

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

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE  
YEAR ENDED  
31 DECEMBER 2015 AND  
INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Enka İnşaat ve Sanayi A.Ş. (the "Company"), its subsidiaries and joint operations (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2015, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

İstanbul, 3 March 2016

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

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2015**

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

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Current Assets</b>		<b>2,689,181</b>	<b>3,271,583</b>
Cash and cash equivalents	6	949,188	1,408,194
Financial investments	7	775,137	575,110
Trade receivables	9	527,788	720,122
Other receivables			
Other receivables from related parties	10	19	56
Other receivables from third parties	10	446	626
Inventories	11	233,599	259,856
Prepaid expenses	17	80,050	100,304
Costs and estimated earnings in excess of billings on uncompleted contracts	12	79,844	133,257
Other current assets	21	42,258	72,990
		<u>2,688,329</u>	<u>3,270,515</u>
Assets held for sale and discontinued operations	30	852	1,068
<b>Non-Current Assets</b>		<b>4,455,605</b>	<b>4,541,186</b>
Financial investments	7	1,226,347	1,006,905
Trade receivables	9	8,780	10,579
Investment properties	13	1,558,724	1,814,215
Property, plant and equipment	14	1,580,278	1,625,896
Intangible assets			
Goodwill	16	55,168	55,168
Other intangible assets	15	20,240	21,075
Deferred tax assets	31	49	53
Prepaid expenses	17	1,222	2,515
Other non-current assets	21	4,797	4,780
<b>TOTAL ASSETS</b>		<b><u>7,144,786</u></b>	<b><u>7,812,769</u></b>

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

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

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2015**

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Current Liabilities</b>		<b>953,833</b>	<b>1,362,466</b>
Short-term borrowings	8	6,076	6,245
Current portion of long-term borrowings	8	34,773	43,148
Trade payables	9	430,204	537,216
Payables to employees	20	13,551	26,568
Other payables			
Payables to related parties	10	860	1,378
Payables to third parties	10	18,575	29,462
Billings in excess of costs and estimated earnings on uncompleted contracts	12	160,900	224,087
Deferred income	17	140,774	323,731
Taxation on income	31	56,430	51,706
Provisions			
Provisions for employee benefits	20	14,683	21,034
Other provisions	18	48,253	56,261
Other current liabilities	21	28,754	41,630
<b>Non-Current Liabilities</b>		<b>1,013,601</b>	<b>1,235,545</b>
Long-term borrowings	8	104,290	220,163
Trade payables	9	-	1,900
Other payables	10	22,898	27,690
Deferred income	17	505,897	610,079
Provisions for employee benefits	20	16,952	16,294
Deferred tax liabilities	31	363,564	359,419
<b>EQUITY</b>		<b>5,177,352</b>	<b>5,214,758</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>5,125,542</b>	<b>5,157,144</b>
Share capital	22	2,378,041	2,230,412
Revaluation surplus	22	148,222	161,888
Currency translation difference		(1,326,308)	(994,861)
Other reserves		(1,207)	1,986
Legal reserves and accumulated profit		3,926,794	3,757,719
<b>Non-Controlling Interests</b>		<b>51,810</b>	<b>57,614</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,144,786</b>	<b>7,812,769</b>

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

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
<b>CONTINUING OPERATIONS</b>			
Revenue	5,23	4,554,755	5,821,028
Cost of revenues (-)	5,23	(3,779,566)	(4,887,989)
<b>GROSS PROFIT</b>		<b>775,189</b>	<b>933,039</b>
Marketing, selling and distribution expenses (-)	5,24	(28,624)	(33,419)
Administrative expenses (-)	5,24	(103,883)	(126,077)
Other operating income	5,26	28,038	21,796
Other operating expenses (-)	5,26	(49,851)	(67,724)
<b>PROFIT FROM OPERATIONS</b>		<b>620,869</b>	<b>727,615</b>
Income from investing activities	5,27	195,704	189,542
Expenses from investing activities (-)	5,27	(135,769)	(40,191)
<b>OPERATING PROFIT</b>		<b>680,804</b>	<b>876,966</b>
Financial income	5,28	31,516	39,252
Financial expenses (-)	5,29	(20,130)	(45,095)
<b>PROFIT BEFORE TAX</b>		<b>692,190</b>	<b>871,123</b>
Current tax expense (-)	31	(127,551)	(139,570)
Deferred tax expense (-)	31	(29,331)	(42,265)
<b>PROFIT FOR THE YEAR FROM</b>		<b>535,308</b>	<b>689,288</b>
<b>CONTINUING OPERATIONS</b>			
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations, net of tax	30	-	(1,111)
<b>NET PROFIT FOR THE YEAR</b>		<b>535,308</b>	<b>688,177</b>
<b>Attributable to:</b>			
Non-controlling interest		5,769	29,135
Equity holders of the parent		529,539	659,042
		<b>535,308</b>	<b>688,177</b>
<b>Earnings per share from discontinued operations</b>			
- ordinary share certificate (full cent)		-	-
<b>Earning per share from continuing operations</b>			
- ordinary share certificate (full cent)	32	0.13	0.17
<b>Weighted average number of shares</b>			
(1 cent weighted average shares)		400,000,000,000	400,000,000,000

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

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

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
<b>NET PROFIT FOR THE YEAR</b>		<b>535,308</b>	<b>688,177</b>
<b>Other Comprehensive Income / (Expense):</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>		<b>(7,150)</b>	<b>(41,377)</b>
<i>Loss on remeasurement of defined benefit plans</i>		<i>(1,604)</i>	<i>(1,561)</i>
Loss arising during the year	20	(2,005)	(1,951)
Tax effect	31	401	390
<i>Changes in revaluation fund of property</i>		<i>(5,546)</i>	<i>(39,816)</i>
Loss arising during the year	22	(4,377)	(28,877)
Tax effect	22,31	875	3,977
Changes in translation difference in property valuation increase	22,31	(2,044)	(14,916)
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>(339,631)</b>	<b>(796,771)</b>
Changes in currency translation difference	31	(338,424)	(796,771)
<i>Changes in cash flow hedge</i>	31	<i>(1,207)</i>	-
Loss arising during the year		(1,207)	-
<b>OTHER COMPREHENSIVE LOSS</b>		<b>(346,781)</b>	<b>(838,148)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>		<b>188,527</b>	<b>(149,971)</b>
<b>Attributable to:</b>			
Non-controlling interest		777	17,682
Equity holders of the parent		187,750	(167,653)
		<b>188,527</b>	<b>(149,971)</b>

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



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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2014</b>		<b>2,040,352</b>	<b>232,143</b>	<b>(206,697)</b>	<b>1,986</b>	<b>3,529,559</b>	<b>5,597,343</b>	<b>63,726</b>	<b>5,661,069</b>
Total other comprehensive income		-	(36,970)	(788,164)	-	(1,561)	(826,695)	(11,453)	(838,148)
Profit for the year		-	-	-	-	659,042	659,042	29,135	688,177
Total comprehensive income		-	(36,970)	(788,164)	-	657,481	(167,653)	17,682	(149,971)
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(3,159)	-	-	3,159	-	-	-
Share capital increase	22	190,060	-	-	-	(190,060)	-	-	-
Dividends paid		-	-	-	-	(272,546)	(272,546)	(18,047)	(290,593)
Transfer of revaluation surplus of sold lands	22	-	(22,629)	-	-	22,629	-	-	-
Effect of sale of subsidiary	22	-	(7,497)	-	-	7,497	-	(5,747)	(5,747)
<b>Balance at 31 December 2014</b>	<b>22</b>	<b>2,230,412</b>	<b>161,888</b>	<b>(994,861)</b>	<b>1,986</b>	<b>3,757,719</b>	<b>5,157,144</b>	<b>57,614</b>	<b>5,214,758</b>
<b>Balance at 1 January 2015</b>		<b>2,230,412</b>	<b>161,888</b>	<b>(994,861)</b>	<b>1,986</b>	<b>3,757,719</b>	<b>5,157,144</b>	<b>57,614</b>	<b>5,214,758</b>
Total other comprehensive income		-	(5,546)	(331,447)	(3,193)	(1,603)	(341,789)	(4,992)	(346,781)
Profit for the year		-	-	-	-	529,539	529,539	5,769	535,308
Total comprehensive income		-	(5,546)	(331,447)	(3,193)	527,936	187,750	777	188,527
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(2,278)	-	-	2,278	-	-	-
Share capital increase	22	147,629	-	-	-	(147,629)	-	-	-
Dividends paid		-	-	-	-	(219,352)	(219,352)	(6,581)	(225,933)
Transfer of revaluation surplus of sold lands	22	-	(5,842)	-	-	5,842	-	-	-
<b>Balance at 31 December 2015</b>	<b>22</b>	<b>2,378,041</b>	<b>148,222</b>	<b>(1,326,308)</b>	<b>(1,207)</b>	<b>3,926,794</b>	<b>5,125,542</b>	<b>51,810</b>	<b>5,177,352</b>

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

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

		1 January - 31 December 2015	1 January - 31 December 2014
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Profit for the year		535,308	688,177
Adjustments to reconcile net income			
to net cash used in operating activities:			
- Depreciation and amortization of non-current assets	5,25	99,989	102,302
- Provision for employment termination benefits		6,098	2,215
- Allowance for doubtful receivables	9,26	3,292	21,693
- Provision for litigations	26	19,256	10,977
- Adjustments to deferred income from electricity sale		(132,577)	(99,853)
- Loss from sale of subsidiary		-	1,596
- Loss from fair value of forward transactions	28,29	2,372	7,045
- Interest expense	29	2,792	3,860
- Interest income		(79,988)	(70,508)
- Dividend income	27	(7,446)	(6,086)
- Provision for inventory impairment, net		263	(292)
- Gain on sale or disposal of property, plant and equipment, net	27	(3,392)	6,163
- Fair value (increase) / decrease in investment properties	13,27	(11,199)	939
- Valuation of investment securities		64,086	(76,782)
- Interest accrual		255	483
- Tax expense	30,31	156,882	181,898
		<u>655,991</u>	<u>773,827</u>
Movements in working capital			
Decrease in trade and other receivables		195,846	27,705
Decrease / (increase) cost and estimated earnings in excess of billings on uncompleted contracts		53,412	(24,319)
Decrease in inventory		25,993	51,256
Decrease / (increase) in other current assets and other non current assets		52,658	(8,192)
(Decrease) / increase in trade and other payables		(108,911)	16,293
(Decrease) / increase in billings in excess of cost and estimated earnings on uncompleted contracts		(63,187)	52,749
Decrease in provision for liabilities and other liabilities		(233,847)	(8,985)
		<u>(78,036)</u>	<u>106,507</u>
Income taxes paid	30,31	(122,827)	(141,637)
Income taxes paid of discontinued operations	30	-	(730)
Employee termination benefits paid	20	(1,869)	(1,613)
<b>Net cash generated from operating activities</b>		<u><b>453,259</b></u>	<u><b>736,354</b></u>
<b>Cash flows from investing activities</b>			
Change in financial investments		(483,555)	(25,123)
Proceeds on disposal or sale of property, plant and equipment		23,027	41,786
Purchases of property, plant and equipment, intangible assets and investment properties	5	(161,192)	(193,089)
Interest received		71,272	59,295
Proceeds from sale of discontinued operations		-	21,986
Dividend received	27	7,446	6,086
<b>Net cash used in investing activities</b>		<u><b>(543,002)</b></u>	<u><b>(89,059)</b></u>
<b>Cash flows from financing activities</b>			
Short-term borrowings, net		(370)	(9,882)
Addition to long-term borrowings		1,401	69,266
Repayments of long-term borrowings		(36,811)	(62,061)
Interest paid		(3,380)	(4,057)
Interest received		8,461	10,730
Dividend paid to non-controlling interests		(6,570)	(18,047)
Dividend paid		(219,352)	(272,546)
<b>Net cash used in financing activities</b>		<u><b>(256,621)</b></u>	<u><b>(286,597)</b></u>
Translation reserve		(112,642)	(224,640)
<b>Net increase in cash and cash equivalents</b>		<u><b>(459,006)</b></u>	<u><b>136,058</b></u>
Cash and cash equivalents at beginning of the year	6	1,407,194	1,271,136
<b>Cash and cash equivalents at end of the year</b>	6	<u><b>948,188</b></u>	<u><b>1,407,194</b></u>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Enka İnşaat ve Sanayi Anonim Şirketi ("Enka İnşaat") was established on 4 December 1967 and registered in İstanbul, Turkey, under the Turkish Commercial Code. The address of the headquarter and registered office of Enka İnşaat is Balmumcu, Zincirlikuyu Yolu No: 10, 34349 Enka Binası Beşiktaş, İstanbul, Turkey.

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 December 2015, 12.47% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (ISE).

As of 31 December 2015, the average numbers of white and blue-collar personnel are respectively 4,757 and 17,695 (31 December 2014 – 5,087 and 18,754).

