”.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.2 Changes in the accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

The Group has initially adopted IFRS 16 *Leases* from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases on-balance sheet.

i. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group’s accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.2 Changes in the accounting policies (cont’d)

i. Significant accounting policies (cont’d)

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Some leases provide for additional rent payments that are based on changes in local price indices. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The leases were classified as finance leases under IAS 17. For the finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets	7,869
Short-term lease liabilities	163
Long-term lease liabilities	7,706

The Group presents lease liabilities in “borrowings” in the statement of financial position.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is for USD 5.1%.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.3 Changes in Accounting Estimates and Errors

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the previous periods are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current period but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. There is no material change in accounting estimates of the Group in the current period.

When a significant accounting error is identified, it is corrected retrospectively and the prior year consolidated financial statements are restated. The Group did not detect any significant accounting error in the current year.

2.4 Standards and interpretations issued but not yet effective

As of 30 June 2019, the standards and interpretations issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

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.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39. The Group does not expect that application of these amendments to IFRS 4 will have significant impact on its consolidated financial statements.

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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

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

As of 30 June 2019, the standards and interpretations issued but not yet effective and not early adopted (cont’d)

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended “definition of material “was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With this amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.5 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 2018.

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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

4. 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 2019					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	515,725	168,158	51,943	271,769	-	1,007,595
Inter-segment revenues	17,115	-	5,922	6,236	(29,273)	-
Cost of revenues (-)	(411,686)	(60,393)	(42,354)	(243,784)	-	(758,217)
Inter-segment cost of revenues (-)	(17,115)	-	(5,922)	(6,236)	29,273	-
Gross profit	104,039	107,765	9,589	27,985	-	249,378
Administrative expenses (-)	(27,427)	(8,420)	(4,481)	(3,949)	47	(44,230)
Marketing expenses (-)	(6,414)	(3,100)	(2,775)	-	-	(12,289)
Other operating income	5,961	343	433	775	-	7,512
Other operating expenses (-)	(21,973)	(1,238)	(366)	(23)	-	(23,600)
Profit from operations	54,186	95,350	2,400	24,788	47	176,771
Investment income	235,427	-	-	-	-	235,427
Investment expenses (-)	(14,325)	-	-	-	-	(14,325)
Profit from operations before financial income / (expenses)	275,288	95,350	2,400	24,788	47	397,873
Financial income	5,514	3,211	794	11,028	(169)	20,378
Financial expenses (-)	(10,078)	(4,453)	(1,823)	(1,312)	-	(17,666)
Profit / (loss) before tax	270,724	94,108	1,371	34,504	(122)	400,585
Current tax expense (-)	(19,054)	(18,666)	(1,138)	(11,208)	-	(50,066)
Deferred taxation income/ (expenses)	(6,708)	(2,394)	833	(876)	-	(9,145)
Profit / (loss) for the period from continuing operations	244,962	73,048	1,066	22,420	(122)	341,374
	30 June 2019					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	4,394,275	2,123,167	230,796	1,198,772		7,947,010
Total assets	4,394,275	2,123,167	230,796	1,198,772		7,947,010
Segment liabilities	719,110	399,411	98,912	269,878		1,487,311
Total liabilities	719,110	399,411	98,912	269,878		1,487,311
	1 January - 30 June 2019					
	Construction contracts	Rental	Trade	Energy		Consolidated
Other segment information						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	27,965	12,576	20,635	15,713		76,889
Intangible assets	12,188	32	1	4,573		16,794
Total capital expenditures	40,153	12,608	20,636	20,286		93,683
Depreciation expense	18,904	1,133	649	26,542		47,228
Amortisation	3,557	50	12	43		3,662

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

4. SEGMENTAL INFORMATION (cont’d)

a) Business segments(cont’d)

