

# ANNUAL REPORT 2018

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# ANNUAL REPORT 2018

## FIELDS OF ACTIVITY

ENGINEERING &  
CONSTRUCTION  
POWER GENERATION  
REAL ESTATE  
TRADE

# ENKA

Engineering for a Better Future



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KPMG Bağımsız Denetim ve  
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## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

**To the Shareholders of ENKA İnşaat ve Sanayi Anonim Şirketi,**

### Opinion

We have audited the annual report of Enka İnşaat ve Sanayi Anonim Şirketi (the "Company") and its subsidiaries (together will be referred as "the Group") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

### Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2018 and 31 December 2018 on 5 March 2019.



### Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 (the "Communiqué"), the Group's management is responsible for the following regarding the annual report:

a) The Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Group after the reporting period,

- The Group's research and development activities.

- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

### Auditor's Responsibility for the Audit of the Annual Report

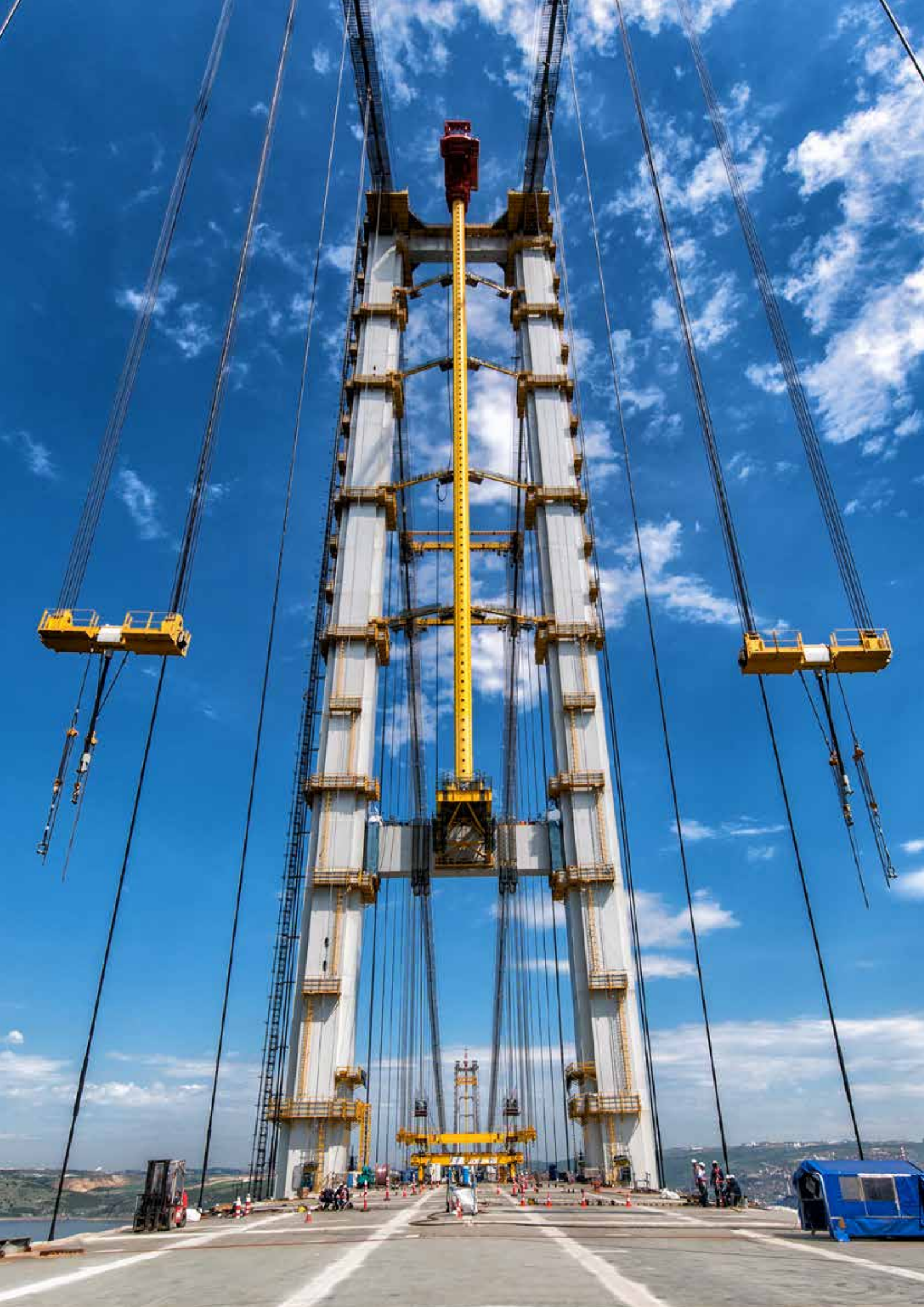
Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the audited consolidated financial statements of the Group and the information obtained during the audit and give a true and fair view and form a report that includes this opinion .

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

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

Erdal Tıkmak, SMMM  
Partner  
5 Mart 2019  
İstanbul, Türkiye





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

Reporting Period	: 01.01.2018 - 31.12.2018
Registered Company Name	: ENKA İnşaat ve Sanayi A.Ş.
Registration or Incorporation	: 1957
Registered Country	: Istanbul / Turkey
Chamber of Commerce Registration Number	: 68194
Paid-in Capital	: 5,000,000,000 TL (Turkish Lira) 2,639,338,546 US Dollars (equivalent)
BS EN ISO 9001 Certificate No	: 2015 Registered : FS 57544
BS EN ISO 14001 Certificate No	: 2015 Registered : EMS 71388
OHSAS 18001 Certificate No	: 2007 Registered : OHS 71389
ASME A Certificate No	: 2019 Registered : 45151
ASME U Certificate No	: 2019 Registered : 45152
ASME U2 Certificate No	: 2019 Registered : 45153
ASME S Certificate No	: 2019 Registered : 45154
NB	: 2019 Registered
R Stamp	: 2019 Registered
Corporate Governance Rating	: 9.18 (Kasım 2018 - Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş.)
Head Office Address	: Balmumcu Mah., Zincirlikuyu Yolu No: 10, 34349 Beşiktaş / İstanbul
Phone	: +90 (212) 376 10 00 (pbx)
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## COMPANIES

## ENGINEERING &amp; CONSTRUCTION

- ENKA İnşaat ve Sanayi A.Ş.
- Çimtaş Çelik İmalat Montaj ve Tesisat A.Ş.
- Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.
- Cimtas Boru İmalatları ve Ticaret Ltd. Şti.
- Çimtaş Hassas İşleme Sanayi ve Ticaret Ltd. Şti.
- Cimtas (Ningbo) Steel Processing Co. Ltd.
- ENKA UK Construction Ltd.
- Kasktaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit A.Ş.
- ENKA Holding B.V.
- ENKA Construction and Development B.V.
- ENKA Power Systems B.V.

## POWER GENERATION

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

## REAL ESTATE

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

## TRADE

- ENKA Pazarlama İhracat İthalat A.Ş.
- Entaş Nakliyat ve Turizm A.Ş.
- Airenka Hava Taşımacılığı A.Ş.
- ENKA Systems Yazılım A.Ş.

(The full list of the companies can be found in the Consolidated Financial Statements as of December 31, 2018)

## THE GENERAL ASSEMBLY MEETING

Date: 28 March 2019

Time : 14:00

Venue: Balmumcu Mahallesi, Zincirlikuyu Yolu, No: 6  
ENKA Konferans Salonu  
Beşiktaş - İstanbul

## AGENDA

1. Election of the General Assembly Presidential Board and authorization of the Presidential Board for signing the Minutes of the General Assembly Meeting,
2. Reading and discussing the Annual Report of the Board of Directors and the Financial Statements for the fiscal year 2018,
3. Reading and discussing the Report of Independent Auditors,
4. Regarding the regulations of Capital Markets Board, informing the shareholders about the donations made within the fiscal year 2018 under the framework of Company's current Donation and Aid Policy,
5. Approval of Balance Sheet and Income Statement Accounts of 2018,
6. Acquittal and release of the Board Members due to the Company's activities for the fiscal year 2018,
7. Election of the Board Members,
8. Regarding the regulations of Capital Markets Board, determining the attendance fee for the Board Members as 18,500 Turkish Liras per month according to the principles set in the Remuneration Policy Applicable to the Board Members and Administratively Responsible Managers,
9. Approval of the selection of the Independent Auditors recommended as KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. by the Board of Directors,
10. Regarding the regulations of Capital Markets Board, making decision on distribution of the Balance Sheet profit of 2018 according to the current Profit Distribution Policy of the Company,
11. Informing the shareholders that there are no guarantees, pledges, mortgages and encumbrances given to the benefit of third parties regarding the regulations of Capital Markets Board,
12. Approving the Authorization of the Board of Directors for deciding the distribution of the Advance Dividend for the fiscal year 2019 in accordance with the Article No. 37 of the Articles of Association and within the scope of Capital Markets Board's Communiqué No. II-19.1 dated January 23, 2014 for advance dividends,
13. Discussion and approval of set off of the Dividend Advances to be distributed so, from any distributable resources as given in the annual financial situation statement for the fiscal year 2019, if no sufficient profits are realized or even losses are suffered at the end of the fiscal year 2019,
14. Informing the shareholders about shares buyback in accordance with the disclosure of the Capital Markets Board of Turkey (the Board) in order to protect the interests of minority shareholders,
15. Authorization of the Board Members to engage in businesses mentioned in Articles 395 and 396 of the Turkish Code of Commerce and in compliance with the Corporate Governance Principles, informing the General Assembly on any businesses engaged in and performed by the same within such framework during the fiscal year 2018,
16. Requests and recommendations.



# Board of Directors



Sinan Tara  
Chairman of the Board  
(Executive Member)



Haluk Gerçek  
Vice Chairman of the Board  
(Executive Member)



Erdoğan Turgut  
Member of the Board  
(Non-Executive Member)



Mehmet Mete Başol  
Member of the Board  
(Non-Executive &  
Independent Member)



Fatih Osman Tar  
Member of the Board  
(Non-Executive &  
Independent Member)







## Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors of ENKA İnşaat ve Sanayi A.Ş., we would like to extend to you our deepest respects, and to thank you for attending the Annual General Meeting, at which we gather to share our activities in 2018 and our expectations for 2019.