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint operations are hereinafter referred to as "the Group".

The Group operates in geographical areas below:

- i. *Turkey*: engaged in diverse types of construction activities including construction of industrial and social buildings, motorways and construction and operation of natural gas fired electrical energy generation facilities.
- ii. *Russian Federation, Georgia, Turkmenistan and Kazakhstan*: engaged in construction activities and also in investment and development of real estate properties and shopping malls in Moscow, Russia.
- iii. Engaged in construction activities in Gabon, Djibouti, Mauritania and Equatorial Guinea in Africa; Saudi Arabia, Oman, Iraq and Afganistan in Asia and also in Dominican Republic.
- iv. *Europe*: engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Germany and Kosovo.

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont'd)**

As of 31 December 2015 Enka İnşaat has the following subsidiaries, whose business and country of incorporation are provided below:

Name of Subsidiary	Nature of business activities	Country of incorporation	Year of establishment
Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama)	Engaged in marketing and after-sales service of construction machineries, trucks, industrial products and spare parts.	Turkey	1972
Çimtaş Çelik İmalat Montaj ve Tesisat Anonim Şirketi (Çimtaş)	Engaged in manufacturing of structural steel works, installation and establishing of the technical equipment.	Turkey	1973
Titaş Toprak İnşaat ve Taahhüt Anonim Şirketi (Titaş)	Engaged in all kinds of excavation activities, excavation backfilling works and quarrying-crushing operation of highway projects.	Turkey	1974
Kasktaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit Anonim Şirketi (Kasktaş)	Engaged in pile dwelling work, any kind of base and superstructure construction, slip form and construction of drilling and ground surveys.	Turkey	1975
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	The firm operates in organization of domestic and international conventions and seminars and also engaged in tour reservations and ticket sales.	Turkey	1976
Enet Proje Araştırma ve Müşavirlik A.Ş. (Enet)	Performs architectural design services.	Turkey	1980
Enka Teknik Genel Mühendislik Bakım İşletme Sevk ve İdare Anonim Şirketi (Enka Teknik)	Operates in the business of material handling and storage systems, auxiliary facilities, water treatment and environmental engineering, infrastructure and construction, control systems and instrumentation engineering.	Turkey	1981
Entrade GmbH (Entrade)	Manages foreign investments of the Company.	Germany	1984
Limited Liability Company Enmar (Enmar)	Engaged in ready-mixed concrete production and various construction works.	Russia	1994
Airenka Hava Taşımacılığı A.Ş.(Air Enka)	Engaged in all kinds of air transportation.	Turkey	2001
Enka Holding B.V.	Manages foreign investments of the Company.	Netherlands	2001
Enka Mühendislik Hizmetleri A.Ş. (Enka Mühendislik)	Engaged in construction activities.	Turkey	2002
Adapazan Elektrik Üretim Limited Şirketi (Adapazan Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Enka Santral İşletme ve Bakım Hizmetleri Anonim Şirketi	Performs repair and maintenance of the power plants.	Turkey	2004
Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Enka Limited Liability Company (Enka LLC)	Manages the Company's construction, engineering and design jobs.	Ukraine	2006
Enka Enerji Üretim A.Ş.	Will perform production and sale of electricity.	Turkey	2006
Enka & Co LLC	Engaged in construction activities.	Oman	2010

(\*) İzmir Elektrik, Adapazarı Elektrik and Gebze Elektrik here and after are also referred to as "the Power Companies".

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont'd)

The construction contracts are undertaken by Enka İnşaat alone or together with its affiliated companies or, in partnerships with other contractors through joint operations. As of 31 December 2015, Enka İnşaat has the following joint operations:

Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys  
Caddell- Enka Joint Venture (Caddell Europe, Africa, America, Asia)  
Bechtel-Enka Joint Venture (Romania)  
Bechtel-Enka Joint Venture (Albania)  
Bechtel-Enka Joint Venture (Kosovo)  
AECO Development Limited Liability Company (Oman)  
Bechtel-Enka Joint Venture (Oman)  
Bechtel-Enka Joint Venture (Georgia)

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

##### 2.1 Basis of presentation

###### Basis for preparation of the financial statements and significant accounting policies

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

The Group adopted all standards, which were mandatory as of 31 December 2015. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 3 March 2016. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Enka İnşaat and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board (CMB), (for publicly traded companies) and Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries where they are registered. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The Group also reported separately for the consolidated financial statements for the same period prepared in accordance with accounting principles promulgated by CMB.

There are no differences between the consolidated financial statements prepared in accordance with the accounting policies promulgated by CMB and consolidated IFRS financial statements except for the use of TL and USD as the presentation currency, respectively.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of presentation (cont'd)

#### Functional and presentation currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint operations which form main part of the operations of the Group are carried out in U.S. Dollar or indexed to U.S. Dollar, this currency has been determined as the functional and the presentation currency of the Group in line with IAS 21 - The Effects of Changes in Foreign Exchange Rates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies (i.e. any currency other than the functional currency) are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Until 31 December 2005, the financial statements of the subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 31 December 2015 and 2014 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

The assets and liabilities of the subsidiaries whose functional currency is other than U.S. Dollars are translated into U.S. Dollars at the rate of exchange ruling at the balance sheet date and their consolidated statement of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation difference.

Within Turkey, official exchange rates of the Turkish Lira (TL) are determined by the Central Bank of Turkey (CBT) and are generally considered to be a reasonable approximation of market rates. Within the Russian Federation, official exchange rates are determined daily by the Central Bank of the Russian Federation (CBRF), which is also a reasonable approximation of market rates.

The year-end and average Turkish Lira (TL) rates for 2015 and 2014 for one U.S. Dollar can be summarized as below:

	2015	2014
U.S. Dollars /TL – as of balance sheet date	2.9076	2.3189
U.S. Dollars /TL – yearly average	2.7190	2.1865

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

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed. In the current year, there is no such reclassification.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of presentation (cont'd)

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint operations and its subsidiaries as at 31 December each year. The financial statements of the joint operations and the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All significant intra-group transactions and balances between Enka İnşaat and its consolidated subsidiaries and joint operations are eliminated.

Under the equity method, an investment in associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Non-controlling interests represent the portion of consolidated statement of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)****2.1 Basis of presentation (cont'd)**Basis of consolidation (cont'd)

The subsidiaries included in consolidation and their shareholding percentages at 31 December 2015 and 2014 are as follows:

Company name	Segment	Functional Currency	Direct / Indirect ownership	
			31 December 2015	31 December 2014
İzmir Elektrik	Energy	USD	100.00%	100.00%
Adapazarı Elektrik	Energy	USD	100.00%	100.00%
Gebze Elektrik	Energy	USD	100.00%	100.00%
Enka TC LLC	Trade and manufacturing	RUB	100.00%	100.00%
Mosenka	Rental	RUB	100.00%	100.00%
MKH	Rental	RUB	100.00%	100.00%
Enka Santral Hizmetleri A.Ş.	Energy	USD	100.00%	100.00%
Enka Enerji Üretim A.Ş.	Energy	USD	100.00%	100.00%
Enka Holding B.V.	Construction	EUR	100.00%	100.00%
Enka Holding Investment S.A.	Construction	USD	100.00%	100.00%
Enka Power Systems B.V.	Construction	EUR	100.00%	100.00%
Rulen B.V.	Construction	EUR	100.00%	100.00%
Enka Construction & Development B.V.	Construction	EUR	100.00%	100.00%
Far East Development B.V.	Construction	EUR	100.00%	100.00%
Middle East Construction B.V.	Construction	EUR	100.00%	100.00%
Enmar	Construction	USD	100.00%	100.00%
Entrade	Construction	EUR	100.00%	100.00%
Capital City Investment B.V.	Construction	EUR	100.00%	100.00%
City Center Investment B.V.	Rental	USD	100.00%	100.00%
Enka LLC	Construction	USD	100.00%	100.00%
Retmos Investment Ltd.	Construction	USD	100.00%	100.00%
Emos LLC	Trade and manufacturing	RUB	100.00%	100.00%
Bmos B.V.	Trade and manufacturing	EUR	100.00%	100.00%
Cmos B.V.	Trade and manufacturing	EUR	100.00%	100.00%
OOO Victoria	Construction	USD	100.00%	100.00%
Enka & Co LLC	Construction	USD	100.00%	100.00%
Enka Mühendislik	Construction	TL	100.00%	100.00%
Edco Investment B.V.	Rental	EUR	100.00%	100.00%
Enru Development B.V.	Rental	EUR	100.00%	100.00%
Enkamos Region B.V. (Former name as Pavmos B.V.)	Construction	EUR	100.00%	100.00%
Airenka	Trade and manufacturing	USD	100.00%	100.00%
Enet	Construction	TL	100.00%	98.00%
Enka Pazarlama	Trade and manufacturing	TL	99.99%	99.99%
Enka Finansal Kiralama A.Ş.	Trade and manufacturing	TL	99.99%	99.99%
Metra Akdeniz Dış Ticaret A.Ş.	Trade and manufacturing	TL	99.93%	99.93%
Entaş	Trade and manufacturing	TL	99.98%	99.98%
Kasktaş	Construction	USD	99.90%	99.58%
Burkas Ltd. Şti.	Construction	USD	99.90%	99.58%
Kasktaş Arabia Ltd.	Construction	USD	99.90%	99.58%
Titaş	Construction	USD	99.50%	98.00%
Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.	Construction	USD	97.88%	97.88%



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of presentation (cont'd)

#### Basis of consolidation (cont'd)

Company name (continuing)	Segment	Functional Currency	Direct / Indirect ownership	
			31 December 2015	31 December 2014
Çimtaş Hassas İşleme Sanayi ve Ticaret Ltd. Şti. (Former name Çimtaş Borulama)	Construction	EUR	97.35%	97.35%
Çimtaş Çelik	Construction	USD	97.35%	97.35%
Cimtas Mechanical Contracting B.V.	Construction	USD	97.35%	97.35%
Cimtas (Ningbo) Steel Processing Company Ltd.	Construction	USD	97.35%	97.35%
Cimtas Buildings Systems Ltd. (CBSL)	Construction	USD	97.35%	97.35%
Cimtas Investment B.V.	Construction	EUR	97.35%	97.35%
Gemlik Deniz Taşımacılık Ltd.Şti.	Construction	USD	97.35%	97.35%
Enka Teknik	Construction	USD	77.50%	77.50%
OOO R-Avtam	Rental	USD	60.00%	60.00%
Cimtas Boru İmalatları ve Ticaret Ltd. Şti.	Construction	EUR	50.00%	50.00%
MCC Investment S.A. (*)	Construction	USD	-	100.00%
Maken (*)	Construction	USD	-	100.00%
Rumos S.A. (**)	Rental	USD	-	100.00%

(\*) These companies have been merged with Enka Holding Invesment S.A.

(\*\*) This company has been dissolved in the current year.

The Group has interests in joint operations which are jointly controlled entities. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group recognizes its interest in the joint operations using proportionate consolidation. The breakdown of the controlling interests of the joint operations as of 31 December 2015 and 2014 is as follows:

	Functional Currency	31 December 2015	31 December 2014
Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys	USD	50.00%	50.00%
Caddell Construction Company Inc. (Caddell Europe, Africa, America, Asia)	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Romania)	EUR	50.00%	50.00%
Bechtel-Enka Joint Venture (Albania)	EUR	50.00%	50.00%
Bechtel-Enka Joint Venture (Kosovo)	EUR	50.00%	50.00%
AECO Development Limited Liability Company (Oman)	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Oman)	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Georgia)	USD	50.00%	50.00%
Poyraz Shipping B.V.	USD	50.00%	50.00%
Bogazici Shipping B.V.	USD	50.00%	50.00%
Doga Shipping B.V.	USD	50.00%	50.00%
Imbat Shipping B.V.	USD	50.00%	50.00%
TNY Shipping B.V.	USD	50.00%	50.00%
Alacante Shipping B.V.	USD	50.00%	50.00%
BRK Overseas Shipping B.V.	USD	50.00%	50.00%
MML Merchant Shipping B.V.	USD	50.00%	50.00%
Esta Construction B.V.	USD	50.00%	50.00%
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	USD	-	50.00%

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.2 Changes in the accounting policies

Significant changes in accounting policies are applied retrospectively and prior year consolidated financial statements are restated when necessary. There is no change in accounting policies of the Group in the current year.

##### 2.3 Changes and Errors in Accounting Estimates

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

##### 2.4 Adoption of New and Revised International Financial Reporting Standards

The following amendments to IASs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

###### a) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

###### **IFRS 9 Financial Instruments: Classification and Measurement**

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or a fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2017, earlier adoption is permitted. The Group has adopted IFRS 9 and the related consequential amendments since 31 December 2010.