	1 April - 30 June 2019					Consolidated
	Construction contracts	Rental	Trade	Energy	Eliminations	
Revenues	284,918	85,727	23,487	60,745	-	454,877
Inter-segment revenues	11,465	-	3,261	1,347	(16,073)	-
Cost of revenues (-)	(233,908)	(28,041)	(19,073)	(66,437)	-	(347,459)
Inter-segment cost of revenues (-)	(11,465)	-	(3,261)	(1,347)	16,073	-
Gross profit	51,010	57,686	4,414	(5,692)	-	107,418
Administrative expenses (-)	(14,887)	(4,744)	(1,736)	(1,962)	47	(23,282)
Marketing expenses (-)	(3,356)	(1,538)	(1,078)	-	-	(5,972)
Other operating income	3,018	(16)	372	53	-	3,427
Other operating expenses (-)	(16,012)	(981)	94	(4)	-	(16,903)
Profit from operations	19,773	50,407	2,066	(7,605)	47	64,688
Investment income	148,996	-	-	-	-	148,996
Investment expenses (-)	(879)	-	-	-	-	(879)
Profit from operations before financial income / (expenses)	167,890	50,407	2,066	(7,605)	47	212,805
Financial income	1,030	1,065	(642)	7,007	(169)	8,291
Financial expenses (-)	(3,173)	(4)	(1,049)	1,866	-	(2,360)
Profit before tax	165,747	51,468	375	1,268	(122)	218,736
Current tax expense (-)	(15,301)	(8,691)	(1,048)	(3,941)	-	(28,981)
Deferred taxation income/ (expenses)	(5,149)	(1,487)	(73)	2,655	-	(4,054)
Profit for the period from continuing operations	145,297	41,290	(746)	(18)	(122)	185,701

	1 April - 30 June 2019				Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	17,816	9,068	20,338	15,476	62,698
Intangible assets	11,548	4	-	4,467	16,019
Total capital expenditures	29,364	9,072	20,338	19,943	78,717
Depreciation expense	9,158	562	335	13,343	23,398
Amortisation	2,854	17	6	22	2,899

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

4. SEGMENTAL INFORMATION (cont’d)

a) Business segments(cont’d)

	1 January - 30 June 2018					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	437,884	161,229	111,060	532,671	-	1,242,844
Inter-segment revenues	48,656	-	4,354	9,293	(62,303)	-
Cost of revenues (-)	(341,991)	(63,159)	(87,110)	(381,424)	-	(873,684)
Inter-segment cost of revenues (-)	(48,656)	-	(4,354)	(9,293)	62,303	-
Gross profit	95,893	98,070	23,950	151,247	-	369,160
Administrative expenses (-)	(30,315)	(6,327)	(5,629)	(3,957)	54	(46,174)
Marketing expenses (-)	(5,911)	(2,592)	(4,665)	-	-	(13,168)
Other operating income	11,025	3,207	1,537	3,795	-	19,564
Other operating expenses (-)	(12,205)	(849)	(1,088)	(169)	-	(14,311)
Profit from operations	58,487	91,509	14,105	150,916	54	315,071
Investment income	74,466	-	-	-	-	74,466
Investment expenses (-)	(207,663)	-	-	-	-	(207,663)
Profit from operations before financial income / (expenses)	(74,710)	91,509	14,105	150,916	54	181,874
Financial income	7,377	1,936	9,160	10,825	(1,321)	27,977
Financial expenses (-)	(11,287)	(3,297)	(3,777)	(4,488)	1,210	(21,639)
Profit before tax	(78,620)	90,148	19,488	157,253	(57)	188,212
Current tax expense (-)	(15,791)	(13,461)	(3,053)	(25,011)	-	(57,316)
Deferred taxation income/ (expenses)	5,717	(3,718)	804	(13,452)	-	(10,649)
Profit for the period from continuing operations	(88,694)	72,969	17,239	118,790	(57)	120,247

	31 December 2018				
	Construction contracts	Rental	Trade	Energy	Consolidated
Segment assets	4,154,590	2,014,801	242,280	1,384,610	7,796,281
Total assets	4,154,590	2,014,801	242,280	1,384,610	7,796,281
Segment liabilities	613,938	369,409	110,999	520,717	1,615,063
Total liabilities	613,938	369,409	110,999	520,717	1,615,063