As at the end of 2018, ENKA's equity amounted to 6.1 billion US Dollars, its net cash position to 3 billion US Dollars, its consolidated turnover to 2.9 billion US Dollars, and its consolidated net profit to 328 million US Dollars. As a company that distributes cash dividend every year, we are planning to distribute 185 million US Dollars of cash dividend from 2018 activities. Apart from this, in order to protect the interests of minority shareholders and to support the share, 27 million US Dollars of shares have been bought back in the amount of the 0.6% within 2018. Thus, a total of 212 million US\$ would be paid to our shareholders as cash dividends and share buybacks. With a new resolution in January 2019, we have started to buy back shares in the amount of 0.2%.

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

The turnover of the engineering and construction sector was 1 billion US Dollars.

New projects undertaken in 2018 include Tengiz Oil Field Development under different contracts in Kazakhstan and quay wall and marine works at Umm Qasr Port in Iraq. Apart from these, together with the projects undertaken by the group companies, ENKA's share of new projects received in 2018 has reached 1.1 billion US\$. Among the projects undertaken by the Group companies, especially the production and installation of 83,500 tons of steel towers and deck panels contract received by Çimtaş for the 1915 Çanakkale Bridge, which will be the world's longest suspension bridge, plays an important role.

With respect to energy generation, ENKA is Turkey's largest private sector electrical power generator. With its wholly-owned natural gas combined cycle power plants in Gebze, Adapazarı and İzmir, operated under the Build Operate model with a total installed capacity of 4,100 MW, it is able to meet approximately 11% of Turkey's annual electricity needs. In 2018, the contribution of our energy segment to the consolidated turnover was 1.5 billion US Dollars. Following expiry of the Electricity Sale Agreements with EÜAŞ, Adapazarı and Gebze Combined Cycle Power Plants have suspended their generation in February 2019 until a second decision upon generation shall resume. As a new investment in the field of energy, works continue in the Namakhvani Project, which is a hydro power plant with a total capacity of 433 MW, to be built under the Build-Operate model in Georgia. Construction of the project will totally be completed by ENKA. With this approximately 750 million US Dollars investment project, for the first time we will generate revenue to our energy segment from outside of Turkey.

In the real estate sector, from which we generated revenues of 329 million US Dollars in 2018, we continue to invest in and manage Class A office buildings and shopping malls through our companies established in Russia. In this segment, as of the end of the year, we own approximately 370 thousand square metres of net rentable Class A office space and 350 thousand square meters of net rentable space in shopping malls and a hotel which are all located in Moscow except one shopping mall. In all the office buildings which we manage, we are hosting some of the world's foremost international companies. Besides the fact that the name ENKA has become synonymous with quality, our success in the development and management of real estate has been compounded by our company's record of fulfilling all its promises without fail. The fact that we do not finance the investments which we carry out in this sector through debt, but make use of the revenues which we earn, is the prime characteristic that distinguishes us from other real estate investment companies. Among the large-scale investments which we are making in this segment, the reconstruction of the Kashirskaya Shopping Mall in Moscow was completed and started operation in the first half of 2018. The shopping mall, that we have invested 232 million US Dollars, has a gross area of 196,750 square meters.

In terms of trading activities, due to the weakness in the market, a turnover of 165 million US Dollars was achieved by ENKA Pazarlama in 2018, which trades in reliable global brands in the areas of construction equipment, heavy vehicles and industrial products.

ENKA's Lost Time Incident Frequency Rate is much lower than the industry specific targets. Additionally, as an indication of importance given to the environmental, safety and health trainings, the total training time has exceeded 1 million hours.

In 2017, the Sustainability Committee was formed to represent senior management for a sustainable future and with the participation of ENKA's stakeholders, broad participated workshops and surveys were conducted and ENKA's sustainability priorities were summarised under four main captions; Doing Good Business, Caring for Employees, Developing Communities and Reducing Environmental Impact. In addition, ENKA's Sustainability Policy had been created and announced in writing, which includes the topics that we had already focused with priority since our establishment. ENKA has been included in FTSE4Good Index; a part of London-based Financial Times Stock Exchange, which evaluates companies on their environmental, social and governance performance; after December 2018 review.

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

I would like to wish all our esteemed shareholders the best of health, happiness and success in 2019.

**SİNAN TARA**  
Chairman of the Board  
5 March 2019



# ENGINEERING & CONSTRUCTION

OIL, GAS &  
PETROCHEMICALS  
PROJECTS

POWER PLANTS  
PROJECTS

INFRASTRUCTURE  
PROJECTS

BUILDING WORKS  
PROJECTS

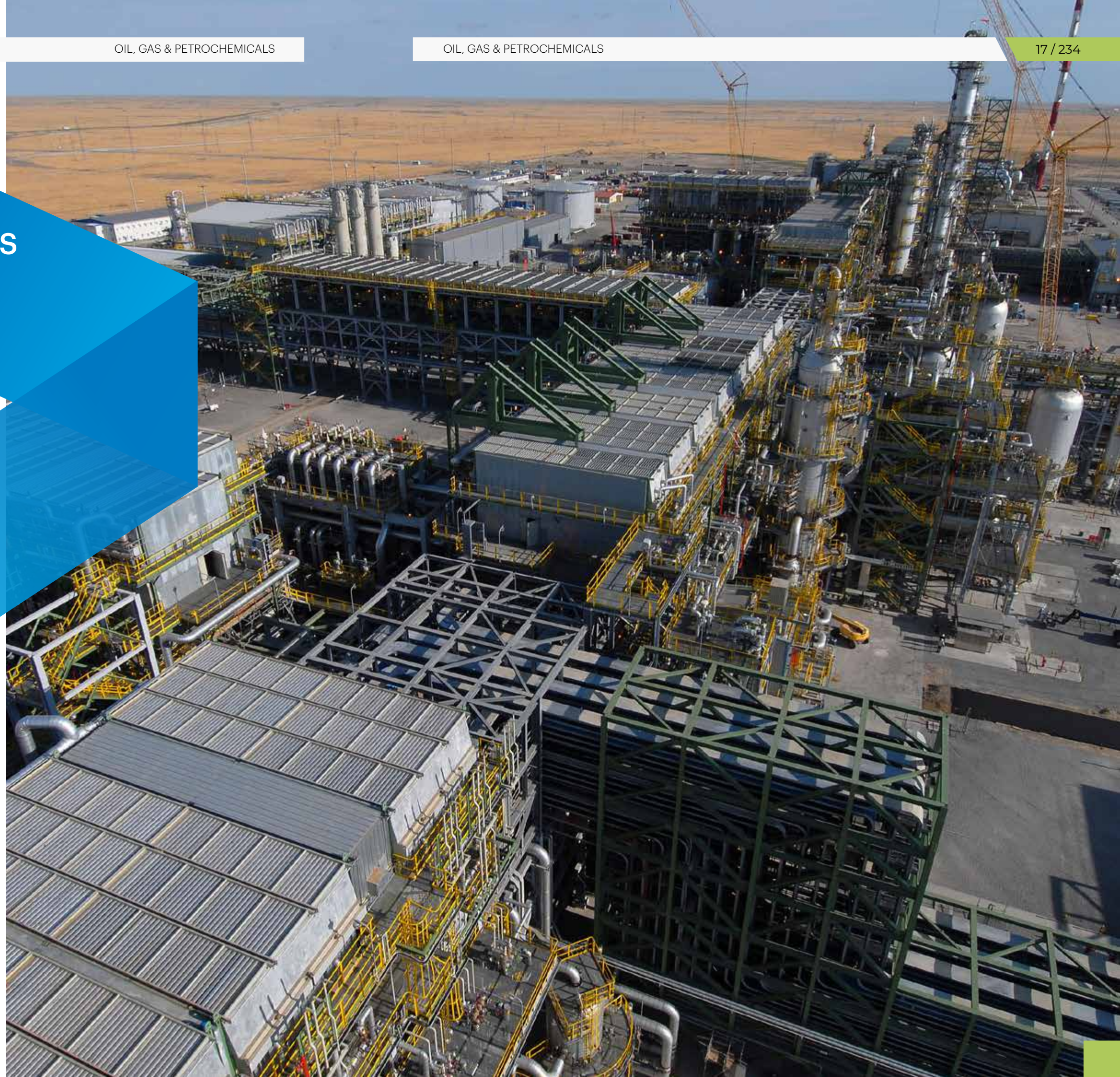
GROUP COMPANIES





## OIL, GAS & PETROCHEMICALS

- South Caucasus Pipeline Expansion - Georgia
- 3GP Mechanical, Electrical and Instrumentation Installation works - Kazakhstan
- 3GI Civil and Underground Services - Kazakhstan
- Tengiz Base Operations and Maintenance Works - Kazakhstan
- Core Substation ME&I Installation - Kazakhstan
- FGP - Multi-Well Pads Civil Installation Works - Kazakhstan
- Crude Shipment Capacity New Tank Farm - Kazakhstan
- FGP - Marine Installation Works Prorva Access Channel - Kazakhstan
- West Qurna 1 Initial Oil Train Facility Project - Iraq







# SOUTH CAUCASUS PIPELINE EXPANSION PROJECT

- Compressor Station Georgia 1 (CSG-1)
- Compressor Station Georgia 2 (CSG-2)
- Pressure Reduction & Metering Station (AREA 81)

**LOCATION:**  
Gardabani, Tsalka, Vale, Georgia

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

**PROJECT DURATION:**  
February 2014 - July 2019

**CONTRACT TYPE:**  
Unit Price

**CONTRACT VALUE:**  
US\$ 878 Million

**SIGNIFICANT FEATURES / ACCOMPLISHMENTS:**

- Received the 2018 ENR Global Best Project Award under Power / Industrial Category for its SCPX Area 81 Project
- SPCX – Area 81 Project has been awarded with the Merit prize by British Safety Council in “International Safety Awards 2018”

The South Caucasus Pipeline Expansion (SCPX) Project is designed to increase the capacity of the South Caucasus Pipeline System. The existing 690 km pipeline, which transports gas from the Sangachal terminal in Azerbaijan to markets in Georgia and Turkey, is 42” in diameter and has a system design capacity of 7.4 billion m<sup>3</sup>/year (bcma). The expansion project involves laying a new 48” pipeline which will increase the capacity of the system by approximately 16 bcma and connecting it to the Trans Anatolian Natural Gas Pipeline (TANAP).