###### b) New and revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IAS 19  
Annual Improvements to  
2010-2012 Cycle  
Annual Improvements to  
2011-2013 Cycle

*Defined Benefit Plans: Employee Contributions*<sup>1</sup>  
*IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24*<sup>1</sup>

*IFRS 1, IFRS 3, IFRS 13, IAS 40*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

###### **Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions***

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

###### **Annual Improvements to 2010-2012 Cycle**

**IFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

**IFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**IFRS 8:** Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)

###### b) New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

###### **Annual Improvements to 2010-2012 Cycle (cont'd)**

**IFRS 13:** Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**IAS 16 and IAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**IAS 24:** Clarify how payments to entities providing management services are to be disclosed.

###### **Annual Improvements to 2011-2013 Cycle**

**IFRS 1:** Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

**IFRS 3:** Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**IFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**IAS 40:** Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

###### c) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>1</sup>
Amendments to IFRS 11	<i>Accounting for Acquisition of Interests in Joint Operations</i> <sup>1</sup>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
Annual Improvements to 2012-2014 Cycle	<i>IFRS 5, IFRS 7, IAS 19, IAS 34</i> <sup>1</sup>
Amendments to IAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
IFRS 16	<i>Leases</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

#### **2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)**

###### **c) New and revised IFRSs in issue but not yet effective (cont'd)**

###### ***IFRS 14 Regulatory Deferral Accounts***

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

###### ***Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations***

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

###### ***Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

###### ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***

This amendment include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

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

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)

#### c) New and revised IFRSs in issue but not yet effective (cont'd)

##### **Amendments to IAS 27 *Equity Method in Separate Financial Statements***

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

##### **Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

##### **Annual Improvements 2012-2014 Cycle**

**IFRS 5:** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**IFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

**IAS 19:** Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

**IAS 34:** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

##### **Amendments to IAS 1 *Disclosure Initiative***

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

##### **Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception***

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

##### **IFRS 16 *Leases***

This new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies

#### Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is reduced for estimated or realized customer returns, discount commissions, rebates and taxes related to sales. The following specific recognition criteria must also be met before revenue is recognized:

#### Construction contract activities

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Revenue arising from cost plus fee contracts is recognized on the basis of costs incurred plus a percentage of the contract fee earned during the year.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the consolidated statement of profit or loss as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized.

#### Energy activities

The Power Companies have signed an "Electric Sales Agreement" (ESA) with Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) for the establishment, management and sale of electricity that will be produced for a period of 20 years in accordance with the Build-Own-Operate Law numbered 4283 and Build-Own-Operate regulation. As the period includes project development and construction phases, the contract dates of power plants are 16 years after the beginning of the operation. The sales price and quantity in terms of Kwh during the 16 years period are determined in the ESA. Average energy sales price is determined by dividing yearly sales revenues calculated over yearly sales amounts and unit prices by the 16 year-sales quantities. At the end of each year, the average price is recalculated over the realized amounts. Therefore, revenues from the sale of electricity under long-term contracts are recognized on the average charge per Kwh over the life of the contract. Both the 'investment' and the 'fuel cost' item revenues in the scope of the contract are levelised accordingly. Revenues in excess of the average are recorded as deferred revenue in the consolidated balance sheet and are recognized over the life of the project.

#### Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is reduced for estimated or realized customer returns, discount commissions, rebates and taxes related to sales.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.5 Summary of significant accounting policies (cont'd)

###### Revenue (cont'd)

###### Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. Rental income collected in advance is treated as deferred income and is amortised on a monthly basis during the lease period.

###### Rendering of services

Revenue is recognized by reference to the stage of completion.

###### Interest income

Interest income and expenses are recognized in the consolidated statement of profit or loss on an accrual basis taking into account the effective yield on the asset. When loans provided by the Group are considered doubtful by the management of the Group, the interest accrual is not recognized in the consolidated statement of profit or loss.

###### Dividends

Revenue is recognized when the Group's right to receive the payment is established.

###### Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.

Goods for resale - purchase cost on moving weighted average basis.

Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on moving weighted average basis.

The Group also provides an allowance for the slow moving and obsolete items.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

###### Property, plant and equipment

With the exception of land and buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is not depreciated. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Land and buildings are carried at revalued amounts. Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Property, plant and equipment (cont'd)

Repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred. The costs of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Depreciation is provided on all property, plant and equipment using the straight-line method at rates which approximate estimated useful lives of the related assets as follows:

	Useful life
Land improvements	5-50 years
Buildings	10-50 years
Power plant equipment	35 years
Pipelines	16 years
Electrical interconnection lines	16 years
Machinery and equipment	4-10 years
Motor vehicles	3-10 years
Furniture and fixtures	5-10 years
Barracks, scaffolding and formworks	5 years
Aircrafts	10-15 years
Others	5-10 years

Power plant equipment is recorded at its original cost of construction. Significant additions or improvements are capitalized when they extend the life, improve the efficiency or increase the earnings capacity of the asset. Expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed as incurred.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

#### Intangible assets

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost that are amortized over 3 to 10 years on straight-line basis.

#### Trademarks

Acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (9 years).

#### Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the 23 years of life of the customer relationship.

The Group reviews the carrying amounts of its intangible assets to determine whether there is any indication of impairment. Impairment loss is recognized if necessary.

#### Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Investment properties

Land and buildings that are held in the production of supply of goods or services or for administrative purposes or for long term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment property also includes long-term leasehold land held under an operating lease, which is accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS 17 "Leases". Each lease payment on the long-term leasehold land is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current lease liability on leasehold land. The interest element of the finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

## **2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

### **2.5 Summary of significant accounting policies (cont'd)**

#### **Business combinations (cont'd)**

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Non-current assets held for sale

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell, and depreciation on such assets are ceased.

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

#### Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. The Group measured assets and liabilities related to the disposal group at the lower of their previous carrying amount and fair value less costs to sell (Note 30).

#### Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

#### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

According to IFRS 9 as from 1 January 2010, the group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

##### **(a) Financial assets at amortised cost**

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

##### **(b) Financial assets at fair value**

If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss'. The Group has classified their financial assets as financial assets to be measured at fair value.

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value. A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss within income / (expenses) from investing activities in the period in which they arise.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

#### **Impairment of financial assets**

##### **Financial assets at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

##### Impairment of financial assets (cont'd)

##### Financial assets at amortised cost (cont'd)

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - i. adverse changes in the payment status of borrowers in the portfolio; and
  - ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

##### Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

##### Financial liabilities (cont'd)

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

#### a) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

#### b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency purchase and sale contracts and also interest rate cap transactions, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of profit or loss. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate cap contracts is determined based on quoted market prices in active markets.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

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

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

##### Derivative financial instruments and hedging (cont'd)

##### *Cash flow hedges*

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability and could affect consolidated statement of profit or loss. The Power Companies have borrowings with variable interest rates and the Group uses interest rate caps to hedge the exposure to variability in cash flows due to the change in interest rates. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in consolidated statement of profit or loss.

Amounts taken to equity are transferred to the consolidated statement of profit or loss when the hedged transaction affects consolidated statement of profit or loss.

##### Accounting at the date of transaction

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

##### Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

#### Effects of Changes in Foreign Exchange Rates

Transactions in currencies other than functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency indexed monetary assets and liabilities are recorded at the rates of exchange prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

#### Earnings per share

Basic earnings per share (EPS) disclosed in the consolidated statement of profit or loss are determined by dividing net profit by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (Bonus Shares) to existing shareholders without a consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation, such bonus share distributions are regarded as stock dividends. If the number of ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorized for issue, the EPS calculations for those and any prior period financial statements presented is based on the new number of shares.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### **Provisions, contingent liabilities, contingent assets**

##### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

##### Contingent liabilities and assets

If contingent liabilities does not carry a high probability of resource allocation (cash outflow), they are not recognized in the consolidated financial statements but disclosed in the footnotes. However, contingent assets are not recognized in consolidated financial statements but disclosed in the footnotes when an inflow of economic benefits is probable.

#### **Leases - The Group as lessee**

##### Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against consolidated statement of profit or loss. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonably certainty that the Group will obtain ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

##### Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases, except long-term leasehold land classified as investment property. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

#### **Leases - The Group as lessor**

##### Operating lease

The Group has entered into commercial and residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. Lease income from operating leases is recognized in consolidated statement of profit or loss on a straight-line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognized as an expense. Initial direct costs incurred by the Group in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

#### **Related parties**

Related parties are individuals or entities that are related to the entity that is preparing its financial statements (reporting entity).



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Related parties (cont'd)

- a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,
  - i) Has control or joint control over the reporting entity,
  - ii) Has significant influence over the reporting entity,
  - iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity.
- b) An entity is considered related party of the reporting entity when the following criteria are met:
  - i) If the entity and the reporting entity is within the same group (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others.
  - ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
  - iii) If both of the entities are a joint venture of a third party.
  - iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
  - v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.
  - vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).
  - vii) If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity)

Related party transaction is the transfer of resources, services or liabilities regardless of whether a price is charged or not.

#### Income tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss.

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

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

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of significant accounting policies (cont'd)

#### Employee termination benefits

The Group has both defined benefit and defined contribution plans as described below:

##### Defined benefit plans

In accordance with existing social legislation in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum termination indemnities to each employee who has completed one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

These benefits are unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. All actuarial gains and losses are recognized in other comprehensive income.

Personnel working in branches operating in foreign countries and joint-operations do not have any employee termination benefit as there is no legal obligation in these countries.

##### Defined contribution plans

The Company and its subsidiaries in Turkey pay contributions to publicly administered Social Security Fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Foreign subsidiaries and joint operations contribute to the related government body for the pension scheme of its employees in the country they are domiciled. Mandatory contributions to the governmental pension scheme are expensed when incurred.

#### Statement of cash flows

Cash flows are classified according to operating, investment and finance activities in the statement of cash flows.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, excluding short term deposits with an original maturity of more than three months and deposits blocked in bank accounts as collateral.

#### Subsequent events

Events following the balance sheet date, also known as 'subsequent events' include any favorable or unfavorable event that took place between the balance sheet date and the publication date of the balance sheet, despite any possible event that might arise after the publicization of any information regarding profits or other financial figures.

The Group adjusts its consolidated financial statements if such adjusting subsequent events arise.

### 2.6 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the consolidated statement of profit or loss and in the carrying value of assets and liabilities in the consolidated balance sheet, and in the disclosure of information in the notes to the consolidated financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the consolidated financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates.

The key assumptions concerning the future and other key resources of estimation at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.6 Significant accounting judgements, estimates and assumptions (cont'd)

- a) Determination of total estimated project costs, profitability and calculation of loss accruals under the scope of IAS 11 "Construction Contracts" (Note 12).
- b) Market valuations of investment properties under the scope of IAS 40 "Investment Property" and land and buildings under the scope of IAS 16 "Property, Plant and Equipment" (Note 13 and 14).
- c) Estimation of impairment losses on financial assets and trade receivables (Note 7 and 9).
- d) Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 31).
- e) The Group management has made significant assumptions for determining the economic lives of tangible and intangible assets with the guidance of experienced technical staff (Note 14, 15).
- f) In accordance with the determined accounting policies, the Group reviews carrying amount of goodwill for impairment annually, or more frequently in cases where the circumstances indicate impairment. As of 31 December 2015, the Group tested impairment of carrying amount of goodwill by comparing the recoverable amount which is determined by value in use calculations. These calculations are based on projected before-tax cash flows based on financial budgets/forecasts approved by the Board of Directors. Expected growth rates are used to discount projected cash flows for periods greater than five years. Operating market growth rates, per capita gross domestic product and pricing information such as indices, have been acquired from outside sources. Estimations related to parameters such as selling prices, working capital requirements and fixed assets investments are based on Group's predictions and previous period realizations.

#### 3. DIVIDENDS

Based on the Group's Ordinary General Assembly held on 27 March 2015; regarding to the distribution of the year 2014 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.083 full TL gross / 0.076 full TL net in total TL 588,000 (2014 - TL 272,000); further it has been resolved to distribute TL 25,887 (2014 - TL 23,443) as cash dividend to founder shares. Net in total TL 288,000 from TL 588,000 has been distributed as an advance dividend on 15 August 2014, and the remaining amount net in total TL 300,000 is distributed on 14 April 2015.

In 2015 and 2014, the Group distributed dividends as detailed below:

	2015		2014	
	Dividend	Dividends per share	Dividend	Dividends per share
Ordinary share owners (1 Full TL nominal value)	300,000 TL	0.08 Full TL	272,000 TL	0.07 Full TL
Founder share owners	25,887 TL	25.89 TL	23,443 TL	23.44 TL
Ordinary share owners (1 Full TL nominal value) (*)	280,000 TL	0.07 Full TL	288,000 TL	0.08 Full TL
	<u>605,887 TL</u>		<u>583,443 TL</u>	

(\*) Based on the power vested in the Board of Directors of Enka İnşaat by the General Assembly in its ordinary Meeting held on 27 March 2015; regarding to the distribution of the period between 1 January – 30 September 2015 profit, it is resolved to distribute, as of the date of 11 November 2015 a total TL 280,000 from the amount that remains after deduction of the reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, dividend advances at a rate of 7.00% gross and 5.95% net per share.