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

	1 January - 30 June 2018					
Other segment information	Construction contracts	Rental	Trade	Energy	Consolidated	
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	45,097	50,201	295	1,677	97,270	
Intangible assets	3,608	33	-	132	3,773	
Total capital expenditures	48,705	50,234	295	1,809	101,043	
Depreciation expense	19,864	1,334	727	26,639	48,564	
Amortisation	1,185	38	34	76	1,333	
	1 April - 30 June 2018					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	226,266	82,073	52,179	331,796	-	692,314
Inter-segment revenues	16,810	-	2,008	3,672	(22,490)	-
Cost of revenues (-)	(177,207)	(34,130)	(41,352)	(261,611)	-	(514,300)
Inter-segment cost of revenues (-)	(16,810)	-	(2,008)	(3,672)	22,490	-
Gross profit	49,059	47,943	10,827	70,185	-	178,014
Administrative expenses (-)	(17,805)	(3,255)	(2,191)	(2,499)	25	(25,725)
Marketing expenses (-)	(3,155)	(1,215)	(2,246)	-	-	(6,616)
Other operating income	4,674	2,935	90	1,927	-	9,626
Other operating expenses (-)	(7,469)	(785)	(997)	(163)	-	(9,414)
Profit from operations	25,304	45,623	5,483	69,450	25	145,885
Investment income	34,707	-	-	-	-	34,707
Investment expenses (-)	(162,521)	-	-	-	-	(162,521)
Profit from operations before financial income / (expenses)	(102,510)	45,623	5,483	69,450	25	18,071
Financial income	3,643	1,814	6,668	8,234	(473)	19,886
Financial expenses (-)	(4,028)	(2,577)	(2,709)	(3,033)	612	(11,735)
Profit before tax	(102,895)	44,860	9,442	74,651	164	26,222
Current tax expense (-)	(7,261)	(4,350)	(1,031)	(14,058)	-	(26,700)
Deferred taxation income/ (expenses)	1,167	(3,253)	(212)	(6,080)	-	(8,378)
Profit for the period from continuing operations	(108,989)	37,257	8,199	54,513	164	(8,856)
	1 April - 30 June 2018					
Other segment information	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated	
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	18,068	20,517	92	1,508	40,185	
Intangible assets	3,212	9	-	111	3,332	
Total capital expenditures	21,280	20,526	92	1,619	43,517	
Depreciation expense	8,355	634	328	13,309	22,626	
Amortisation	610	13	21	40	684	

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

4. 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 30 June 2019, revenues amounting to USD 271,769 (30 June 2018 - USD 532,671) 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 2019, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 200,676 (30 June 2018 - USD 325,027) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAS), the share of which in consolidated cost of revenues exceeds 10%.

b) Geographical segments

	1 January - 30 June 2019					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	461,649	307,585	114,867	123,494	-	1,007,595
Inter-segment sales	29,273	-	-	-	(29,273)	-
Capital expenditures	49,566	40,343	2,898	876	-	93,683
	30 June 2019					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	4,877,020	2,708,313	91,576	270,101	-	7,947,010
	1 April - 30 June 2019					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	152,253	168,280	66,120	68,224	-	454,877
Inter-segment sales	16,073	-	-	-	(16,073)	-
Capital expenditures	41,978	34,627	2,430	(318)	-	78,717
	1 January - 30 June 2018					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	734,508	318,909	68,514	120,913	-	1,242,844
Inter-segment sales	28,335	33,968	-	-	(62,303)	-
Capital expenditures	28,274	53,417	13,668	5,684	-	101,043

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

4. SEGMENTAL INFORMATION (cont’d)

b) Geographical segments (cont’d)

	31 December 2018					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	4,968,762	2,437,170	96,639	293,710	-	7,796,281

	1 April - 30 June 2018					
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	432,707	164,427	29,301	65,879	-	692,314
Inter-segment sales	11,317	11,173	-	-	(22,490)	-
Capital expenditures	15,211	23,238	(97)	5,165	-	43,517

5. CONSTRUCTION CONTRACTS

The Group’s construction contracts details as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
Costs incurred on uncompleted contracts	1,990,221	2,489,083
Recognized profit less recognized losses to date, net	479,770	439,169
	<u>2,469,991</u>	<u>2,928,252</u>
Less: Progress billing	(2,566,503)	(3,050,258)
	<u>(96,512)</u>	<u>(122,006)</u>
	<u>30 June 2019</u>	<u>31 December 2018</u>
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	47,023	45,203
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(143,535)	(167,209)
	<u>(96,512)</u>	<u>(122,006)</u>

As of 30 June 2019, the amount of advances received of subsidiaries and companies shares in joint operations is USD 132,887 (31 December 2018: USD 42,809).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

6. INVESTMENT PROPERTIES

As of 30 June 2019 and 2018, movement of investment properties is as follows:

	1 January - 30 June 2019	1 January - 30 June 2018
Opening balance	1,891,078	2,081,941
Currency translation difference	111,793	(119,988)
Additions	11,543	49,207
Closing balance	<u>2,014,414</u>	<u>2,011,160</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2019 the Group purchased property plant and equipment amounting to USD 65,346 (30 June 2018: USD 48,063). In addition during the period ended 30 June 2019 net book value of USD 16,731 (30 June 2018: USD 5,082) property plant and equipment sold for USD 14,520 (30 June 2018: USD 5,811).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

8. COMMITMENTS

Litigations

During the period ended 30 June 2019, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed as of 31 December 2018 the 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 2019 and 31 December 2018 is as follows:

	30 June 2019		31 December 2018	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
Letters of guarantee, guarantee notes given, mortgage and pledges				
A. Total amount of guarantees provided by the Company on behalf of itself		484,285		578,382
-USD	238,683	238,683	337,120	337,120
-EUR	142,054	161,692	140,435	160,912
-TL	163,444	28,400	132,544	25,194
-Others (*)		55,510		55,156
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		66,191		64,751
-USD	418	418	85	85
-EUR	-	-	-	-
-TL	822	143	826	157
-Others (*)		65,630		64,509
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>550,476</u>		<u>643,133</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 2019 the portion of other guarantess given to shareholders' equity is 0% (31 December 2018 - 0%).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

10. SHARE CAPITAL AND RESERVES

The shareholders of the Group and their percentage of ownership as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019		31 December 2018	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.72%	1,312,279	49.72%	1,312,279
Vildan Gülçelik	7.99%	210,883	7.99%	210,883
Sevda Gülçelik	6.43%	169,709	6.43%	169,709
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	154,929	5.87%	154,929
Other	29.99%	791,538	29.99%	791,538
	<u>100%</u>	<u>2,639,338</u>	<u>100%</u>	<u>2,639,338</u>
Purchase of treasury shares (*)		(64,870)		(55,725)
		<u>2,574,468</u>		<u>2,583,613</u>

Based on the Group’s Ordinary General Assembly held on 28 March 2019; regarding to the distribution of the year 2018 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share net in total TL 950,000 (2018 - TL 901,000); further it has been resolved to distribute TL 34,183 (2018 - TL 32,348) as cash dividend to founder shares. Net in total TL 200,000 from TL 950,000 has been distributed as an advance dividend on 12 December 2018 and the remaining amount net in total TL 750,000 is distributed on 17 April 2019.

(*) Group’s buyback transactions have reached 10,000,000 shares in 2019.

11. INVESTMENT INCOME

Income from investing activities USD 137,629 (30 June 2018: None) is resulted from increase in value of financial investments and USD 61,328 (30 June 2018: USD 58,886) is the interest income from financial investments.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

12. 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, TL and also U.S Dollar which arises from the liabilities belonging to the companies in the consolidation scope, whose the functional currency is not U.S Dollar.

The Group is engaged in construction, trading, energy and real estate operations business in several countries and, as a result, is exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movements on its net investments in foreign subsidiaries.

The Group manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

The foreign currency risk of the Group arises from the credits used in U.S. Dollars and Euro. In order to mitigate the risk, the Group continuously monitors its cash inflows/outflows and also uses financial instruments to hedge the risk when it is necessary.

The following table details the Group’s foreign currency position as at 30 June 2019 and 31 December 2018:

	<u>30 June 2019</u>	<u>31 December 2018</u>
A. Assets denominated in foreign currency	699,264	746,603
B. Liabilities denominated in foreign currency	<u>(391,291)</u>	<u>(400,836)</u>
Net foreign currency position (A+B)	<u><u>307,973</u></u>	<u><u>345,767</u></u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Foreign currency risk (cont’d)

The Group’s foreign currency position at 30 June 2019 and 31 December 2018 is as follows (non monetary items are not included in the table as they don’t have foreign currency risk):

	30 June 2019						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	18,290	3,178	67,946	77,336	109,094	10,136	199,744
Financial investments	294,691	51,205	118,004	134,312	56,477	-	241,994
Trade and other receivables	77,005	13,380	38,866	44,238	31,766	3,894	93,278
Other current assets	172,939	30,050	20,597	23,444	21,572	37,515	112,581
Current assets	562,925	97,813	245,413	279,330	218,909	51,545	647,597
Financial investments	-	-	11,800	13,431	26,688	-	40,119
Trade and other receivables	-	-	5,294	6,025	-	-	6,025
Other non-current assets	10,180	1,769	29	33	3,721	-	5,523
Non-current assets	10,180	1,769	17,123	19,489	30,409	-	51,667
Total assets	573,105	99,582	262,536	298,819	249,318	51,545	699,264
Short-term borrowings	-	-	28,630	32,587	37,754	-	70,341
Trade and other payables	71,386	12,404	62,711	71,377	54,939	3,008	141,728
Other current liabilities and accrued expenses	212,336	36,895	4,998	5,689	63,825	2,080	108,489
Current liabilities	283,722	49,299	96,339	109,653	156,518	5,088	320,558
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	13,953	15,881	51,762	-	67,643
Other non-current liabilities	-	-	60	68	-	3,022	3,090
Non-current liabilities	-	-	14,013	15,949	51,762	3,022	70,733
Total liabilities	283,722	49,299	110,352	125,602	208,280	8,110	391,291
Net foreign currency position	289,383	50,283	152,184	173,217	41,038	43,435	307,973
Net notional amount of derivatives	(88,376)	(15,356)	39,257	44,683	31,039	-	60,366