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

The contract is worth US\$ 878 million, and the project is planned to be fully completed and demobilised in September 2019. Under the contract, BEJV is responsible for the construction of two Compressor Stations (CSG-1 and

CSG-2) and a Pressure Reduction and Metering Station (AREA 81) at three different locations within Georgia, and for all related early civil works and facilities.

The early works stage for Compressor Station 2 (CSG-2) includes the construction of a 15 km access road between the existing Millennium Highway and the compressor station.

In addition to the construction of new facilities at three different locations, the scope of work also includes brownfield work at existing facilities located inside the Pumping Station Georgia (PSG-1) at Gardabani and the Pressure Reduction & Metering Station (AREA 80) at Vale.

The construction of the Pressure Reduction and Metering Station (AREA 81) was completed in 2017 and the facility was commissioned and became operational within the same year. The demobilisation of the temporary facilities was completed in early 2018.

The year 2018 was a success for the SCPX Project as major milestones were achieved at both the CSG-1 and CSG-2 facilities. In March 2018, BEJV fully completed its construction and commissioning assistance obligations at the compressor station CSG-1. The demobilisation of the temporary camp facilities was

completed in December 2018. In June 2018, BEJV successfully completed the construction of the compressor station CSG-2, the final item of facilities construction work under the SCPX contract. BEJV is continuing to work on commissioning assistance activities at CSG-2. This work is due to be completed in April 2019.

As of the end of the year, the SCPX project had been under way for 58 months or 1,788 days, reaching 25.7 million person-hours in all.







**Compressor Station Georgia-1 (CSG-1)**  
Location: Gardabani, Georgia

All the construction and commissioning assistance works of the Compressor Station CSG-1 were successfully completed in 2018. The demobilisation of the temporary facilities went ahead in the 3<sup>rd</sup> quarter of 2018 when the client relocated to the permanent accommodation facilities. The complete demobilisation of the temporary camp, warehouse and offices was achieved in December 2018. A total of 8.9 million person-hours were worked at the CSG-1 worksite.

The final installation quantities for key commodities at CSG-1 can be summarised as follows:

- The compressor station has a plot area of 120,000 m<sup>2</sup>, including 9,000 m<sup>2</sup> of covered space comprising the buildings and units listed below:
  - 4 compressor buildings
  - 4 compression trains each having 1 gas compressor, 1 suction scrubber, 1 after cooler and 1 seal gas recovery compressor
  - 2 local equipment buildings
  - 1 control building, administration building, warehouse and workshop building
  - 1 power generation and primary substation building with 2 main and 1 emergency generators
  - 3 containerised instrument air packages
  - 1 nitrogen generation package
  - 2 fuel gas systems
  - 2 air receivers
  - 1 nitrogen receiver
  - 1 gas custody transfer metering package
  - 1x48" pig receiver
  - 1x48" pig launcher
- 1 vent system including the header, 2 knock-out drums and an 80 m stack
- 1 guard house
- 550,000 m<sup>3</sup> of earth movement
- 45,000 m<sup>3</sup> of reinforced concrete
- 5,000 tons of structural steel, handrails and grating
- 20,000 m<sup>2</sup> of building cladding panels
- 2,500 tons of mechanical and electrical equipment
- 300 items of electrical and instrumentation equipment
- Fabrication, installation, hydrotesting and reinstatement of 3,000 tons of pipe ranging from ½" to 48" in diameter
- 7,500 m<sup>2</sup> of piping and in-line valves (equivalent to 12,000 m of pipe and 1,000 valve boxes), heat-traced and insulated using a special type of 5-layer acoustic insulation
- 60,000 m of steel cable tray and ladder
- 850 km of electrical, instrumentation and telecommunications cables
- 19,000 m<sup>2</sup> of asphalt road







Compressor Station Georgia-2 (CSG-2)  
Location: Tsalka, Georgia

All the construction works of the compressor station CSG-2 were successfully completed in June 2018 and the site was handed over to the client for commissioning and start-up works. The construction and hand-over of the access road had been completed in 2017. As of the end of December 2018, BEJV continues to perform its commissioning assistance obligations at the CSG-2 worksite. The commissioning assistance work is due to be completed in April 2019. The final demobilisation of the temporary camp facilities will go ahead upon the completion of the commissioning assistance works and the relocation of the client to the permanent accommodation facilities. The planned completion for full demobilisation is September 2019. In all, 12.3 million person-hours have been worked on the CSG-2 worksite to date.

The final installation quantities for key commodities at CSG-2 can be summarised as follows:

- The compressor station has a plot area of 167,000 m<sup>2</sup> including 12,000 m<sup>2</sup> of closed space comprising the buildings and units listed below:
  - 4 compressor buildings
  - 4 compression trains each having 1 gas compressor, 1 suction scrubber, 1 after cooler and 1 seal gas recovery compressor
  - 2 local equipment buildings
  - 1 control building, administration building, warehouse and workshop building
  - 1 power generation and primary substation building with 3 main and 1 emergency generators
  - 1 utility building
  - 1 accommodation building and substation
  - 3 containerised instrument air packages
  - 1 nitrogen generation package
  - 2 fuel gas systems
  - 2 air receivers
  - 1 nitrogen receiver
  - 1 vent system including the header, 2 knock-out drums and a 40 m stack
  - 1 guard house
- 1,000,000 m<sup>3</sup> of earth movement
- 45,000 m<sup>3</sup> of reinforced concrete
- 7,500 tons of structural steel, handrails and grating
- 50,000 m<sup>2</sup> of building cladding panels
- 3,000 tons of mechanical and electrical equipment

- 360 items of electrical and instrumentation equipment
- 3,000 tons of pipe ranging from ½" to 48" in diameter, installed, hydrotested and reinstated
- 9,400 m<sup>2</sup> of piping and in-line valves (equivalent to 13,000 m of pipe and 350 valve boxes), heat-traced and insulated using a special type of 5-layer acoustic insulation
- 60,000 m of steel cable tray and ladder
- 1,000 km of electrical, instrumentation and telecommunications cables
- 22,000 m<sup>2</sup> of asphalt road







Pressure Reduction & Metering Station (AREA 81)  
Location: Vale, Georgia

All construction and commissioning assistance works of the Pressure Reduction & Metering Station (AREA 81) were successfully completed in 2017. The demobilisation of the temporary facilities was completed in the first quarter of 2018. BEJV has completed all of its contractual obligations in this area.

The AREA 81 worksite worked 3.5 million person-hours and was awarded the ENR Global Best Project Award in the Power / Industrial category in 2018.

Final installation quantities for key commodities at AREA 81 can be summarised as follows:

- The metering station has a plot area of 70,000 m<sup>2</sup> including the facilities, buildings and units listed below:
  - 2 gas inlet filters
  - 1 gas custody transfer metering package
  - 4 water bath heaters
  - 1 flow control valve package
  - 1 pig launcher
  - 1 vent system including the header and knock-out drum and a 35 m stack
- 400,000 m<sup>3</sup> of earth movement
- 9,000 m<sup>3</sup> of reinforced concrete
- 800 tons of structural steel, handrails and grating
- 1,000 tons of mechanical and electrical equipment
- 1,400 tons of pipe ranging from ½" to 48" in diameter, installed, hydrotested and reinstated
- 220 km of electrical, instrumentation and telecommunications cables
- 8,000 m<sup>2</sup> of asphalt road





# DEVELOPMENT OF TENGIZ OIL FIELD

- 3GP Mechanical, Electrical and Instrumentation Installation Works
- 3GI Civil and Underground Services
- Tengiz Base Operations and Maintenance Works
- Core Substation ME&I Installation
- FGP Multi-Well Pads Civil Installation Works
- Crude Shipment Capacity



## Third Generation Project (3GP) Mechanical, Electrical and Instrumentation Installation Works

Senimdi Kurylys LLP, a 50-50 joint venture between ENKA and US company Bechtel was awarded the contract for Mechanical, Electrical and Instrumentation Installation Works for the Third Generation Project (3GP) on the Tengiz oil and gas field in Kazakhstan.

Begun in May 2018, the project will increase the annual oil production capacity of the Tengiz field by 12 million tons.

The project is being realized using a modularized construction strategy, with modules constructed both at Kazakh coastal fabrication yards and at other fabrication yards in Europe and the Far East.

The project includes construction work for the crude processing plant, as well as the module stacking, sour water stripper and utilities areas.

The scope of the project is as follows:

- Installation of 65 modules, skids and vendor packages
- Construction of 4,100 tons of modular steelwork and 8,500 tons of stick-built steelwork
- Fabrication and installation of 88,000 m of pipework, and erection of 19,000 m of loose spools
- Installation of 1,000 km of electrical, instrumentation and telecom cables
- Installation of 258 items of mechanical equipment installation and integration of 269 items of mechanical equipment
- Insulation of 71,000 m of pipework and 38,000 m² of equipment
- Erection of 6 major and 3 minor buildings
- Installation of 195,000 m² of paved roads and 200 manholes

**LOCATION:**  
Tengiz, Kazakhstan

**OWNER / CLIENT:**  
Tengizchevroil (TCO) (a Joint Venture between Chevron, ExxonMobil, LukArco and KazMunayGas)

**PROJECT DURATION:**  
May 2018 - April 2022

By the end of 2018, three critical early execution planning phase targets had been achieved safely and successfully:

1. The first spool fabrication target was achieved earlier than planned. 19,262 dia-inch shop weld had been completed and 376 tons of spools are ready for installation.
2. The 1<sup>st</sup> Module (Gas Turbine Generator) stacking target was achieved safely on 13<sup>th</sup> of October 2018. Additionally the stacking of 5 modules was completed.
3. Mobilization works for the temporary site facilities had commenced and were progressing successfully.