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

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

### 4. INTEREST IN JOINT OPERATIONS

The Group's share in the assets and liabilities and the profit/loss of the of the joint operations using the proportionate consolidation method on a line by line basis is as follows:

	31 December 2015	31 December 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	122,458	66,098
Trade receivables	67,316	16,672
Other receivables	28	104
Inventories	11,349	11,377
Other current assets	7,644	16,381
<b>Group's share in current assets of joint operations</b>	<b>208,795</b>	<b>110,632</b>
<b>Non-Current Assets</b>		
Cost	61,829	89,701
Accumulated depreciation	(34,588)	(59,755)
<b>Group's share in joint operations in property, plant and equipment</b>	<b>27,241</b>	<b>29,946</b>
Other non-current assets	1,138	1,809
<b>Group's share in non-current assets of joint operations</b>	<b>1,138</b>	<b>1,809</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade payables	26,262	43,558
Billings in excess of costs and estimated earnings on uncompleted contracts	125,922	161,457
Taxation on income	-	5
Provisions	7,040	4,794
Provisions for employee benefits	3,260	7,706
Other current liabilities	6,366	13,496
<b>Group's share in current liabilities of joint operations</b>	<b>168,850</b>	<b>231,016</b>
<b>Non-Current Liabilities</b>		
Other non-current liabilities	27,500	-
<b>Group's share in non-current liabilities of joint operations</b>	<b>27,500</b>	<b>-</b>

The Group's share in the consolidated statement of profit or loss of the joint operations using the proportionate consolidation method on a line by line basis is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Revenue	342,829	291,196
Cost of revenue	(277,601)	(288,201)
General administrative expenses	(19)	(247)
Other operating income	941	84
Other operating expenses	(48)	(467)
Financial income	1,893	1,783
Financial expenses	(124)	(518)
Taxation charge	(6,857)	(6,708)
<b>Net profit / (loss)</b>	<b>61,014</b>	<b>(3,078)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 5. SEGMENTAL INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of services and products provided and has four reportable segments as follows: construction, rental, energy and trading and manufacturing.

#### a) Business segments:

	1 January - 31 December 2015				
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations Consolidated
Revenues	1,415,112	381,552	266,844	2,491,247	- 4,554,755
Inter-segment revenues	76,775	-	6,535	20,398	(103,708) -
Cost of revenues	(1,219,136)	(103,168)	(217,556)	(2,239,706)	- (3,779,566)
Inter-segment cost of revenues	(79,184)	-	(6,535)	(20,398)	106,117 -
<b>Gross profit</b>	<b>193,567</b>	<b>278,384</b>	<b>49,288</b>	<b>251,541</b>	<b>2,409 775,189</b>
Marketing, selling and distribution expenses	(12,693)	(4,935)	(10,919)	(77)	- (28,624)
Administrative expenses	(68,577)	(11,698)	(13,815)	(9,793)	- (103,883)
Other operating income	17,399	2,445	3,972	4,222	- 28,038
Other operating expenses (-)	(45,554)	(956)	(3,302)	(39)	- (49,851)
<b>Profit from operations</b>	<b>84,142</b>	<b>263,240</b>	<b>25,224</b>	<b>245,854</b>	<b>2,409 620,869</b>
Investment income	182,328	11,220	2,065	91	- 195,704
Investment expenses (-)	(135,638)	(131)	-	-	- (135,769)
<b>Profit from operations</b>					
<b>Before financial income/(expenses)</b>	<b>130,832</b>	<b>274,329</b>	<b>27,289</b>	<b>245,945</b>	<b>2,409 680,804</b>
Financial income	17,571	5,250	6,581	7,151	(5,037) 31,516
Financial expenses (-)	(12,366)	(8,216)	(3,066)	(1,485)	5,003 (20,130)
<b>Profit before tax</b>	<b>136,037</b>	<b>271,363</b>	<b>30,804</b>	<b>251,611</b>	<b>2,375 692,190</b>
Current tax expense	(40,193)	(38,720)	(8,097)	(40,541)	- (127,551)
Deferred tax expense	2,230	(8,616)	(362)	(22,583)	- (29,331)
<b>Profit for the year from continuing operations</b>	<b>98,074</b>	<b>224,027</b>	<b>22,345</b>	<b>188,487</b>	<b>2,375 535,308</b>

  

	31 December 2015			
	Construction contracts	Rental	Trade and manufacturing	Energy Consolidated
Segment assets	3,506,513	1,650,568	208,182	1,779,257 7,144,520
Unallocated assets				266
<b>Total assets</b>	<b>3,506,513</b>	<b>1,650,568</b>	<b>208,182</b>	<b>1,779,257 7,144,786</b>
Segment liabilities	668,387	330,723	82,707	884,482 1,966,299
Unallocated liabilities				1,135
<b>Total liabilities</b>	<b>668,387</b>	<b>330,723</b>	<b>82,707</b>	<b>884,482 1,967,434</b>

  

	1 January - 31 December 2015			
	Construction contracts	Rental	Trade and manufacturing	Energy Consolidated
<b>Other segment information</b>				
<u>Capital expenditures</u>				
Property, plant and equipment & investment property	77,592	54,772	126	27,618 160,108
Intangible assets	588	154	10	332 1,084
<b>Total capital expenditures</b>	<b>78,180</b>	<b>54,926</b>	<b>136</b>	<b>27,950 161,192</b>
Depreciation expenses	41,410	3,871	1,880	51,227 98,388
Amortization expenses	1,286	67	132	116 1,601

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 5. SEGMENTAL INFORMATION (cont'd)

#### a) Business segments (cont'd)

1 January - 31 December 2014						
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenues	1,901,372	484,247	294,424	3,140,985	-	5,821,028
Inter-segment revenues	237,511	614	7,910	18,464	(264,499)	-
Cost of revenues	(1,612,606)	(127,388)	(233,589)	(2,914,406)	-	(4,887,989)
Inter-segment cost of revenues	(244,444)	-	(7,910)	(18,464)	270,818	-
<b>Gross profit</b>	<b>281,833</b>	<b>357,473</b>	<b>60,835</b>	<b>226,579</b>	<b>6,319</b>	<b>933,039</b>
Marketing selling and	(14,905)	(5,509)	(12,993)	(12)	-	(33,419)
Administrative expenses	(80,943)	(16,643)	(18,296)	(10,809)	614	(126,077)
Other operating income	16,000	3,355	970	1,471	-	21,796
Other operating expenses (-)	(47,931)	(4,498)	(7,147)	(8,148)	-	(67,724)
<b>Profit from operations</b>	<b>154,054</b>	<b>334,178</b>	<b>23,369</b>	<b>209,081</b>	<b>6,933</b>	<b>727,615</b>
Investment income	187,363	2,117	-	62	-	189,542
Investment expenses (-)	(39,246)	(945)	-	-	-	(40,191)
<b>Profit from operations</b>						
<b>Before financial income/(expenses)</b>	<b>302,171</b>	<b>335,350</b>	<b>23,369</b>	<b>209,143</b>	<b>6,933</b>	<b>876,966</b>
Financial income	28,812	10,242	2,354	3,811	(5,967)	39,252
Financial expenses (-)	(27,457)	(16,643)	(5,196)	(1,766)	5,967	(45,095)
<b>Profit before tax</b>	<b>303,526</b>	<b>328,949</b>	<b>20,527</b>	<b>211,188</b>	<b>6,933</b>	<b>871,123</b>
Current tax expense	(57,634)	(46,493)	(4,666)	(30,777)	-	(139,570)
Deferred tax expense	(1,744)	(13,211)	988	(28,298)	-	(42,265)
<b>Profit for the year from continuing operations</b>	<b>244,148</b>	<b>269,245</b>	<b>16,849</b>	<b>152,113</b>	<b>6,933</b>	<b>689,288</b>

31 December 2014					
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	3,702,460	1,973,496	258,403	1,878,145	7,812,504
Unallocated assets					265
<b>Total assets</b>	<b>3,702,460</b>	<b>1,973,496</b>	<b>258,403</b>	<b>1,878,145</b>	<b>7,812,769</b>
Segment liabilities	943,933	464,608	122,597	1,065,494	2,596,632
Unallocated liabilities					1,379
<b>Total liabilities</b>	<b>943,933</b>	<b>464,608</b>	<b>122,597</b>	<b>1,065,494</b>	<b>2,598,011</b>

1 January - 31 December 2014					
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
<b>Other segment information</b>					
<b>Capital expenditures</b>					
Property, plant and equipment & investment property	49,156	139,645	802	1,921	191,524
Intangible assets	1,343	151	10	61	1,565
<b>Total capital expenditures</b>	<b>50,499</b>	<b>139,796</b>	<b>812</b>	<b>1,982</b>	<b>193,089</b>
Depreciation expenses	41,679	2,959	3,639	51,146	99,423
Amortization expenses	2,485	139	158	97	2,879

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 5. SEGMENTAL INFORMATION (cont'd)

#### a) Business segments (cont'd)

Transfer prices between business segments are set out on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

For the year ended 31 December 2015, revenues amounting to USD 2,491,247 (31 December 2014 - USD 3,140,985) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the year ended 31 December 2015, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 2,095,785 (31 December 2014 - USD 2,739,059) 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 - 31 December 2015						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	3,183,384	612,713	464,200	294,458	-	4,554,755
Inter-segment sales	64,256	39,452	-	-	(103,708)	-
Capital expenditures	75,483	76,076	7,642	1,991	-	161,192

31 December 2015						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	3,816,537	2,042,646	220,170	1,065,167	-	7,144,520

1 January - 31 December 2014						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	4,194,525	808,280	544,639	273,584	-	5,821,028
Inter-segment sales	70,014	194,485	-	-	(264,499)	-
Capital expenditures	36,511	147,529	6,574	2,475	-	193,089

31 December 2014						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	4,209,049	2,267,007	264,892	1,071,556	-	7,812,504

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**6. CASH AND CASH EQUIVALENTS**

	31 December 2015	31 December 2014
Cash on hand	1,967	1,699
Cash in bank		
Demand deposits	618,953	970,613
Time deposits	325,358	432,971
Other	2,910	2,911
	<u>949,188</u>	<u>1,408,194</u>
Less: restricted time deposits with maturity over three months and less than one year	(1,000)	(1,000)
Cash and cash equivalents at consolidated statement of cash flows	<u>948,188</u>	<u>1,407,194</u>

Informations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

**7. FINANCIAL INVESTMENTS****Current financial investments**

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2015 and 2014 are detailed below:

	31 December 2015	31 December 2014
<b>Financial assets at fair value through profit or loss</b>		
Private sector bonds		
- International markets	19,394	2,070
- Domestic market	-	2,134
Foreign Government bonds		
- International markets	339,906	263,279
Equity securities		
- International markets	308,674	215,251
- Domestic market	-	1,446
Turkish Government bonds		
- Domestic market	-	15,391
Mutual funds		
- International markets	107,077	64,381
- Domestic market	86	11,158
	<u>775,137</u>	<u>575,110</u>



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**7. FINANCIAL INVESTMENTS (cont'd)****Non-current financial investments**

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2015 and 2014 are detailed below:

	31 December 2015	31 December 2014
<b>Financial assets at fair value through profit or loss</b>		
Private sector bonds		
- International markets	1,174,200	926,182
Foreign Government bonds		
- International markets	25,948	27,242
Turkish Government bonds		
- Domestic market	-	8,391
- International markets	25,839	44,615
Equity securities	360	475
	<u>1,226,347</u>	<u>1,006,905</u>

Maximum maturity dates of financial assets in the nature of borrowings are as follows:

	31 December 2015	31 December 2014
Private Sector Bonds - International markets	31 December 2049	31 December 2049
Foreign Government Bonds - International markets	17 October 2044	17 October 2044
Turkish Government Bonds		
- Domestic market	-	13 July 2016
- International markets	14 January 2041	14 January 2041

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

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### 8. FINANCIAL LIABILITIES

#### a) Bank loans

31 December 2015				
Short-term borrowings:	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	1.75%	EUR	3,350	3,661
	2.40%	USD	2,351	2,351
	-	TL	186	64
Total short-term borrowings				<b>6,076</b>
Long-term borrowings:				
Hermes loan (*)	1.00%	EUR	3,287	3,592
Other long-term bank borrowings (*)	2.18%	JPY	7,111,507	58,891
	-	TL	546	188
Finance lease obligations				76,392
				<b>139,063</b>
Less: Current portion of long-term borrowings				<b>(34,773)</b>
Total long-term borrowings				<b>104,290</b>

(\*) Hermes loan and loan denominated in Japanese Yen were obtained to finance the operations of Enka Pazarlama which is the subsidiary of the Group.