(*) 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 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Foreign currency risk (cont’d)

	31 December 2018						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	25,852	4,914	64,370	73,755	115,853	17,143	211,665
Financial investments	238,968	45,423	105,612	121,010	46,929	-	213,362
Trade and other receivables	94,708	18,002	57,223	65,566	49,937	3,418	136,923
Other current assets	200,695	38,148	28,026	32,112	19,067	42,237	131,564
Current assets	560,223	106,487	255,231	292,443	231,786	62,798	693,514
Financial investments	-	-	11,238	12,876	33,807	-	46,683
Trade and other receivables	-	-	-	-	-	-	-
Other non-current assets	9,798	1,862	1	1	3,916	627	6,406
Non-current assets	9,798	1,862	11,239	12,877	37,723	627	53,089
Total assets	570,021	108,349	266,470	305,320	269,509	63,425	746,603
Short-term borrowings	3	1	20,823	23,859	45,432	-	69,292
Trade and other payables	86,518	16,445	48,883	56,010	38,868	420	111,743
Other current liabilities and accrued expenses	380,257	72,280	2,022	2,317	37,692	22,194	134,483
Current liabilities	466,778	88,726	71,728	82,186	121,992	22,614	315,518
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	20,932	23,984	58,560	-	82,544
Other non-current liabilities	432	82	50	57	-	2,635	2,774
Non-current liabilities	432	82	20,982	24,041	58,560	2,635	85,318
Total liabilities	467,210	88,808	92,710	106,227	180,552	25,249	400,836
Net foreign currency position	102,811	19,541	173,760	199,093	88,957	38,176	345,767
Net notional amount of derivatives	(61,972)	(11,780)	37,165	42,584	-	-	30,804

(*) 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 30 JUNE 2019**

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Foreign currency risk (cont’d)

	30 June 2019		31 December 2018	
	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)	5,028	(5,028)	1,954	(1,954)
2- Portion hedged against TL risk (-)	(1,536)	1,536	(1,178)	1,178
3- TL net effect (1+2)	3,492	(3,492)	776	(776)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	17,322	(17,322)	19,909	(19,909)
5- Portion hedged against Euro risk (-)	4,468	(4,468)	4,258	(4,258)
6- Euro net effect (4+5)	21,790	(21,790)	24,167	(24,167)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	4,104	(4,104)	8,896	(8,896)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	4,104	(4,104)	8,896	(8,896)
Total (3+6+9)	29,386	(29,386)	33,839	(33,839)

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

13. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK

Fair value of financial assets and liabilities

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Foreign currency denominated receivables and payables are revalued with the exchange rates valid as of the date of the financial statements.

The following methods and assumptions were used to estimate the fair value of the financial instruments that are not carried at fair value on the balance sheet:

Financial assets

The fair values of cash, amounts due from banks and other monetary assets are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables are estimated to be their fair values due to their short-term nature. It is considered that the fair values of the long term receivables are approximate to their respective carrying values as they are accounted for in foreign currencies.

Financial liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of bank borrowings are considered to approximate their respective carrying values, since initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The fair values of the trade receivables after discount are considered to be approximate to their corresponding carrying values. It is considered that the fair values of the long term payables and long term financial borrowings are approximate to their respective carrying values as they are accounted for in foreign currencies.

Fair value hierarchy

The Group classifies the fair value measurement of each class of financial instruments that are measured at fair value on the balance sheet, according to the source, using three-level hierarchy, as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(Amounts are expressed as thousands of U.S. Dollars (“USD”) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Fair value hierarchy (cont’d)

30 June 2019

	Level 1	Level 2	Level 3
Private sector bonds	1,510,074	-	-
Equity securities	483,426	-	-
Foreign government bonds	786,786	-	-
Turkish government bonds	26,740	-	-
Mutual funds	44,501	-	-
Financial assets at fair value through profit or loss	2,851,527	-	-
Derivative instruments	-	1,942	-
Financial liabilities at fair value through profit or loss	-	1,942	-

31 December 2018

	Level 1	Level 2	Level 3
Private sector bonds	1,494,740	-	-
Equity securities	429,055	-	-
Foreign government bonds	647,119	-	-
Turkish government bonds	12,927	-	-
Mutual funds	41,140	-	-
Financial assets at fair value through profit or loss	2,624,981	-	-
Derivative instruments	-	5,176	-
Financial liabilities at fair value through profit or loss	-	5,176	-

14. SUBSEQUENT EVENTS

In August 2019, the following expiry of the Electricity Sale Agreements with İzmir Combined Cycle Power Plants, owned by the group, have suspended their generation.