Additionally, designated personnel were transferred to the fabrication yards to monitor assembly activities and conduct inspection of modules to oversee and verify the completion of mechanical modules.

As of the end of 2018, the project had been under way for 215 working days, and the 670 employees engaged had completed 465,000 person-hours without any lost time incident (LTI).







THIRD GENERATION INJECTION PLANT (3GI) CIVIL AND UNDERGROUND SERVICES

TENGIZ BASE OPERATIONS AND MAINTENANCE WORKS

Third Generation Injection Plant (3GI) Civil and Underground Services

The 50-50 joint venture between ENKA and US company Bechtel was awarded the contract for civil and underground services for the Third Generation Gas Injection Plant (3GI) facilities, on Kazakhstan's giant Tengiz oil and gas field. As part of field operator Tengizchevroil's "Future Growth Project", the new facilities will help increase the Tengiz field's annual oil production capacity by an extra 12 million tons (260,000 barrels a day) to around 39 million tons of oil pa while increasing gas production capacity by 960 million standard cubic feet a day.

The Client is Tengizchevroil (TCO), operator of the Tengiz Oil Field, and it is a joint venture of Chevron (50%), ExxonMobil (25%), KazMunayGas (20%) and LukArco (5%).

The contract commenced in May 2017 and is slated to be completed in 24 months. The value of the contract is expected to total US\$ 110 million, a US\$ 25 million increase on its original estimated value.

The project covers a range of construction works including pile cropping and head treatment, earthworks, road works, terracing and concrete works, as well as the installation of underground utilities systems including piping, drain trenches, chambers and duct banks, the installation and termination of underground cables, and the installation of grounding materials for site areas including 45, 47A, 47B, 49, 57 and 58.

By the end of 2018, the project was 94% complete including the pouring of more than 30,000 m³ of structural concrete, the laying of 13.5 km of HDPE pipe and 225 km of cable, the compacting of 1,235,000 m³ of filling material and the installation of all the manholes on the site.

The project is expected to be completed by the end of April 2019.

The project had been underway for 457 working days and with 1,800 personnel involved at its peak. 5,000,000 person-hours had been worked without lost time incident (LTI).

Tengiz Base Operations and Maintenance Works

Since the beginning of 2001, the ENKA-Bechtel joint venture, in which ENKA has a 50% stake, has been awarded contracts for projects with a total contracted value of US\$ 620 million.

The works awarded include engineering, procurement and construction, including but not limited to: pipe spool and pre-cast fabrication, infrastructure, piling and drilling, earthworks, structural work, piping and pipeline installation and repair, electrical and instrumentation installation, tank construction, provision of turnaround services and maintenance of the client's oil and gas processing facilities.

Work carried out during 2018 included the following:

- KTL turnaround works
- SGI (MS31/MS33) turnaround works
- SGP amine tank - early civil engineering works
- SGP amine tank engineering & procurement and tank construction
- SGP amine tank - main piping and structural work
- New field flow line and hook-up
- Field flow line rollback and reinstatement
- Field pump and piping system upgrade
- Field pipeline repair
- Hot water manifold fabrication and associated pipework

As of August 2018, 507 employees were working on the project. As of the end of 2018, the project had been underway for 1,609 working days and 15,007,505 person-hours had been worked without lost time incident (LTI), and the project was 95% complete.







FGP - WELLHEAD PRESSURE  
MANAGEMENT PROJECT - CORE  
SUBSTATION ME&I INSTALLATION

FGP MULTI-WELL PADS CIVIL  
INSTALLATION

FGP - Wellhead Pressure Management Project - Core Substation ME&I Installation

The work to be carried out under the project includes the installation of a new 110kV core substation and the interconnection of the facility's new and existing generating stations. The core substation will operate as the hub for the distribution of power. The core substation comprises 32 prefabricated and pre-tested modules, and includes five (5) 110kV BAAH GIS switchboard and associated control and protection equipment, 10kV / 400V distribution transformers, LV switchgear, UPS systems, and system control equipment panels for FLS, ECS, SRC and automatic synchronizing.

The scope of the works also includes the following:

- The locating, testing and termination of the 110kV underground cables and the associated intermediate underground cables
- Two (2) 40/60/20MVA buffer transformers and overhead line disconnecter assemblies with associated post insulators and supports
- Two (2) 245MVA 110kV series reactors and overhead line disconnecter assemblies with associated post insulators and supports
- Two (2) stand-by diesel generators and associated stairs, platforms, piping, electrical control panels, switchyard grounding and lightning protection, and
- Eleven (11) 110kV overhead line gantries with associated cable support structures and surge arrestors.

The following works were carried out under the project in 2018:

- Concrete pouring for deep sumps and underground pits, and backfilling activity for gantries and general site areas
- The installation of 2 reactors and 2 transformers
- The pulling and termination of 110kV underground HV cable, and of underground and above-ground LV cable, and
- Structural steel erection.

By the end of 2018, 1,610 m<sup>3</sup> of structural concrete had been poured and 264 tons of steel had been erected, 1,000 m HV cable had been pulled, HV cable termination is 70% complete, 27,000 m underground LV cable pulled and underground piping works completed.

As of the end of 2018, the project was almost 92% complete.

By the end of 2018, the number of employees working on the project had reached 420, and 475 working days and 1,422,192 person-hours had been worked without lost time incident (LTI).

FGP Multi-Well Pads Civil Installation

Tengizchevroil (TCO) has been undertaking a large-scale expansion of its existing facilities through the Future Growth Project (FGP) - Wellhead Pressure Management Project. The expansion led to the signing of a new contract covering the construction of new greenfield process plants and the expansion of existing facilities.

Since the start of the project, the following activities have been carried out: road construction, worksite clearing and grubbing, site preparation, excavation works, installation of grounding lines, construction of wellhead cellars, auger and precast concrete pile installation and cropping, pile testing, construction of pile cap and precast foundations, construction of emergency flare pits, construction of reserve and technical water pits, and HDPE technical water line installation.

The project, which spans 18 different work sites, reached a completion rate of 99% by the year end and most of the work sites have already been handed over to the client.

In 2018, the following activities were carried out on the project: precast concrete pile installation, augered pile installation, concrete pouring for pile cap foundations, precast concrete foundation installation, sand and gravel filling for main plots, grounding line installations, fencing and gate installations, gravel road and junction construction, HDPE technical water pipeline installation and pile testing.

As of December 2018, 5.2 million person-hours and over 1,200 days without lost time incident (LTI) had been achieved. The peak manpower level of 931 employees was reached in March 2018.

The project was twice awarded an incentive bonus by the client as a sign of appreciation and as a reward for completing the toughest milestones safely in 2018 with Well Pads 55-2 and 54-2.







**LOCATION:**  
Tengiz, Kazakhstan

**OWNER / CLIENT:**  
Tengizchevroil (TCO) (a Joint Venture between Chevron, ExxonMobil, LukArco and KazMunayGas)

**PROJECT DURATION:**  
July 2014 - March 2019

**CONTRACT VALUE:**  
US\$ 440 Million

CRUDE SHIPMENT CAPACITY PROJECT

Crude Shipment Capacity Project

ENKA is an equal partner with Bechtel in a US\$ 440 million contract awarded by Tengizchevroil (TCO). The contract includes all the engineering, procurement, construction and pre-commissioning works for the Crude Shipment Capacity (CSC) project.

This project involves the engineering, procurement, construction/installation and pre-commissioning of new crude oil storage tanks, their switching manifold, and all necessary piping together with full technical support, control and safety systems. Besides the development of the new facility, the contract also covers the design and construction of connections to, and full integration with, the existing crude oil storage system.

The following works were completed in 2018

**Site Construction Works:**

- After the hydro-testing of tanks TK031, TK032 and TK033, the hydro-testing of TK034 was completed.
- The sand-blasting and painting of all tanks was completed.
- The installation or re-installation, of all fire water supply and fire-fighting foam supply pipelines both above and below ground, was completed all across the site, including all necessary hydro-testing and cleaning work.
- All cable pulling, termination, and testing was completed, including all necessary cable tray installation. Cable insulation work is continuing.

- Pre-Commissioning:**
- Work is under way on the powering up and commissioning of the CSC Remote Instrument Enclosure (RIE) Building, the Monitoring Building and the Instrument Air Compressor (IAC) Building, which are part of the new facility, as well as the Crude Tank Farm (CTF) Remote Instrument Enclosure (RIE) in the existing facility.
  - Work on the cutover from the existing 10kV power line to the newly built 10kV line has started. The A section of the line was completed in 2018 with the B section is due for completion at the start of 2019.
  - Pre-commissioning activities for the crude export pumps have been completed and they are ready for commissioning for use with all the tanks.
  - The pre-commissioning of the process pipe-lines has also been completed across the project.

**Construction volumes for the Greenfield and Brownfield Areas:**

As of the end of 2018, 4,700 tons of oil tanks had been completed, 18,000 m<sup>3</sup> of structural concrete had been poured, 529,000 m<sup>3</sup> of excavation work had been done and 787,000 m<sup>3</sup> of compacted fill had been put in place. In addition 890 tons of structural steel had been erected, 29,600 m of piping installed, and 645,000 m of cables pulled and terminated.

Pre-Commissioning volumes for the Greenfield and Brownfield Areas - Major Pre-Commissioning Quantities:

As of the end of 2018, 345 of the 365 subsystems had been issued with Construction Works Completion Certificates (CWCC) and 100 had also been issued with Mechanical Completion Certificates (MCC). In addition, 720 out of 1,501 hot loop tests and 1,300 out of 1,501 cold loop tests had been completed.

As of the end of 2018, 99% of the greenfield work, 98% of the brownfield work and 50% of the pre-commissioning work had been completed.

By the end of 2018 the number of employees working on the project had reached 580, and a total of 1,594 days, or 12,972,681 person-hours, had been worked without lost time incident (LTI).