31 December 2014				
Short-term borrowings:	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	3.30%	USD	6,000	6,000
	-	TL	567	245
Total short-term borrowings				<b>6,245</b>

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

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### 8. FINANCIAL LIABILITIES (cont'd)

#### a) Bank loans (cont'd)

Long-term borrowings:	31 December 2014			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Hermes loan (*)	0.95%	EUR	8,781	10,681
Other long-term bank borrowings (*)	2.02%	USD	608	608
	2.02%	EUR	1,000	1,217
	2.18%	JPY	10,469,844	87,352
	-	TL	473	203
Finance lease obligations				163,250
				<u>263,311</u>
Less: Current portion of long-term borrowings				(43,148)
Total long-term borrowings				<u><b>220,163</b></u>

(\*) Hermes loan and loan denominated in Japanese Yen were obtained to finance the operations of Enka Pazarlama which is the subsidiary of the Group.

Repayment schedule of long-term bank borrowings are as follows:

	31 December 2015	31 December 2014
Less than 1 year	32,184	38,144
1 - 2 years	29,555	32,317
2 - 3 years	233	29,600
3 - 4 years	233	-
4 - 5 years	233	-
More than 5 years	233	-
Less : Current portion of long-term borrowings	(32,184)	(38,144)
	<u>30,487</u>	<u>61,917</u>

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### 8. FINANCIAL LIABILITIES (cont'd)

#### b) Finance lease obligations

31 December 2015				
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	3.00%	RUB	188,704	2,589
				<u>2,589</u>
Long-term	3.00%	RUB	5,378,946	73,803
				<u>73,803</u>
				<u>76,392</u>

31 December 2014				
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	3.00%	RUB	281,524	5,004
				<u>5,004</u>
Long-term	3.00%	RUB	8,902,690	158,246
				<u>158,246</u>
				<u>163,250</u>

#### Finance lease commitments

As of 31 December 2015 and 2014, repayment schedule of finance lease obligations are as follows:

	31 December 2015	31 December 2014
Less than 1 year	2,589	5,004
1 - 5 years	16,693	25,305
More than 5 years	57,110	132,941
Total finance lease obligations	<u>76,392</u>	<u>163,250</u>
Interest	-	-
Present value of total finance lease obligations	<u>76,392</u>	<u>163,250</u>

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**9. TRADE RECEIVABLES AND PAYABLES****a) Trade receivables**

	31 December 2015	31 December 2014
<b>Short-term trade receivables</b>		
Trade receivables	298,007	425,063
Discount on trade receivables (-)	(31)	(56)
Contract receivables	224,636	298,146
Notes and cheques receivables	6,120	15,959
Discount on notes and cheques receivables (-)	(163)	(346)
Retention receivables (*)	27,921	13,661
	<u>556,490</u>	<u>752,427</u>
Less: Allowance for doubtful receivables	(28,702)	(32,305)
	<u>527,788</u>	<u>720,122</u>

(\*) Retention receivables are described as withheld by the customers until the contracts are completed or, in certain instances for even longer periods and undue trade receivables in the construction contracts.

Collection periods of receivables from construction works depends on the agreement conditions are between 30 and 90 days.

As of 31 December 2015 and 2014, movement of allowance for doubtful receivables is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Balance at beginning of the year	32,305	24,436
Additional provision (Note 26)	3,292	21,693
Foreign currency translation effect	(4,968)	(2,245)
Amounts recovered during the year (Note 26)	(194)	(1,502)
Write-offs (*)	(1,733)	(7,376)
Change in scope of consolidation	-	(2,701)
Closing balance	<u>28,702</u>	<u>32,305</u>

(\*) Allowances of the previous periods which were decided as bad debts were written-off as of 31 December 2015 and 2014.

	31 December 2015	31 December 2014
<b>Long-term trade receivables</b>		
Notes and cheques receivables	1,049	1,191
Discount on notes and cheques receivables (-)	(16)	(53)
Trade receivables	7,762	9,492
Discount on trade receivables (-)	(15)	(51)
	<u>8,780</u>	<u>10,579</u>

Explanations about the nature and level of risks related to trade receivables are provided in Note 34.

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**9. TRADE RECEIVABLES AND PAYABLES (cont'd)****b) Trade payables**

	31 December 2015	31 December 2014
<b>Short-term trade payables</b>		
Trade payables	412,186	536,718
Notes payable	119	138
Other trade payables	17,899	360
	<u>430,204</u>	<u>537,216</u>

	31 December 2015	31 December 2014
<b>Long term trade payables</b>		
Trade payables	-	1,900
	<u>-</u>	<u>1,900</u>

Explanations about the nature and level of risks related to trade payables are provided in Note 34.

**10. OTHER RECEIVABLES AND PAYABLES****a) Other receivables**

	31 December 2015	31 December 2014
<b>Short-term other receivables</b>		
Deposits and guarantees given	446	626
Other receivables from related parties (Note 33)	19	56
	<u>465</u>	<u>682</u>

**b) Other payables**

	31 December 2015	31 December 2014
<b>Short-term other payables</b>		
Deposits and guarantees taken	18,575	29,462
Other payables to related parties (Note 33)	860	1,378
	<u>19,435</u>	<u>30,840</u>

	31 December 2015	31 December 2014
<b>Long-term other payables</b>		
Deposits and guarantees taken	22,898	27,690
	<u>22,898</u>	<u>27,690</u>

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**11. INVENTORIES**

	31 December 2015	31 December 2014
Raw materials and spare parts	150,463	158,034
Work in progress	15,158	23,666
Trade goods (machinery and others)	31,987	44,142
Finished goods	5,899	3,904
Goods in transit	14,722	11,713
Construction materials	16,046	18,810
Allowance for impairment on inventory (*)	(676)	(413)
	<u>233,599</u>	<u>259,856</u>

(\*) As of 31 December 2015 and 2014, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 December 2015, there is not any pledge on inventories (31 December 2014 - None).

**12. CONSTRUCTION CONTRACTS**

	31 December 2015	31 December 2014
Costs incurred on uncompleted contracts	2,131,584	2,328,972
Recognized profit less recognized losses to date	275,997	120,393
	<u>2,407,581</u>	<u>2,449,365</u>
Less: progress billing	(2,488,637)	(2,540,195)
	<u>(81,056)</u>	<u>(90,830)</u>

The net balance is included in the consolidated balance sheet under the following captions:

	31 December 2015	31 December 2014
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	79,844	133,257
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(160,900)	(224,087)
	<u>(81,056)</u>	<u>(90,830)</u>

As of 31 December 2015, the amount of advances received of subsidiaries and companies shares in joint operations is USD 105,059 (31 December 2014 – USD 215,104).

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

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#### 13. INVESTMENT PROPERTIES

As of 31 December 2015 and 2014, movement of investment properties is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	1,814,215	2,346,532
Currency translation difference	(259,445)	(682,170)
Change in fair value, net (Note 27)	11,199	(939)
Transfers from inventories	-	18,899
Additions	51,560	137,460
Change in present value of lease obligations	(57,390)	(5,567)
Disposals	(1,415)	-
Closing balance	1,558,724	1,814,215

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2015 and 2014 investment properties consist of real estates in Russia from which rent income is obtained and lands and buildings held as investment in Turkey amounting to USD 11,021 (31 December 2014 - USD 11,021). These properties are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licenced independent valuation firm.

"KOMIT Invest" which is licenced by Russian Federation as an independent valuation firm, has revalued the fair values of the investment properties of the Group.

Investment properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2015, the fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 11.47 million RUB equivalent to USD 157,416 (31 December 2014 - 11.66 million RUB equivalent to USD 207,263), Mosenka; 4.51 million RUB equivalent to USD 61,909 (31 December 2014 - 4.59 million RUB equivalent to USD 81,587), Enka TC; 44.56 million RUB equivalent to USD 611,518 (31 December 2014 - 47.7 million RUB equivalent to USD 847,944).

The fair values of the investment properties of the Company in Russia, determined at 31 December 2015 as USD 627,879 (31 December 2014 - USD 647,523). The investment properties of the Group located in Moscow includes land leased from Moscow City Authorities under a 49 year operating lease agreement, which are renewable at the option of the Group.

The investment properties owned by the Group are carried at fair value determined by independent professionally qualified valuers on the basis of market value supported by market evidence and other information obtained in the course of market research. Fair values of such investment properties are periodically reviewed by the Group through the report of independent valuers.

For the circumstances that the fair value of the properties have not been determined based on transactions observable in the market because of the nature of the property and the lack of comparable data, a valuation model based on income capitalisation method has been applied. The fair value of the investment properties of the Group are estimated by using income capitalization method, with capitalization and discount rates ranging between 11.35% to 16.22% and 11.57% to 16.44% (31 December 2014 - 10.4% to 15.35% and 10.1% to 15.1%) respectively.



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**13. INVESTMENT PROPERTIES (cont'd)**

As of 31 December 2015 and 2014 fair value hierarchy table of investment properties is as follows:

	31 December 2015	Fair value as at 31 December 2015		
		1. Level USD	2. Level USD	3. Level USD
Investment properties in Russia	1,547,703	-	-	1,547,703
Investment properties in Turkey	11,021	-	11,021	-
Total	1,558,724	-	11,021	1,547,703

	31 December 2014	Fair value as at 31 December 2014		
		1. Level USD	2. Level USD	3. Level USD
Investment properties in Russia	1,803,194	-	-	1,803,194
Investment properties in Turkey	11,021	-	11,021	-
Total	1,814,215	-	11,021	1,803,194

There is no transition between second and third levels during the year.

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**14. PROPERTY, PLANT AND EQUIPMENT**

<u>Cost</u>	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircraft (*)	Others	Construction in progress	Total
Opening balance as of 1 January 2015	207,721	187,913	2,024,726	35,069	57,948	28,372	14,899	8,673	14,848	2,580,169
Currency translation differences	(7,363)	(16,848)	(11,880)	(89)	(6,101)	287	-	2,380	(1,085)	(40,699)
Revaluation (**)	-	(5,154)	-	-	-	-	-	-	-	(5,154)
Additions	1,498	10,979	41,338	3,885	4,791	348	-	1,865	43,844	108,548
Disposals	(7,306)	(1,889)	(11,885)	(5,500)	(2,732)	(2,795)	-	(765)	(1,676)	(34,548)
Transfers	-	315	33,851	-	-	-	-	-	(34,166)	-
Closing balance as of 31 December 2015	194,550	175,316	2,076,150	33,365	53,906	26,212	14,899	12,153	21,765	2,608,316
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2015	(26,655)	(13,522)	(810,574)	(20,022)	(42,283)	(25,700)	(7,174)	(8,343)	-	(954,273)
Currency translation differences	(86)	739	7,571	(158)	2,187	(30)	-	(1,278)	-	8,945
Revaluation (**)	-	777	-	-	-	-	-	-	-	777
Charge of the year	(2,204)	(9,126)	(76,854)	(2,079)	(4,306)	(636)	(1,107)	(2,076)	-	(98,388)
Disposals	-	871	5,393	4,023	2,317	1,963	-	334	-	14,901
Closing balance as of 31 January 2015	(28,945)	(20,261)	(874,464)	(18,236)	(42,085)	(24,403)	(8,281)	(11,363)	-	(1,028,038)
Net book value as of 1 January 2015	181,066	174,391	1,214,152	15,047	15,665	2,672	7,725	330	14,848	1,625,896
Net book value as of 31 December 2015	165,605	155,055	1,201,686	15,129	11,821	1,809	6,618	790	21,765	1,580,278

(\*) The amount consists of the aircraft used by subsidiary of the Company, Air Enka.

(\*\*) As of 31 December 2015, hotel building of MKH is revalued by independent qualified valuer "American Appraisal". Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Revaluations are made by discounted cash flow methods.