## DEVELOPMENT OF KASHAGAN OIL FIELD

FGP - Marine Installation Works Prorva Access Channel, East Caspian Sea - Kazakhstan

**LOCATION:**  
Kashagan, East Caspian Sea, Kazakhstan

**OWNER / CLIENT:**  
TenizService LLP / Chevron

**PROJECT DURATION:**  
June 2017 - October 2018

**CONTRACT VALUE:**  
US\$ 27 Million

### FGP - Marine Installation Works (Mooring Piles, Fenders and Communication Platforms) Prorva Access Channel

ENKA was awarded this contract by TenizService LLP on 23 June 2017. It involved the execution of construction activities (mooring piles, fenders communication platforms and Prorva access channel) for TenizService LLP / Chevron.

ENKA's responsibilities under the contract consisted of the mobilisation and demobilisation of piling and lifting equipment and associated support equipment and marine vessels.

The contract also involved the installation of 12 mooring piles in the Prorva turning basin, 24 fenders in the turning basin and at waiting places along the channel, and 2 communication platforms at the KP 10 and KP 37 waiting points, together with surveys, project management, engineering, accommodation and services for clients and others.

Work under the contract commenced on 23 June 2017 and by the end of the year a significant amount of work had been completed. In 2018, the 255 navigational aids (buoys) were assembled, configured and installed with high precision along the channel. ENKA also completed the installation of equipment for the offshore platforms located at KP10 and KP37. ENKA also supported commissioning activities in order to maintain the existing Vessel Trafficking Management (VTM) system for the safe passage of MCVs through the channel to the shore, which is one of the most important parts of the Future Growth Project. During the operational season some additional repair works were carried out on damaged offshore structures and the project was completed on 18 October 2018 with the delivery of damaged donut fenders to the client.

ENKA had achieved 242,973 person-hours without Lost Time Incident (LTI) by the end of the project.





## WEST QURNA 1 (WQ1) INITIAL OIL TRAIN (IOT) FACILITY PROJECT

**LOCATION:**  
Basra, Iraq

**OWNER / CLIENT:**  
ExxonMobil Iraq Limited

**PROJECT DURATION:**  
August 2015 – June 2019

**CONTRACT TYPE:**  
Lump Sum Turn Key

**CONTRACT VALUE:**  
US\$ 201 Million

### West Qurna 1 (WQ1) Initial Oil Train (IOT) Facility Project

In July 2015, ENKA was awarded a contract by ExxonMobil Iraq Ltd. (EMIL) for a new oil processing facility to increase production at its West Qurna 1 Oil Field in Iraq. The contract is worth US\$ 201 million, of which ENKA's share amounts to US\$ 104 million.

The initial oil train (IOT) facility is being constructed adjacent to an existing degassing station facility known as DS8. It will be capable of producing an annual average of 100,000 stock tank barrels of crude oil per day. The final customer is the Basra Oil Company (BOC) of Iraq, and together with its regional partner, ENKA was contracted to carry out all the front-end engineering design (FEED), detailed design engineering, procurement, fabrication, construction and commissioning works for the new facility and to provide EMIL with start-up assistance.

Located in Basra province, the facility is intended to process full well stream fluids from the production wellhead area and separate them into associated gas, untreated produced water and stable product crude for export. The contract required that the facility be modularised to the maximum possible extent within the limits imposed by logistics constraints.

ENKA fabricated the pipe rack modules through its subsidiary Çimtaş. The supply, fabrication, testing and trial assembly works were carried out at the Çimtaş Module & Shipyard

facilities located in Gölcük - Kocaeli, Turkey, and the modules were shipped to site from there.

As of the end of 2018, the overall rate of progress on the engineering, procurement, fabrication, construction and commissioning works was 92%.

The pipe rack modules and pipes were fabricated at Çimtaş and shipped to the site in August and November of 2017 and their installation was successfully completed in 2018.

Also successfully completed in 2018 were the delivery and installation/erection of units and equipment such as the hot oil heater, inlet separator, LP separator, 2<sup>nd</sup> stage separator, flare stack, LP flare knock-out drum, modular crude heat exchanger, process skids, substation, hot oil heater convection section and stack, crude product cooler, desalter and dehydrator.

Meanwhile, civil works progressed on multiple fronts. The foundations and on-site structural concrete works, pipe welding activities, LER building finishing works, pipe rack module erection, pipe welding activities, skid and equipment erection, underground works (firewater line, open and closed drain system) and brownfield civil works were all completed in 2018. Road works and paving activities were initiated in 2018 and were due to be completed in January 2019.

Electrical and instrumentation works, such as cable pulling, cable tray installation, cable termination, lighting and instrument installation, began in 2018 and are at an advanced stage. As of the end of the year, the rate of progress on the electrical and instrumentation works had reached 97%.

Activities related to the mechanical, piping, civil works and electrical and instrumentation completion check sheets, which have to be completed prior to commissioning, commenced in August 2018. Mechanical completion will be achieved in January 2019. Commissioning and start-up works are planned to be completed in the second quarter of 2019.

The project employed 415 personnel as of the end of 2018.

As of December 2018, the project had been under way for 1,233 working days and 3,950,000 person-hours had been worked without lost time incident (LTI).

The planned completion of the project is June 2019.





# POWER PLANTS

- Nizhnekamsk 495 MW Combined Cycle Power Plant - Kazan, Tatarstan, Russian Federation
- Samawa 750 MW Combined Cycle Power Plant - Samawa, Iraq
- Dhi Qar 750 MW Combined Cycle Power Plant - Nasiriyah, Iraq





# NIZHNEKAMSK 495 MW COMBINED CYCLE POWER PLANT

**LOCATION:**  
Nizhnekamsk, Kazan, Tatarstan, the Russian Federation

**OWNER / CLIENT:**  
Nizhnekamskneftekhim (Member of the TAIF Group)

**PROJECT DURATION:**  
December 2017 - April 2021

**CONTRACT TYPE:**  
Lump Sum

**CONTRACT VALUE:**  
EUR 349 Million



## Nizhnekamsk 495 MW Combined Cycle Power Plant

On 12 January 2017, ENKA entered into a consortium agreement with Siemens to undertake works on the Nizhnekamsk Combined Cycle Gas Turbine Thermal Power Plant Project (NK CCGT-TPP) under a contract awarded by Nizhnekamskneftekhim on 18 December 2017.

The project is located in the industrial hub in the southeast of the city of Nizhnekamsk, on the left bank of the River Kama, in the Republic of Tatarstan, Russia. The duration of the contract is 40 months from the contract award.

The works, which are to be performed on an engineering, procurement and construction (EPC) basis, encompass the design, manufacture, delivery to site, erection, painting, setting to work, commissioning, start-up and testing of the NK CCGT-TPP.

The NK CCGT-TPP will have a configuration of two gas turbines, one steam turbine and two heat recovery steam generators. The main fuel for the NK CCGT-TPP will be natural gas, together with associated gas derivatives (syngas) that are by-products of Nizhnekamskneftekhim's production processes.

The basic design documentation package was completed and submitted for the approval of the Russian Federation State Expertise in October 2018. Detailed design documentation and procurement engineering works are continuing

concurrently. Manufacturers have already been selected for the HRSGs, gas booster compressors, transformers, cooling tower and DCS.

Highlights of progress as of the end of December 2018 are as follows:

- Preparatory works began in April 2018. These included the felling of trees, compensation planting of trees, demolition of existing structures and relocation of the existing utility lines and perimeter wall.
- The felling of trees was completed in July 2018 and compensation planting was completed in October 2018.
- The demolition of existing structures commenced in June 2018 and was completed in September 2018.
- The tie-in of the relocated utility lines was achieved on 25 October 2018.
- The work on the perimeter wall is taking place in two stages. The first stage was completed in July 2018 and the second stage is under way.
- The establishment of temporary site facilities started in July 2018 and is due to be completed in February 2019.
- Excavation and piling works began in November 2018.

As of the end of 2018, the completion rate of the EPC contract, including the installation of temporary site facilities, was 10%.

The total workforce at the project site at the end of December 2018 was 288, including 137 directly-hired staff and 151 employees of the subcontractors.

As of 31 December 2018, 255,506 person-hours and 323 days without lost time incident (LTI) had been reached.





## SAMAWA 750 MW COMBINED CYCLE POWER PLANT

**LOCATION:**  
Samawa, Iraq

**OWNER / CLIENT:**  
Ministry of Electricity of  
Iraq (MoE)

**PROJECT DURATION:**  
March 2019 – December  
2020 (Phase 1)  
May 2019 – February 2022  
(Phase 2)

**CONTRACT TYPE:**  
Lump Sum-Turnkey

**CONTRACT VALUE:**  
US\$ 562 Million

### Samawa 750 MW Combined Cycle Power Plant

On 3 January 2017, ENKA entered into a consortium agreement with GE with a view to undertaking the works awarded by the Ministry of Electricity of Iraq under Contract No.1 dated 5 February 2017 – i.e., the Samawa 1x4 9E Combined Cycle Power Plant Project.

The works, to be undertaken on an EPC basis, included the design, manufacture, delivery to site, erection, setting to work, commissioning, start up and testing of the Samawa Combined Cycle Power Plant. The gas turbines and generators and their off-base auxiliaries supplied by employer were to be installed and commissioned by the GE-ENKA consortium in simple-cycle mode and then converted to combined-cycle through the addition of a steam tail (the “Add-On”) and associated equipment.

The power plant configuration was to be 4x4x1 and the plant was to be capable of operating on 3 different fuels – namely, natural gas (NG), light distilled oil (LDO) and crude oil (CO). Fuel storage and treatment facilities for the liquid fuels were also included in the scope of the work. The gross output at ISO standard operating conditions was to be 750MW for NG and 730MW for CO and LDO.

Four frame-9E gas turbine generator sets (4X125MW) complete with auxiliaries purchased by the employer from the General Electric Company under the so-called Mega

Deal Project in December 2008 were to be installed by the contractor as free-issued equipment.

In summer 2018, in order to overcome financing and budget challenges, the employer requested that the project be implemented in 2 phases. Accordingly, a contract amendment was signed on 28 November 2018.