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**14. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Cost	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircraft (*)	Others	Construction in progress	Total
Opening balance as of 1 January 2014	250,995	261,925	2,100,573	29,848	65,828	30,674	14,899	11,694	30,713	2,797,149
Currency translation differences	(7,833)	(51,708)	(20,421)	(272)	(5,702)	153	-	(1,804)	(2,640)	(90,227)
Revaluation (**)	(17,035)	(13,099)	-	-	-	-	-	-	-	(30,134)
Additions	9,911	3,031	21,448	11,007	3,770	906	-	405	3,586	54,064
Change in scope of consolidation	(5,349)	(10,512)	(42,056)	(1,010)	(3,928)	-	-	(618)	-	(63,473)
Disposals	(30,314)	(5,239)	(42,008)	(2,433)	(2,054)	(3,449)	-	(901)	(812)	(87,210)
Transfers (***)	7,346	3,515	7,190	(2,071)	34	88	-	(103)	(15,999)	-
Closing balance as of 31 December 2014	207,721	187,913	2,024,726	35,069	57,948	28,372	14,899	8,673	14,848	2,580,169
Accumulated depreciation										
Opening balance as of 1 January 2014	(24,160)	(11,353)	(818,199)	(20,616)	(45,622)	(26,153)	(7,174)	(11,342)	-	(964,619)
Currency translation differences	91	491	12,167	825	1,892	(110)	-	4,403	-	19,759
Revaluation (**)	-	1,257	-	-	-	-	-	-	-	1,257
Charge of the year	(3,356)	(8,082)	(76,040)	(3,015)	(4,725)	(1,590)	-	(2,615)	-	(99,423)
Disposals	-	2,279	32,657	1,951	2,915	2,153	-	633	-	42,588
Change in scope of consolidation	770	1,886	38,841	833	3,257	-	-	578	-	46,165
Closing balance as of 31 December 2014	(26,655)	(13,522)	(810,574)	(20,022)	(42,283)	(25,700)	(7,174)	(8,343)	-	(954,273)
Net book value as of 1 January 2014	226,835	250,572	1,282,374	9,232	20,206	4,521	7,725	352	30,713	1,832,530
Net book value as of 31 December 2014	181,066	174,391	1,214,152	15,047	15,665	2,672	7,725	330	14,848	1,625,896

(\*) The amount consists of the aircraft used by subsidiary of the Company, Air Enka.

(\*\*) As of 31 December 2014, lands of Pınas in Russian Federation, hotel building and office part of MKH are revalued by independent qualified valuers. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Land and buildings of Enka Pazarlama, Pınas, Çimtaş and Enka İnşaat are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licenced independent valuation firm. Buildings of MKH are revalued by "American Appraisal". Revaluations are made by "precedent value" and "discounted cash flow" methods.

(\*\*\*) Other reclassifications are classifications between sub-groups of fixed assets and have no effect on net book value of fixed assets.

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**14. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

As of 31 December 2015, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to USD 4,477 (31 December 2014 - USD 4,495) and USD 3,785 (31 December 2014 - USD 3,234).

As of 31 December 2015, there is no security on the property, plant and equipment of the Group (31 December 2014 - None).

If the buildings were measured using the cost model, the carrying amounts would be as follows:

	31 December 2015	31 December 2014
Cost	288,241	276,346
Accumulated depreciation	(96,776)	(84,598)
Net book value	191,465	191,748

The distribution of depreciation expenses as of 31 December 2015 and 2014 is presented in Note 25.

As of 31 December 2015 and 2014 fair value hierarchy table of fixed asset is as follows:

	31 December 2015	Fair value as at 31 December 2015		
		1. Level USD	2. Level USD	3. Level USD
Lands	165,605	-	165,605	-
Buildings	155,055	-	-	155,055
Total	320,660	-	165,605	155,055

	31 December 2014	Fair value as at 31 December 2014		
		1. Level USD	2. Level USD	3. Level USD
Lands	181,066	-	181,066	-
Buildings	174,391	-	-	174,391
Total	355,457	-	181,066	174,391

There is no transition between second and third levels during the year.

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**15. INTANGIBLE ASSETS**

	1 January - 31 December 2015	1 January - 31 December 2014
<b><u>Cost</u></b>		
Opening balance	31,239	42,438
Currency translation difference	(1,056)	(1,623)
Additions	1,084	1,565
Disposals	(243)	(4,332)
Change in scope of consolidation	-	(6,809)
Closing balance	<u>31,024</u>	<u>31,239</u>
<b><u>Accumulated amortization</u></b>		
Opening balance	(10,164)	(10,465)
Currency translation difference	752	1,423
Charge of the year	(1,601)	(2,879)
Disposals	229	-
Change in scope of consolidation	-	1,757
Closing balance	<u>(10,784)</u>	<u>(10,164)</u>
Carrying value	<u>20,240</u>	<u>21,075</u>

As of 31 December 2015, there is not any pledge on intangible assets (31 December 2014 - None).

The distribution of amortization expenses as of 31 December 2015 and 2014 is presented in Note 25.

**16. GOODWILL**

The Group had acquired the remaining 100% interest stake in the Power Companies between the years 2003 to 2005, where the Company had 40% shareholding. As a result of these acquisitions goodwill amounting to USD 55,168 (31 December 2014 - USD 55,168) was recorded in the consolidated financial statements. There is no impairment of the goodwill.

Çimtaş, the subsidiary of the Company, acquired 100% shares of IBH Engineering GMBH in the amount of EUR 10,000 in 21 April 2010. Thus, goodwill of EUR 6,486 (USD – 8,214) was recognized in this acquisition. In 2014, the Group sold the subsidiary and disposed the recognized goodwill amount.

As of 31 December 2015 and 2014, the movement of goodwill is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	55,168	64,092
Currency translation difference	-	(710)
Effect of sale of subsidiary	-	(8,214)
Closing balance	<u>55,168</u>	<u>55,168</u>

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**17. PREPAID EXPENSES AND DEFERRED INCOME**

	31 December 2015	31 December 2014
<b>Short-term Prepaid Expenses</b>		
Advances given	71,791	90,762
Prepaid expenses	8,259	9,542
	<u>80,050</u>	<u>100,304</u>
<b>Long-term Prepaid Expenses</b>		
Advances given	-	361
Prepaid expenses	1,222	2,154
	<u>1,222</u>	<u>2,515</u>
<b>Short-term Deferred Income</b>		
Advances taken	79,008	219,521
Deferred rent revenue	61,766	104,210
	<u>140,774</u>	<u>323,731</u>
<b>Long-term Deferred Income</b>		
Deferred income (*)	475,655	608,232
Advances taken	29,066	-
Deferred rent revenue	1,176	1,847
	<u>505,897</u>	<u>610,079</u>

(\*) Represents the Power Companies' deferred income, which is the difference between the average price recognized over the life of the project and actual charges.

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**18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

	31 December 2015	31 December 2014
<b>Short-term accrued expenses</b>		
Accrual for construction costs	28,693	38,101
Provision for legal claims	10,801	5,542
Accrued expenses	7,389	7,543
Forward accrual (*)	1,370	5,075
	<b>48,253</b>	<b>56,261</b>

(\*) As of 31 December 2015, the Group's derivative liabilities formed from forward foreign-currency transactions are USD 1,370 (31 December 2014 - derivative liabilities USD 5,075). These contracts are reflected in the consolidated financial statements as follows.

**Derivative instruments / forward contracts purchase – sales agreements**

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The table below shows derivative financial instruments analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

As of 31 December 2015 and 2014, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

	31 December 2015			
	Unrealized Loss	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(1,370)	-	-	-
Forward contracts sales agreements	-	58,283	-	-
Forward contracts purchase agreements	-	56,934	-	-

	31 December 2014			
	Unrealized Loss	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(5,075)	-	-	-
Forward contracts sales agreements	-	53,345	-	-
Forward contracts purchase agreements	-	48,656	-	-

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**19. COMMITMENTS**

**Operating lease commitments – Group as lessor**

The minimum future rental income of the Group under non-cancelable operating leases at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Within one year	265,411	373,228
After one year but not more than five years	630,289	736,075
More than 5 years	247,467	304,696
	<u>1,143,167</u>	<u>1,413,999</u>

**Litigations**

As of 31 December 2015, an international arbitration has been filed by the Group for the losses incurred and unbilled receivables related to the joint operation in Oman. Necessary provisions have been reserved in the Group's consolidated financial statements.



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

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### 19. COMMITMENTS (cont'd)

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 December 2015 and 2014 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	31 December 2015		31 December 2014	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		758,850		851,789
-USD	653,008	653,008	690,619	690,619
-EUR	85,404	93,334	61,228	74,478
-TL	28,749	9,888	26,011	11,217
-Others (*)		2,620		75,475
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		62,896		98,881
-USD	85	85	85	85
-EUR	3,285	3,591	8,801	10,706
-TL	957	329	906	391
-Others (*)		58,891		87,699
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>821,746</u>		<u>950,670</u>

(\*) U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR.

As of 31 December 2015 the portion of other guarantees given to shareholders' equity is 0% (31 December 2014 - 0%).

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**20. PROVISIONS FOR EMPLOYEE BENEFITS****a) Short-term employee benefits****Liabilities with the scope of employee benefits**

	31 December 2015	31 December 2014
Payroll payable	13,551	26,568
	<u>13,551</u>	<u>26,568</u>

**Short-term provisions related to employee benefits**

	31 December 2015	31 December 2014
Bonus accrual	5,057	6,431
Vacation pay liability	9,626	14,603
	<u>14,683</u>	<u>21,034</u>

**b) Long-term employee benefits**

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay limited to a maximum of full TL 3,828 equivalent to full USD 1,317 (31 December 2014 - full TL 3,438 equivalent to full USD 1,614) per year of employment at the rate of pay applicable at the date of retirement or termination. Effective from 1 January 2016, the retirement pay ceiling has been increased to full TL 4,093.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2015, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with 3.99% real discount rate, assuming an annual inflation rate of 6.5% and a discount rate of 10.75% (31 December 2014 - 2.74%).

Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration. Retirement ceiling pay revised each six month period basis and ceiling amount of full TL 4,093 which is in effect since 1 January 2016 is used in the calculation of Groups' provision for retirement pay liability (1 January 2015 - full TL 3,541).

Movements of the provision for employee termination benefits during years ended 31 December 2015 and 2014 are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	16,294	15,707
Service cost	2,589	1,825
Actuarial loss	2,005	1,951
Change in scope of consolidation	-	(1,117)
Retirement benefits paid	(1,869)	(1,613)
Translation gain	(2,067)	(459)
Closing balance	<u>16,952</u>	<u>16,294</u>

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**21. OTHER ASSETS AND LIABILITIES**

	31 December 2015	31 December 2014
<b>Other current assets</b>		
Deferred VAT	14,159	31,179
VAT receivable	13,012	23,922
Prepaid taxes and funds	10,238	12,518
Other	4,849	5,371
	<u>42,258</u>	<u>72,990</u>
<b>Other non-current assets</b>		
Prepayment for land leases	4,419	4,573
Other	378	207
	<u>4,797</u>	<u>4,780</u>
<b>Other current liabilities</b>		
VAT payable	17,493	32,528
Taxes and funds payable	10,143	7,354
Other	1,118	1,748
	<u>28,754</u>	<u>41,630</u>

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**22. SHARE CAPITAL AND RESERVES****a) Share capital**

The shareholders of the Group and their percentage of ownership as of 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015		31 December 2014	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.27%	1,171,661	49.27%	1,098,924
Vildan Gülçelik	7.99%	190,005	7.99%	178,210
Sevda Gülçelik	6.43%	152,908	6.43%	143,416
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	139,591	5.87%	130,925
Diğer	30.44%	723,876	30.44%	678,937
	100%	2,378,041	100%	2,230,412

Based on the Group's Ordinary General Assembly held on 27 March 2015; it has been resolved to increase the share capital from TL 3,600,000 to TL 4,000,000; and covered the TL 400,000 from the 1st Dividend at an amount of TL 65,000, and from the 2nd Dividend at an amount of TL 230,000 and from the other sources at an amount of TL 105,000.

Within the above mentioned shares, founders of Enka İnşaat and former Enka Holding have one thousand founders share each. The founder shares of Enka İnşaat and the founder shares of former Enka Holding are entitled to receive, 5% and 2.5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

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#### 22. SHARE CAPITAL AND RESERVES (cont'd)

##### b) Revaluation surplus

###### *Revaluation fund*

Revaluation difference arising from difference between book value and fair value of the buildings is netted off with the related deferred tax and classified as revaluation surplus and included under equity.

The movement of revaluation fund for years 2015 and 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	161,888	232,143
Currency translation difference	(2,044)	(14,916)
Revaluation of fixed assets	(4,377)	(28,877)
Deferred tax effect of revaluation of fixed assets	875	3,977
Share of non-controlling interests	-	2,846
Transfer of depreciation difference (net of deferred tax) of revaluation effect	(2,278)	(3,159)
Change in scope of consolidation	-	(7,497)
Transfer of revaluation surplus of sold lands	(5,842)	(22,629)
Closing balance	148,222	161,888

###### *Financial Risk Hedge Fund*

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

##### c) Legal reserves and accumulated profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Public companies in Turkey make profit distributions in accordance with the regulations of CMB.

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**22. SHARE CAPITAL AND RESERVES (cont'd)****c) Legal reserves and accumulated profit (cont'd)**

When net profit for the year ended 2015 based on consolidated financial statements prepared according to CMB and financial statements prepared in accordance with Turkish Trade Law are compared, distributable net profit for the year is determined as TL 1,392,780 after deduction of first legal reserve (31 December 2014 – 1,388,489).

Equity inflation adjustment and carrying value of extraordinary reserves can be used in free capital increase, cash profit distribution and loss deduction. However, equity inflation adjustment is subject to corporate tax if it is used in cash profit distribution.

As of 31 December 2015, legal reserves of Enka İnşaat are amounting to TL 471,353 equivalent to USD 162,111 (31 December 2014 – TL 419,499 equivalent to USD 180,904).

The movement of the share capital (in numbers and in historical TL) of the Group during 31 December 2015 and 2014 is as follows:

	31 December 2015		31 December 2014	
	Number	TL	Number	TL
At 1 January,	360,000,000,000	3,600,000	320,000,000,000	3,200,000
Bonus shares issued out of general reserve	40,000,000,000	400,000	40,000,000,000	400,000
	<u>400,000,000,000</u>	<u>4,000,000</u>	<u>360,000,000,000</u>	<u>3,600,000</u>

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

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### 23. SALES AND COST OF SALES

Sales	1 January - 31 December 2015	1 January - 31 December 2014
Domestic sales	3,183,384	4,194,525
Export sales	1,371,371	1,626,503
	<u>4,554,755</u>	<u>5,821,028</u>
Cost of Sales	1 January - 31 December 2015	1 January - 31 December 2014
Cost of domestic sales	2,815,339	3,731,327
Cost of export sales	964,227	1,156,662
	<u>3,779,566</u>	<u>4,887,989</u>

The Group is operating in five main geographical areas alone or together with its affiliated companies or, in partnerships with other contractors through joint ventures. Segmental information of the Group is disclosed in Note 5.

### 24. MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
Marketing, sales and distribution expenses	28,624	33,419
Administrative expenses	103,883	126,077
	<u>132,507</u>	<u>159,496</u>

#### a) Marketing, sales and distribution expenses

	1 January - 31 December 2015	1 January - 31 December 2014
Employee benefit expenses	19,572	21,612
Transportation expenses	1,536	1,815
Office expenses	1,097	953
Business development expenses	522	2,401
Depreciation and amortization expenses (Note 25)	182	196
Other	5,715	6,442
	<u>28,624</u>	<u>33,419</u>

#### b) General administrative expenses

	1 January - 31 December 2015	1 January - 31 December 2014
Employee benefit expenses	59,941	77,956
Consulting and legal expenses	8,830	4,967
Depreciation and amortization expenses (Note 25)	6,213	8,551
Transportation expenses	5,585	5,982
Insurance expense	5,233	6,628
Rent expenses	1,276	2,643
Other	16,805	19,350
	<u>103,883</u>	<u>126,077</u>

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**25. EXPENSES BY NATURE**

Depreciation and amortization expenses are detailed below:

	1 January - 31 December 2015	1 January - 31 December 2014
<u>Depreciation expenses</u>		
Cost of revenues	92,302	89,665
Selling and administrative expenses	6,086	8,239
Discontinued operations	-	1,519
	<u>98,388</u>	<u>99,423</u>
<u>Amortization expenses</u>		
Cost of revenues	1,292	2,842
Discontinued operations	-	32
Selling and administrative expenses	309	5
	<u>1,601</u>	<u>2,879</u>
	<u>99,989</u>	<u>102,302</u>

Employee benefit expenses are detailed below:

	1 January - 31 December 2015	1 January - 31 December 2014
Wages and salaries	233,135	293,167
Social security costs	36,222	57,278
Provision for employee termination benefits	4,594	3,776
Other benefits	4,551	6,528
	<u>278,502</u>	<u>360,749</u>

**26. OTHER OPERATING INCOME / EXPENSES**

	1 January - 31 December 2015	1 January - 31 December 2014
<u>Other operating income</u>		
Foreign exchange gains from trade receivables	14,308	9,975
Compensation income	3,423	3,192
Repaired spare parts gained as an inventory	2,723	1,111
Machinery and other rent income	1,938	2,596
Warranty income	1,115	-
Service income	963	680
Insurance income	374	344
Collection of doubtful receivables (Note 9)	194	1,502
Commission income	65	566
Other	2,935	1,830
	<u>28,038</u>	<u>21,796</u>



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**26. OTHER OPERATING INCOME / EXPENSES (cont'd)**

<b>Other operating expense</b>	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
Litigation provisions	19,256	10,977
Foreign exchange losses from trade receivables	16,748	12,260
Donations	4,613	5,156
Provision for doubtful receivables (Note 9)	3,292	21,693
Commission expense	912	937
Capital increase expense	704	840
Rent expense	80	140
Power production licence cancellation expenses	-	4,755
Other	4,246	10,966
	<b>49,851</b>	<b>67,724</b>

**27. INVESTMENT INCOME / EXPENSES**

<b>Income from investing activities</b>	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
Interest revenue from financial assets held for sale	71,272	59,295
Foreign exchange income from investing activities	49,051	18,597
Increase in value of financial assets	28,104	82,021
Income from sale of securities	25,088	20,390
Increase in the fair value of investment properties (Note 13)	11,199	-
Dividend income	7,446	6,086
Gains from sales of property, plant and equipment	3,544	3,153
	<b>195,704</b>	<b>189,542</b>

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**27. INVESTMENT INCOME / EXPENSES (cont'd)**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>Expenses from investing activities</b>		
Losses from valuation of investment securities	(92,190)	(5,239)
Foreign exchange losses from investing activities	(24,053)	(21,766)
Losses from sale of securities	(19,374)	(2,931)
Loss from sales of property, plant and equipment	(152)	(9,316)
Decrease in the fair value of investment properties (Note 13)	-	(939)
	<u>(135,769)</u>	<u>(40,191)</u>

**28. FINANCIAL INCOME**

	1 January - 31 December 2015	1 January - 31 December 2014
Foreign exchange gains	22,653	27,859
Interest income	8,708	11,034
Forward income	147	150
Due date charges on credit sales	8	179
Other	-	30
	<u>31,516</u>	<u>39,252</u>

**29. FINANCIAL EXPENSES**

	1 January - 31 December 2015	1 January - 31 December 2014
Foreign exchange losses	7,357	26,370
Bank commission expenses	5,672	6,728
Forward losses	3,725	7,195
Interest expenses	2,792	3,860
Commission expenses of letters of guarantee	397	837
Other	187	105
	<u>20,130</u>	<u>45,095</u>

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**30. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS****a) Lands and buildings held for sale**

As of 31 December 2015, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama in consideration of its doubtful receivables are amounting to USD 852 (31 December – USD 1,068).

**b) Discontinued operations**

The Group sold its 81% share in its subsidiary Pimaş for TL 57,673.

	1 January- 15 October 2014
Loss incurred during the period	(1,111)
	<u>(1,111)</u>
The results of discontinued operations	
	1 January- 15 October 2014
<b>Discontinued operations</b>	
Revenue	58,088
Cost of sales (-)	(48,937)
Marketing, sales and distribution expenses (-)	(4,856)
General administrative expenses (-)	(2,408)
Other operating income	1,366
Other operating expenses (-)	(1,648)
Investment income	9
Investment expenses (-)	(269)
Financial expenses (-)	(2,393)
Current tax expenses (-)	(730)
Deferred tax income	667
<b>LOSS FOR THE PERIOD</b>	<u><b>(1,111)</b></u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 31. TAXATION ON INCOME

##### Tax legislation in Turkey

Enka İnşaat and its consolidated subsidiaries are subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which they operate.

In Turkey, the corporation tax rate is 20% (31 December 2014 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (31 December 2014: 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate entity basis.

Dividend income obtained from full fledged tax payer subsidiaries are exempt from corporate tax (except dividend obtained from investment fund shares and equities). 75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The cost of the sale has to be collected up until the end of the second calendar year the sale was realized. Brokerage houses and real estate companies who are dealing with the trading and the leasing of real estate can not benefit from this exemption.

15% (31 December 2014 - 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

As of 31 December 2015 and 2014, components of tax expense are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Consolidated income statement		
Current corporate tax	(127,551)	(139,570)
Deferred tax expense	(29,331)	(42,265)
	<u>(156,882)</u>	<u>(181,835)</u>

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**31. TAXATION ON INCOME (cont'd)****Tax legislations in other countries**

As of 31 December 2015 and 2014 effective corporation tax rate in other countries are as follows:

	31 December 2015	31 December 2014
Russia	20%	20%
Netherlands	25%	25%
Kazakhstan	%28 - %32	%28 - %32
Iraq	%15 - %35	%15 - %35
Romania	16%	16%
Oman	12%	12%
Kosovo	10%	10%

The movement of the current income tax liability is given as follows:

	2015	2014
1 January	51,706	54,503
Current year tax expense	127,551	139,570
Taxes paid	(122,827)	(142,367)
31 December	56,430	51,706

A reconciliation of the nominal (on the basis of the income tax rate of the Company and the Turkish subsidiaries) to the effective tax rate for the years ended 31 December 2015 and 2014 is provided below:

	1 January - 31 December 2015		1 January - 31 December 2014	
Profit before tax	692,190		871,123	
Tax per statutory tax rate 20%	138,438	20%	174,225	20%
Jobsites exempt from income tax	(8,567)	(1.2%)	(5,582)	(0.6%)
Effect of different functional currencies and others	27,011	3.9%	13,192	1.5%
Taxation charge	156,882	22.7%	181,835	20.9%

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**31. TAXATION ON INCOME (cont'd)**

As of 31 December 2015 and 2014, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	31 December 2015	31 December 2014
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(426,494)	(439,750)
GE Inventory in the context of "PSA" (*)	(45,230)	(45,242)
Adjustments on financial instruments and derivatives	(9,037)	(10,512)
Gross deferred income tax liabilities	(480,761)	(495,504)
Adjustment of revenue levelization	94,180	120,430
Allowance for retirement pay liability	3,200	2,523
Allowance for doubtful receivables	2,187	2,324
Allowance for inventories	381	441
Others	17,298	10,420
Gross deferred income tax assets	117,246	136,138
Net deferred tax liability	(363,515)	(359,366)

(\*) Implies deferred tax liabilities estimated from temporary differences related to "Parts and Services Agreement" PSA made with the Group's spare part supplier General Electric (GE).

Reflected as:

	31 December 2015	31 December 2014
Deferred tax assets	49	53
Deferred tax liabilities	(363,564)	(359,419)
Net deferred liabilities	(363,515)	(359,366)

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2015 related with Group's shares in its subsidiaries, branches and associates is USD 1,535,783 (31 December 2014 - USD 1,419,614).

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

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### 31. TAXATION ON INCOME (cont'd)

Movement of net deferred tax asset (liability) can be presented as follows:

	31 December 2015	31 December 2014
Balance at 1 January	359,366	398,920
Deferred income tax expense recognized in consolidated statement of profit or loss	29,331	42,265
Change in scope of consolidation	-	(788)
Deferred income tax expense recognized in equity	(1,276)	(4,367)
Currency translation difference	(23,906)	(76,664)
	<u>363,515</u>	<u>359,366</u>

As of 31 December 2015 and 2014, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 December 2015			31 December 2014		
	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax
Change in revaluation of buildings	(4,377)	875	(3,502)	(28,877)	3,977	(24,900)
Revaluation loss of defined benefit plans	(2,005)	401	(1,604)	(1,951)	390	(1,561)
Changes in fair value of derivative assets	(1,207)	-	(1,207)	-	-	-
Changes in currency translation differences	(340,468)	-	(340,468)	(811,687)	-	(811,687)
	<u>(348,057)</u>	<u>1,276</u>	<u>(346,781)</u>	<u>(842,515)</u>	<u>4,367</u>	<u>(838,148)</u>

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#### 32. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 December 2015.

	31 December 2015	31 December 2014
Earning per share		
- ordinary share certificate (full cent)	0.13	0.17
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 Kr each)		
- ordinary share certificate	400,000,000,000	400,000,000,000
- founder shares		

(\*) Since 2015 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earnings per share is reflected on ordinary share certificates.

#### 33. RELATED PARTY BALANCES AND TRANSACTIONS

##### Related parties

The Group is controlled by Tara Holding (49.27%) (31 December 2014 – 49.27%) and Tara and Gülçelik families (27.89%) (31 December 2014 – 27.89%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also include management and members of the Group's Board of Directors.

In the course of conducting business, the Group conducted various business transactions with related parties on commercial terms. The breakdown of balances with related parties and details of significant related party transactions are as follows:

	31 December 2015		31 December 2014	
	Receivables	Payables	Receivable	Payables
Shareholders	-	860	-	1,378
Enka Spor Kulübü	19	-	30	-
Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş.	-	-	26 (*)	-
	19	860	56	1,378

(\*) Funds provided by Enka İnşaat (in USD) with interest rates Libor + 0.5% and Libor + 2%.

As of 31 December 2015, the Group gained USD 6.3 rent income from related parties (31 December 2014 - USD 7.3). As of 31 December 2015 the Group does not have any sales to related parties (2014 - None).