The first phase of the work broadly corresponds to the completion of the simple-cycle plant, including the 132kV AIS and 400kV GIS substations and common balance-of-plant of a size and capacity to accommodate the combined cycle operation. Phase 2 broadly corresponds to the completion of the combined cycle plant by adding on the necessary equipment.

Phase 1 is to have a duration of 647 days from the estimated starting date in the first quarter of 2019, while Phase 2 is to take 1,020 days from the estimated starting date in the second quarter of 2019.

Phase 1 is to be financed by UK Export Finance (UKEF) and Phase 2 is to be financed by the Government of Iraq through a Trade Bank of Iraq (TBI) loan.

The contractor is supporting the employer with a view to achieving financial closure. In this context, an Environmental and Social Impact Assessment (ESIA) has been carried out

by an international consultant engaged by the contractor on behalf of the employer to support the arrangement of export credit agency (ECA) financing for the project. The ESIA report was published on the UKEF website in October 2018 for public disclosure.

In early 2018, meanwhile, the parties reached agreement on the scope of the piling works. Accordingly, the starting date for these works was set at 20 January 2018. With the inclusion of the piling works among the works to be performed by ENKA, ENKA's share in the consortium increased to 66% from the original 63%.

ENKA is to be responsible for the conceptual design and detailed design of the overall civil works, piling works and mechanical and electrical works for the balance-of-plant (BoP), the procurement, manufacture and delivery of the BoP equipment and the overall construction services, including overall civil works and piling works, the erection and installation of BoP and power block equipment, as well as the testing and commissioning activities required to achieve successful operation on a turn-key basis.

The power block equipment and main machinery sets such as HRSGs, diverter dampers, the STG, ACC, DCS and 132kV AIS and 400kV GIS substations, step-up transformers and auto-transformers, excluding the free issue equipment, are to be designed, procured, manufactured and transported to Iraq by GE.

GE is also responsible for the testing and commissioning of equipment supplied by GE.

In February 2018, following the starting date, ENKA started limited piling works. By July 2018, 19,494 metres dia 80cm of bored piling had been installed, corresponding to 29% of the envisaged total of 67,774m.

In addition, the construction of site perimeter walls has been completed and a progress rate of 76% has been achieved for site mobilisation.

Overall, the completion rate for Phase 1, including engineering, procurement, piling, civil works and mobilisation activities, stood at 19% as of the end of December 2018.

A total of 257 people – 34 staff, 95 direct labourers and 128 indirect labourers – were working on the Samawa CCPP project as of the end of December 2018, of whom 226 were locals.

As of the end of 2018, 728,485 person-hours had been expended and 518 days had been worked on the project without lost time incident (LTI).

Phase 1 is forecast to be completed in December 2020, assuming that Phase 1 financial closure is achieved by March 2019. The forecast Phase 2 completion date is February 2022, assuming that Phase 2 financial closure is achieved by May 2019.



## DHI QAR 750 MW COMBINED CYCLE POWER PLANT

**LOCATION:**  
Nasiriyah, Iraq

**OWNER / CLIENT:**  
Ministry of Electricity of Iraq (MoE)

**PROJECT DURATION:**  
March 2019 - December 2020 (Phase 1)  
May 2019 - February 2022 (Phase 2)

**CONTRACT TYPE:**  
Lump Sum-Turnkey

**CONTRACT VALUE:**  
US\$ 561 Million

### Dhi Qar 750 MW Combined Cycle Power Plant

On 3 January 2017, ENKA entered into a consortium agreement with GE with a view to undertaking the works awarded by the Ministry of Electricity of Iraq under Contract No.1 dated 5 February 2017 – i.e., the Dhi Qar 1x4 9E Combined Cycle Power Plant Project.

The works, to be undertaken on an EPC basis, included the design, manufacture, delivery to site, erection, setting to work, commissioning, start up and testing of the Dhi Qar Combined Cycle Power Plant. The gas turbines and generators and their off-base auxiliaries supplied by employer were to be installed and commissioned by the GE-ENKA consortium in simple-cycle mode and then converted to combined-cycle through the addition of a steam tail (the “Add-On”) and associated equipment.

The power plant configuration was to be 4x4x1 and the plant was to be capable of operating on 3 different fuels – namely, natural gas (NG), light distilled oil (LDO) and crude oil (CO). Fuel storage and treatment facilities for the liquid fuels were also included in the scope of the work. The gross output at ISO standard operating conditions was to be 750MW for NG and 730MW for CO and LDO.

Four frame-9E gas turbine generator sets (4X125MW) complete with auxiliaries purchased by the employer from the General Electric Company under the so-called Mega

Deal Project in December 2008 were to be installed by the contractor as free-issued equipment.

In summer 2018, in order to overcome financing and budget challenges, the employer requested that the project be implemented in 2 phases. Accordingly, a contract amendment was signed on 28 November 2018.

The first phase of the work broadly corresponds to the completion of the simple-cycle plant, including the 132kV AIS and 400kV GIS substations and common balance-of-plant of a size and capacity to accommodate the combined cycle operation. Phase 2 broadly corresponds to the completion of the combined cycle plant by adding on the necessary equipment.

Phase 1 is to have a duration of 647 days from the estimated starting date in the first quarter of 2019, while Phase 2 is to take 1,020 days from the estimated starting date in the second quarter of 2019.

Phase 1 is to be financed by UK Export Finance (UKEF) and Phase 2 is to be financed by the Government of Iraq through a Trade Bank of Iraq (TBI) loan.

The contractor is supporting the employer with a view to achieving financial closure. In this context, an Environmental and Social Impact Assessment (ESIA) has been carried out

by an international consultant engaged by the contractor on behalf of the employer to support the arrangement of export credit agency (ECA) financing for the project. The ESIA report was published on the UKEF website in October 2018 for public disclosure.

In early 2018, meanwhile, the parties reached agreement on the scope of the piling works. Accordingly, the starting date for these works was set at 20 January 2018. With the inclusion of the piling works among the works to be performed by ENKA, ENKA's share in the consortium increased to 66% from the original 63%.

ENKA is to be responsible for the conceptual design and detailed design of the overall civil works, piling works and mechanical and electrical works for the balance-of-plant (BoP), the procurement, manufacture and delivery of the BoP equipment and the overall construction services, including overall civil works and piling works, the erection and installation of BoP and power block equipment, as well as the testing and commissioning activities required to achieve successful operation on a turn-key basis.

The power block equipment and main machinery sets such as HRSGs, diverter dampers, the STG, ACC, DCS and 132kV AIS and 400kV GIS substations, step-up transformers and auto-transformers, excluding the free issue equipment, are to be designed, procured, manufactured and transported to Iraq by

GE. GE is also responsible for the testing and commissioning of equipment supplied by GE.

In February 2018, following the starting date, ENKA started limited piling works. By July 2018, 17,632 metres dia 80cm of bored piling had been installed, corresponding to 27% of the envisaged total of 65,598m.

In addition, the construction of site perimeter walls has been completed and a progress rate of 76% has been achieved for site mobilisation.

Overall, the completion rate for Phase 1, including engineering, procurement, piling, civil works and mobilisation activities, stood at 19% as of the end of December 2018.

A total of 231 people – 23 staff, 141 direct labourers and 67 indirect labourers – were working on the Dhi Qar CCPP project as of the end of December 2018, of whom 176 were locals.

As of the end of 2018, 650,341 person-hours had been expended and 518 days had been worked on the project without lost time incident (LTI).

Phase 1 is forecast to be completed in December 2020, assuming that Phase 1 financial closure is achieved by March 2019. The forecast Phase 2 completion date is February 2022, assuming that Phase 2 financial closure is achieved by May 2019.



# INFRASTRUCTURE PROJECTS

- Umm Qasr Yard-5 Development, Quay Wall and Marine Works - Iraq
- Pristina - Hani i Elezit (Route 6) Motorway Project - Kosovo





## UMM QASR YARD-5, QUAY WALL AND MARINE WORKS

**LOCATION:**  
Umm Qasr, Basra, Iraq

**OWNER / CLIENT:**  
Aloreen Company for  
Investment Ltd.

**PROJECT DURATION:**  
December 2018 - January  
2020

**CONTRACT TYPE:**  
Lump Sum

**CONTRACT VALUE:**  
US\$ 76 Million

### Umm Qasr Yard-5 Development, Quay Wall and Marine Works

The contract for the BMT Umm Qasr Yard-5 quay wall and marine works was awarded to ENKA by the Aloreen Company for Investment on 7 May 2018. The contract entered into effect on two dates: the Notice of Commencement Date (NCD) and the Notice to Proceed (NTP) date. The NCD was 27 June 2018 and the NTP was issued on 3 December 2018. Engineering, procurement and mobilisation works commenced following the NCD and construction works commenced with notification of the NTP.

ENKA's responsibilities under this contract include engineering, design, procurement, transport and logistics, and construction.

The Port of Umm Qasr is located approximately 5.2 km south of Basra. It is the largest sea port and the only deep-water port of Iraq. The port has road links north west to Basra and south across the border with Kuwait, plus a main line rail link north west to Basra. The BMT Umm Qasr Yard-5 is situated at the northern end of the port.

Under the contract, a block work quay wall is to be installed at the end of the basin. The length of the main quay wall is approximately 611 m. The wall is made up of 11 layers and consists of 3,512 precast blocks, 318 U-shape precast blocks and 23,287 m<sup>3</sup> of in-situ concrete, making 131,305 m<sup>3</sup> of concrete in total.

The seabed will be dredged of 997,762 m<sup>3</sup> of materials in total prior to the installation of the blocks. In parallel with the block installation, the rear of the quay wall will be filled with a total of 325,697 m<sup>3</sup> of sand, crushed rock and suitable dredged material. Towards the end of the project, 52 bollards and 51 fenders will be put in place.

The overall rate of completion of the engineering, design, procurement and construction activities was 19% as of the end of December 2018.

At the end of December 2018, a total of 370 people – 56 white-collar staff and 314 labourers – were working on the project, including citizens of Turkey, Iraq, India, Egypt, the UK, Lithuania and Belgium. The number of employees is set to peak at 416.

By the end of 2018, the project had been under way for 238 days and the number of person-hours worked without lost time incident (LTI) was 279,530.





PRISHTINA –  
HANI I ELEZIT (ROUTE 6)  
MOTORWAY PROJECT

**LOCATION:**  
Pristina - Hani i Elezit,  
Kosovo

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

**PROJECT DURATION:**  
July 2014 - June 2019

**CONTRACT TYPE:**  
Lump Sum

**CONTRACT VALUE:**  
EUR 608 Million

Prishtina – Hani i Elezit (Route 6) Motorway Project

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

The 65 km dual carriageway motorway forms part of the Southeast Europe Core Road Network, in which it is referred to as Route 6. The project links Kosovo's capital city Pristina to Hani i Elezit on the Macedonian border. The motorway is expected to have significant strategic and economic benefits. Kosovo will be connected to Skopje and will have access to Corridor 10, facilitating its trade with the rest of the world. The economic benefits will not be limited to Kosovo. The motorway is part of a European network of roads and is expected to contribute to economic integration throughout the region.

The contract has a value of EUR 608 million which ENKA and Bechtel have equal shares.

The project envisages the construction of 65 km of 2x2-lane motorway, designed in three sections. The first two sections of the motorway have a platform width of 27.5 m in fill stretches and 29.3 m in cut stretches. For the third section, which is located in a mountainous region, the platform width

is reduced to 25 m in fill stretches and 26.8 m in cut stretches, and climbing lanes are provided as necessary. The geometrical characteristics of the motorway have been determined in accordance with Trans-European Motorway (TEM) standards as well as Croatian standards while the design conforms to European standards. Construction work is being carried out in accordance with the 2001 general technical requirements (GTR) of the Croatian Road Authority.

The project includes 13 bridges, 20 overpasses, 19 underpasses, 245 box and pipe culverts, 18.4 million m³ of excavations, 9.6 million m³ of earth and rock fill, 530,000 m³ of concrete, 734,000 m³ of subbase and CTB, 601,000 tons of asphalt and 163 km of guardrail. The total length of the 13 bridges is 7,920 m, including the main viaduct through the valley in section 3, which is 5.7 km long.

As of December 2018, the entire 65 km route had been expropriated, and design works were 98% complete. ENKA is currently concentrating on completing the third section of the motorway, which passes through mountainous terrain and constitutes the most challenging part of the project. All major structural works have been completed. The works that remain to be completed in 2019 comprise waterproofing, paving, finishing works on the main viaduct, and river regulation works within the river valley.

As of December 2018, about 97% of all construction works had been completed, including bridges with a total length of 6,987 m, the 20 overpasses and 19 underpasses, the 245 box and pipe culverts, the 18.4 million m³ of excavations, the 9.6 million m³ of earth and rock fill, 529,000 m³ of concrete, 724,000 m³ of subbase and CTB, 560,000 tons of asphalt and 158 km of guardrail.

The number of personnel reached 2,687 at its peak, including citizens of 11 different countries including Kosovo, Turkey, Albania, Romania, Macedonia and the United States. Citizens of Kosovo made up 80% of the total. The total number of machines allocated to the project was 1,281, and supplementary machinery has been used when necessary. There is one camp site with the capacity to accommodate 754 people.

By the end of 2018, over 27 million person-hours had been worked. BEGP had provided all the personnel working on the project with training in safety and quality. Due to the training activities, over 8,400,000 person-hours were achieved without lost time incident (LTI). By the end of 2018, 56,718 people had received a total of 94,826 hours of training in 57 different skills and various aspects of health, safety and the environment (HSE).

The first 47 km of the project has already been opened to traffic. According to the current project schedule, all construction works will be completed by June 2019.





# BUILDING WORKS

- TAIF Business Centre, Russian Federation
- US Embassy Building Projects





## TAIF BUSINESS CENTRE

**LOCATION:**  
Kazan, Tatarstan, Russian Federation

**OWNER / CLIENT:**  
TAIF PSC

**PROJECT DURATION:**  
April 2017 - January 2020

**CONTRACT TYPE:**  
Lump Sum

**CONTRACT VALUE:**  
US\$ 143 Million

### TAIF Business Centre

The TAIF Business Centre Project is located at no. 80 Pushkina Street in the heart of Kazan, the capital of the Russian republic of Tatarstan. Covering an area of 51,714 m<sup>2</sup>, the centre is situated close to the River Kazanka, the Kazan Kremlin, and other main government buildings including the Presidential Palace. Altogether the centre will feature 28,804 m<sup>2</sup> of office space finished to high architectural standards, and 22,910 m<sup>2</sup> of car parking space.

The centre boasts eight storeys above ground, rising to 33.5 m and faced with an aesthetically pleasing glazed façade, together with four floors underground to a depth of 15 m.

ENKA is responsible for all of the following construction and installation works:

- Earthworks (excavation and backfill)
- External utilities
- Reinforced concrete works
- All mechanical works
- All electrical works
- Architectural design and construction of the facade
- Vertical transportation
- All internal finishing including supply of furniture, fixtures and equipment

The contract was awarded in April 2017 with ENKA's work scheduled for completion in January 2020.

By the end of 2018 all infrastructure and structural work was complete, with work on the facade 95% complete. The building had been sealed and was being heated with a temporary heating system ahead of winter and in order to facilitate the completion of the remaining stages of the project.

Overall, 55% of the architectural work had been completed. A total of 15,382 m<sup>2</sup> of brick walls had been erected, with 32,042 m<sup>2</sup> of screed works and the installation of 12 elevators completed. In addition 8,500 m<sup>2</sup> of gypsum board partition wall installation (95% of the total) and 12,204 m<sup>2</sup> of ceramic tiling had been completed.

Also by end of 2018, the installation of all transformers, cooling and air conditioning equipment had been completed along with the installation of the centre's heating system, and all were fully operational. The work included the fitting of 18,252 m of stainless steel pipes 8,852 m of mild steel pipes, and 29,318 m<sup>2</sup> of ducting, along with 93.6 km of cables and 11.6 km of cable tray.

By the end of 2018, the project completion rate stood at just over 60%.

By the end of 2018, 1,000,000 person-hours had been worked without lost time incident (LTI). Currently, 715 workers are employed on the project.





US EMBASSY  
BUILDING PROJECTS



LOCATIONS:

- **Afghanistan / Kabul**
- B.Herzegovina / Sarajevo
- Burundi / Bujumbura
- Algeria / Algier
- Djibouti / Djibouti
- Dominican Republic / Santo Domingo
- Equatorial Guinea / Malabo
- Guinea / Conakry
- **India / Hyderabad**
- Netherlands / Wassenaar
- Cameroon / Yaounde
- **Kenya / Nairobi**
- Mali / Bamako
- **Mexico / Mexico City**
- Mauritania / Nouakchott
- Nepal / Katmandu
- Papua New Guinea / Port Moresby
- **Paraguay / Asuncion**
- Russian Federation / Moscow
- Sierra Leone / Freetown
- **Sri Lanka / Colombo**
- **Suudi Arabia / Dhahran**
- Turkey / Istanbul
- Turkmenistan / Ashgabat
- **Greece / Athens**

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

Under the agreement, ENKA contributed to the completion of US embassy building projects in Cameroon in 2005, Guinea, Mali and Sierra Leone in 2006, Algeria and Nepal in 2007, Bosnia and Herzegovina in 2010, Djibouti City in 2011, Burundi in 2012, Equatorial Guinea in 2013, the Dominican Republic in 2014, and Djibouti Camp Lemonnier , Mauritania, Russia and the Netherlands in 2017. A project for Papua New Guinea was cancelled. The client for all these projects is the Bureau of Overseas Construction Operations of the US State Department (OBO).

Further projects were awarded to Caddell Construction Co. for embassy and consulate buildings, and similar works in Sri Lanka (Colombo), India (Hyderabad) and the Kingdom of Saudi Arabia (Dhahran) in 2016, and Paraguay (Asuncion), Mexico (Mexico City), Greece (Athens) and Kenya (Nairobi) in 2017. ENKA and Caddell are currently cooperating on these 9 projects, which have a total value of almost US\$ 2.6 billion.

As of the end of 2018, the first phase of the project in Afghanistan was completed, and the overall rate of progress on the second phase reached 98%. The second phase is due to be completed in the first quarter of 2019.

Meanwhile, the projects in Djibouti (Camp Lemonnier), Mauritania, the Netherlands and Russia are 100% complete and have been handed over.

For the Turkmenistan project, design works have been completed for all buildings and concreting works have been completed for all buildings except the main Chancery, which has been put on hold. The overall rate of progress on the other buildings is 95%.

Design, mobilization and building concreting works have been completed for the Sri Lanka project, and work is continuing on the exterior envelope and interior finishing. Concrete works are under way on the Saudi Arabia, Paraguay and India projects. The Sri Lanka project is due for completion in August 2020, the India project in February 2021, the Paraguay project in October 2020 and the Saudi Arabia project in May 2021.

The Greece project started in May 2018 and mobilization and relocation of existing utilities are continuing. The Mexico project started in February 2018. Mobilisation has been completed and deep excavation and shoring and concrete works are ongoing. The Kenya project started with the commencement of design works in January 2018. Mobilisation has been completed and building concrete works have started.

The Kenya project is due to be completed in September 2021, the Mexico project in April 2022 and the Greece project in May 2022.

As of the end of 2018, 290 white-collar and 2,003 blue-collar employees were working on these projects.





# GROUP COMPANIES

ÇİMTAŞ  
KASKTAŞ



**Çimtaş Çelik** İmalat Montaj  
ve Tesisat A.Ş. - Turkey



**Cintas Boru** İmalatları ve  
Ticaret Ltd. Şti. - Turkey



**Çimtaş Hassas İşleme** San.  
ve Tic. Ltd. Şti. - Turkey



**Çimtaş Gemi** İnşa Sanayi  
ve Ticaret A.Ş. - Turkey



**Cintas Ningbo** Modular  
Skids & Pipe Spool - China



**Kasktaş** Kayar Kalıp Altyapı  
Sondaj Kazık ve Tecrit A.Ş.



## ÇİMTAŞ ÇELİK İMALAT MONTAJ VE TESİSAT A.Ş. (ÇİMTAŞ STEEL) - TURKEY

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

As the leading steel wind tower manufacturer in Turkey, Çimtaş Steel fabricated and delivered 92 steel wind towers consisting of 300 sections for Nordex and Enercon (both of Germany) in 2018.