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

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#### 33. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

##### **Directors' remuneration**

The total wages paid for the members of Board of Directors of the Group is amounting to USD 5,152 (31 December 2014 - USD 6,746), the social security payments and retirement pay provisions are USD 471 (31 December 2014 - USD 563) and USD 271 (31 December 2014- USD 216) respectively. Total wages paid for the general manager, general coordinators and vice general managers of the Group (except BOD members), is amounting to USD 17,326 (31 December 2014 - USD 18,200), the social security payment and retirement pay provisions are USD 815 (31 December 2014 - USD 780) and USD 2,171 (31 December 2014 - USD 1,112) respectively.

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

The Group's principal financial instruments comprise bank loans, investment securities, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks. The Group monitors the market price risk arising from all financial instruments periodically.

##### **Capital risk management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital structure of the Group comprises from liabilities, cash and cash equivalents, paid-in capital and legal reserves explained in Note 22.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

##### **Total Assets / Total Equity**

	31 December 2015	31 December 2014
Cash and cash equivalents (*)	2,950,672	2,990,209
Less: Total Financial Liabilities	145,139	269,556
Net Assets	2,805,533	2,720,653
Equity	5,177,352	5,214,758
Equity - Net Assets	2,371,819	2,494,105
Total Net Assets to Equity Ratio	54.19%	52.17%

(\*) Includes short and long term financial investments.

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

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#### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### Financial risk factors

##### **Interest risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group is managing interest risk that arises from assets and liabilities sensitive to interest risk by using derivative instruments.

The following table demonstrates the sensitivity to a reasonably possible increase of 1% in the interest rates, with all other variables held constant, on the floating rate borrowings of the Group's profit before tax and the Group's non-controlling interest.

	31 December 2015	31 December 2014
<u>Financial assets with floating rates</u>		
Financial assets	-	-
Financial liabilities	(36)	(107)

##### **Foreign currency risk**

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro, Russian Ruble and also U.S Dollar which arises from the liabilities belonging to the companies in the consolidation scope, whose the functional currency is not U.S Dollar.

The Group is engaged in construction, trading, energy and real estate operations business in several countries and, as a result, is exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movements on its net investments in foreign subsidiaries. The Group manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

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

The following table details the Group's foreign currency position as at 31 December 2015 and 2014:

	31 December 2015	31 December 2014
A. Assets denominated in foreign currency	1,497,900	1,520,045
B. Liabilities denominated in foreign currency	(339,131)	(520,305)
Net foreign currency position (A+B)	1,158,769	999,740

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### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Financial risk factors (cont'd)

##### Foreign currency risk (cont'd)

The Group's foreign currency position at 31 December 2015 and 2014 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

	31 December 2015						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	32,484	11,172	196,245	214,476	164,640	122,498	512,786
Financial investments	147,177	50,618	56,971	62,263	144,498	374,501	631,880
Trade and other receivables	10,384	3,571	31,862	34,822	25,082	11,191	74,666
Other current assets	57,369	19,731	14,542	15,893	7,668	3,082	46,374
<b>Current assets</b>	<b>247,414</b>	<b>85,092</b>	<b>299,620</b>	<b>327,454</b>	<b>341,888</b>	<b>511,272</b>	<b>1,265,706</b>
Financial investments	-	-	3,582	3,915	46,812	165,633	216,360
Trade and other receivables	-	-	536	586	-	6,701	7,287
Other non-current assets	3,589	1,234	232	254	2,947	4,112	8,547
<b>Non-current assets</b>	<b>3,589</b>	<b>1,234</b>	<b>4,350</b>	<b>4,755</b>	<b>49,759</b>	<b>176,446</b>	<b>232,194</b>
<b>Total assets</b>	<b>251,003</b>	<b>86,326</b>	<b>303,970</b>	<b>332,209</b>	<b>391,647</b>	<b>687,718</b>	<b>1,497,900</b>
Short-term borrowings	121	42	6,111	6,679	29,203	-	35,924
Trade and other payables	46,337	15,936	56,058	61,266	40,183	911	118,296
Other current liabilities and accrued expenses	198,139	68,145	8,616	9,416	26,083	41,970	145,614
<b>Current liabilities</b>	<b>244,597</b>	<b>84,123</b>	<b>70,785</b>	<b>77,361</b>	<b>95,469</b>	<b>42,881</b>	<b>299,834</b>
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	526	575	37,774	-	38,349
Other non-current liabilities	-	-	-	-	-	948	948
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>526</b>	<b>575</b>	<b>37,774</b>	<b>948</b>	<b>39,297</b>
<b>Total liabilities</b>	<b>244,597</b>	<b>84,123</b>	<b>71,311</b>	<b>77,936</b>	<b>133,243</b>	<b>43,829</b>	<b>339,131</b>
<b>Net foreign currency position</b>	<b>6,406</b>	<b>2,203</b>	<b>232,659</b>	<b>254,273</b>	<b>258,404</b>	<b>643,889</b>	<b>1,158,769</b>
<b>Net notional amount of derivatives</b>	<b>-</b>	<b>-</b>	<b>52,096</b>	<b>56,936</b>	<b>-</b>	<b>-</b>	<b>56,936</b>

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

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

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### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Financial risk factors (cont'd)

#### Foreign currency risk (cont'd)

	31 December 2014						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	19,553	8,432	240,431	292,461	252,317	135,095	688,305
Financial investments	121,295	52,307	57,116	69,476	86,941	290,294	499,018
Trade and other receivables	25,101	10,824	54,069	65,770	58,717	3,147	138,458
Other current assets	86,820	37,440	17,219	20,946	19,967	24,096	102,449
<b>Current assets</b>	<b>252,769</b>	<b>109,003</b>	<b>368,835</b>	<b>448,653</b>	<b>417,942</b>	<b>452,632</b>	<b>1,428,230</b>
Financial investments	19,458	8,391	13,170	16,020	49,225	-	73,636
Trade and other receivables	-	-	481	585	2,004	6,424	9,013
Other non-current assets	3,099	1,336	-	-	3,253	4,577	9,166
<b>Non-current assets</b>	<b>22,557</b>	<b>9,727</b>	<b>13,651</b>	<b>16,605</b>	<b>54,482</b>	<b>11,001</b>	<b>91,815</b>
<b>Total assets</b>	<b>275,326</b>	<b>118,730</b>	<b>382,486</b>	<b>465,258</b>	<b>472,424</b>	<b>463,633</b>	<b>1,520,045</b>
Short-term borrowings	567	245	6,497	7,902	30,364	608	39,119
Trade and other payables	45,940	19,811	73,757	89,718	100,970	7,843	218,342
Other current liabilities and accrued expenses	143,704	61,971	18,838	22,915	34,115	41,859	160,860
<b>Current liabilities</b>	<b>190,211</b>	<b>82,027</b>	<b>99,092</b>	<b>120,535</b>	<b>165,449</b>	<b>50,310</b>	<b>418,321</b>
Trade and other payables	-	-	51	62	1,900	-	1,962
Long-term borrowings	-	-	3,285	3,995	93,394	-	97,389
Other non-current liabilities	-	-	82	100	-	2,533	2,633
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>3,418</b>	<b>4,157</b>	<b>95,294</b>	<b>2,533</b>	<b>101,984</b>
<b>Total liabilities</b>	<b>190,211</b>	<b>82,027</b>	<b>102,510</b>	<b>124,692</b>	<b>260,743</b>	<b>52,843</b>	<b>520,305</b>
<b>Net foreign currency position</b>	<b>85,115</b>	<b>36,703</b>	<b>279,976</b>	<b>340,566</b>	<b>211,681</b>	<b>410,790</b>	<b>999,740</b>
<b>Net notional amount of derivatives</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>48,656</b>	<b>-</b>	<b>-</b>	<b>48,656</b>

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

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

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### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Financial risk factors (cont'd)

##### **Foreign currency risk (cont'd)**

The details of the forward contracts and sales-purchase agreements are explained in Note 18 in order to manage Group's foreign currency position.

The following table demonstrates the sensitivity to reasonably possible increase of 10% in the exchange rates against functional currency, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The following table details the Group's foreign currency sensitivity as at 31 December 2015 and 2014:

	31 December 2015		31 December 2014	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	220	(220)	3,670	(3,670)
2- Portion hedged against TL risk (-)	-	-	-	-
<b>3- TL net effect (1+2)</b>	<b>220</b>	<b>(220)</b>	<b>3,670</b>	<b>(3,670)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	25,427	(25,427)	34,057	(34,057)
5- Portion hedged against Euro risk (-)	5,694	(5,694)	4,866	(4,866)
<b>6- Euro net effect (4+5)</b>	<b>31,121</b>	<b>(31,121)</b>	<b>38,923</b>	<b>(38,923)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	25,840	(25,840)	21,168	(21,168)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>25,840</b>	<b>(25,840)</b>	<b>21,168</b>	<b>(21,168)</b>
<b>Total (3+6+9)</b>	<b>57,181</b>	<b>(57,181)</b>	<b>63,761</b>	<b>(63,761)</b>

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

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

### Financial risk factors (cont'd)

	Receivables				Financial assets at fair value through profit or loss
	Trade receivables		Other receivables		
	Related party	3rd party	Related party	3rd party	
<b>31 December 2015</b>					
<b>The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)</b>					
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	536,568	19	446	2,001,484
A. Financial assets that are either past due or impaired	-	211,944	-	-	-
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	524,750	19	446	2,001,484
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	11,818	-	-	-
D. The amount of financial assets that are impaired	-	8,241	-	-	-
- Past due (Gross book value)	-	-	-	-	-
- The amount of impairment (-)	-	28,702	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	(28,702)	-	-	-
- Not past due (Gross book value)	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-

(\*) As of 31 December 2015, trade receivables from TETAŞ amounting to USD 195,565 are guaranteed by Turkish Treasury.

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

### **Financial risk factors (cont'd)**

	Receivables					Financial assets at fair value through profit or loss	
	Trade receivables		Other receivables				
	Related party	3rd party	Related party	3rd party	Bank deposits		
					Derivative instruments		
31 December 2014							

The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)

(\*) As of 31 December 2014, trade receivables from TETAŞ amounting to USD 311,099 are guaranteed by Turkish Treasury.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Financial risk factors (cont'd)

##### **Liquidity risk**

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The maturity analysis of the non-derivative financial liabilities is presented based on the period between balance sheet date and maturity date of these non-derivatives financial liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

##### **Current liabilities**

##### 31 December 2015

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months (II)</u>	<u>3 to 12 months (III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	40,849	42,356	6,718	441	35,197
Trade payables	430,204	430,204	378,755	35,938	15,511
Other payables to related parties	860	860	860	-	-
Other payables	18,575	18,575	286	154	18,135

##### **Non-current liabilities**

##### 31 December 2015

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>1 -3 years (I)</u>	<u>3 to 5 years (II)</u>	<u>5+ years (III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	104,290	104,823	44,812	4,793	55,218
Other payables	22,898	22,898	22,595	243	60



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Financial risk factors (cont'd)

#### Liquidity risk (cont'd)

#### Current liabilities

#### 31 December 2014

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months</u>	<u>3 to 12 months</u>
		<u>according to contract (I+II+III)</u>		<u>(II)</u>	<u>(III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	49,393	49,393	1,280	17,799	30,314
Trade payables	537,216	537,216	421,779	73,990	41,447
Other payables to related parties	1,378	1,378	1,378	-	-
Other payables	29,462	29,462	4	142	29,316

#### Non-current liabilities

#### 31 December 2014

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract</u>			
		<u>1 -3 years</u>	<u>3 to 5 years</u>	<u>5+ years</u>	
		<u>(I+II+III)</u>	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	220,163	220,163	109,234	8,070	102,859
Trade payables	1,900	1,900	1,900	-	-
Other payables	27,690	27,690	27,226	399	65

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

##### *Fair value of financial assets and liabilities*

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

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

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

##### *Financial assets*

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

##### *Financial liabilities*

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

##### *Fair value hierarchy*

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

#### *Fair value hierarchy (cont'd)*

#### 31 December 2015:

	Level 1	Level 2	Level 3
Private sector bonds	1,193,594	-	-
Equity securities	309,034	-	-
Foreign government bonds	365,854	-	-
Turkish government bonds	25,839	-	-
Mutual funds	107,163	-	-
<b>Financial assets at fair value through profit or loss</b>	<b>2,001,484</b>	-	-
Derivative instruments	-	1,370	-
<b>Financial liabilities at fair value through profit or loss</b>	-	<b>1,370</b>	-

#### 31 December 2014:

	Level 1	Level 2	Level 3
Private sector bonds	930,386	-	-
Equity securities	217,172	-	-
Foreign government bonds	290,521	-	-
Turkish government bonds	68,397	-	-
Mutual funds	75,539	-	-
<b>Financial assets at fair value through profit or loss</b>	<b>1,582,015</b>	-	-
Derivative instruments	-	5,075	-
<b>Financial liabilities at fair value through profit or loss</b>	-	<b>5,075</b>	-

### 36. EVENTS AFTER BALANCE SHEET DATE

None.