Çimtaş was awarded a contract for the fabrication and delivery of steel components for the 1915 Çanakkale Bridge Project in 2018.

With a main span of 2,023 m and a total length of 4,608 m, the 1915 Çanakkale Bridge will be the longest suspension bridge in the world upon its completion.

The steel components of the bridge to be supplied by Çimtaş are as follows:

- Steel tower: 35,500 tons
- Steel deck: 48,500 tons
- Steel shaft: 2,500 tons
- Anchor frame: 800 tons
- Bollard and pad eyes: 200 tons

The total weight of the components to be fabricated is 87,500 tons.

Çimtaş Steel and Çimtaş Module and Shipyard will jointly carry out the following fabrication and ground assembly activities for the 1915 Çanakkale Bridge project until the first quarter of 2021:

- Çimtaş Steel will fabricate 35,500 tons of bridge tower panels and 48,500 tons of deck panels in compliance with the required quality norms and standards.
- Çimtaş Module and Shipyard will carry out the formation and trial assembly of 146 tower blocks, comprising 656 panels with a total weight of 35,500 tons and 153 deck blocks, comprising 5,508 panels with a total weight of 48,500 tons.
- The tower and deck blocks will be delivered to the site for installation aboard the 4,400 DWT dynamic positioning vessel "GMK-1", built by Çimtaş Module and Shipyard.

The fabrication of the tower panels started at Çimtaş Steel in August 2018 and is planned to be completed in November 2019.

The contract for the steel deck was awarded to Çimtaş in December 2018. It is planned to commence the fabrication of the deck blocks in June 2019 and to complete them in October 2020.

Following an initial order of 75 sets of wind turbine rotor and stator rings from Enercon in 2017, Çimtaş manufactured 93 sets of rotors and stators in 2018.

Due to the continuous spinning movement required to convert the motion of the wings into electrical energy within the generator, both parts require precise machining tolerances with a grade of  $\pm 0.1\text{mm}$  on various surfaces. In this way, they play a critical role in ensuring energy efficiency.

The wind turbine rotors had a diameter of 3.7 m and the stators a diameter of 4.5 m. All the machining works were done by Çimtaş Steel in-house.

In 2018, Çimtaş started to manufacture rotors with a diameter of 7.5 m and stators with a diameter of 9 m for new-generation wind turbines for Enercon. A total of 11 new-generation rotors and stators were manufactured in 2018.





## ÇİMTAŞ ÇELİK İMALAT MONTAJ VE TESİSAT A.Ş. (ÇİMTAŞ STEEL) - TURKEY



Çimtaş Steel was awarded its first off-shore component fabrication work, the Solitaire New Stinger Section project, by All Seas, a Dutch off-shore company, at the beginning of 2018.

Çimtaş will be responsible for the supply, fabrication and assembly of the Stinger section.

The Stinger section will be used for shifting and installing marine pipelines of record weight for the purposes of the large oil and gas platforms of the North Stream project in the Baltic Sea. All Seas plans to replace the existing DPLV Solitaire Section 1 with a new section with a modified structure that will improve its fatigue profile. The weight of the new stinger section is 470 tons, excluding the weight of roller boxes, ladders and platforms.

The Stinger section is to be completed and delivered in the first quarter of 2019.

At the beginning of 2018, Çimtaş was awarded its first-ever contract for a fabricated steel component to be used in a nuclear plant.

Under the contract, 18 nuclear waste pit frames are being fabricated and trial-assembled at Çimtaş Steel. A total of

420 tons of fabricated steel components will be delivered to northern France by the first quarter of 2019. These will be installed by Orano, a French nuclear energy company, at one of their nuclear waste treatment plants.

In 2018, Çimtaş successfully delivered the main process columns of Tengizchevroil's Future Growth Project in Tengiz, Kazakhstan, including the 85 m tall crude stabilizer, which will be the tallest column on the Tengiz Oil Field and one of the tallest in the world.

The order included 3 major columns with a combined weight of 1,500 tons, the heaviest one being the crude stabilizer, with a diameter of 6.5 m and a shipping weight of 715 tons. The work done by Çimtaş encompassed the full mechanical design and transport analysis, the procurement and fabrication of the columns and their delivery FoB (by Ro-Ro vessel), as well as the detailed design, fabrication and trial assembly of some 250 tons of ladders and platforms. The project posed a challenge from a metallurgical point of view as well, demanding exceptional toughness and corrosion resistance requirements for carbon steels and special composition requirements for weld overlays.

Çimtaş will continue its contributions to the prestigious Future Growth Project in 2019 by delivering four giant slug catchers, each weighing 1,000 tons. The fabrication of the slug catchers commenced in the second quarter of 2018.

Other fabrication projects completed by Çimtaş Steel during 2018 included the manufacture of structural steel hydraulic press parts for Hidromode (Turkey) and the manufacture of pressure vessels for Bechtel (UK) for use in the West Nile Delta Project in Egypt.

Çimtaş Steel, on 8<sup>th</sup> October 2018 has successfully completed ASME's Nuclear Certification Program assessments without any non-conformance and has been awarded "N-type" Certificate.

The N-type certificates of authorization issued by the ASME signify that a certificate holder has been through a rigorous survey to verify the adequacy and effective implementation of the quality assurance programme. They allow the holders to certify and stamp newly constructed components, parts, and appurtenances used at a nuclear facility with the certification



mark in accordance with Section III of the ASME Boiler and Pressure Vessel Code.

Çimtaş Steel successfully completed the American Institute of Steel Construction (AISC) Certification Program for Steel Bridge Fabricators assessments without any finding or non-conformance and was certified as a "Bridge Fabricator – Advanced (Major) with Fracture Critical Endorsement" on 28 August 2018.

The purpose of the AISC quality certification programme is to confirm to the construction industry that the certified structural steel fabricating plant has the personnel, organization, experience, procedures, knowledge, equipment, capability, and commitment to produce fabricated steel of the required quality for a given category of structural steel certification.

In addition to the "Certified Steel Building Fabricator with Sophisticated Paint Endorsement" which Çimtaş Steel obtained received prior to the fabrication works of the New York Wheel project, Çimtaş Steel is now the first and only company in Turkey certified by AISC as a "Bridge Fabricator".



## CIMTAS BORU İMALATLARI VE TİCARET LTD. ŞTİ. (CIMTAS PIPE) - TURKEY



Cimtas Pipe is a market-leading company providing Longitudinally Submerged Arc Welded (LSAW) pipes, fittings and pipe spools for power, process and OEM piping systems, and pressurized equipment. Its services include engineering, procurement, manufacturing, welded fabrication, modularisation, machining and painting. It has clients in the power, oil, gas and chemicals, water, mining and metals industries. Its vision is to be “the best in its class” on a global scale.

In 2018, Cimtas Pipe fabricated and delivered over 9,300 tons of process and power pipe spools and manufactured 2,750 tons of fittings and 5,900 tons of LSAW pipes for the following projects:

### Oil & Gas Projects:

- BP Galeota Expansion Project
- BP West Nile Delta Gas Development Project
- Corpus Christi LNG Train 3
- Sabine Pass LNG Train 6
- GE Oil&Gas Desuperheaters
- Shell Franklin Refinery (MRC- LSAW Pipes & Fitting Supply)
- BOTAŞ Northern Marmara Underground Gas Storage Offshore Platform Jacket Pipes
- SUTECH-BRUA Pipeline (Induction Bends)
- SOCAR Star Refinery (Material Supply)
- TÜPRAŞ Refinery – Inlet Pigtail Project
- TÜPRAŞ Refinery (Engineering Services)
- Petkim PAC PE Water Treatment Plant Project
- Petkim Refinery (Engineering Services)

### Power Plant Projects:

- GE Power EVM II Mexico 850 MW CCPP Module & Piping
- CMI – Besmaya 2 1,500 MW CCPP 4 x HRSG
- CMI - Zeran CCPP 1 x HRSG
- Doosan Skoda Power – Grati 195 MW and Muara Tawar 650 MW CCPP

### Nuclear Process Plant Projects:

- Orano (Areva) La Hague Nuclear Fuel Recovery Plant Project encompassing:
  - Pressurizers
  - 14501 Stacks R2+T2
  - Non-Critical Boilers & Condensers

As of 2018, Cimtas Pipe has successfully fabricated and delivered 104,500 pieces and 56,000 tons of pipe spools for the Cheniere LNG Program since 2013, including the ongoing Corpus Christi LNG Train 3 Project.

As part of the same programme, the fabrication of 7,000 tons of pipe spool for the Sabine Pass LNG Train 6 is set to begin in 2019.

In 2018, Cimtas Pipe completed its obligations under the BP West Nile Delta Gas Development Project by fabricating a final 740 tons of pipe spools in addition to 170 tons of pipe spools for the BP Galeota Expansion Project.

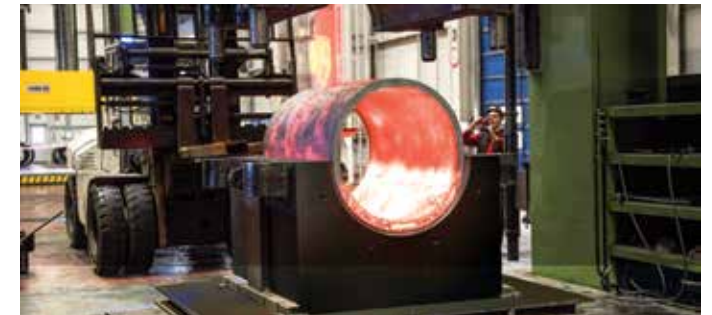
Cimtas Pipe also fabricated 77 pieces and 68 tons of a new product line – desuperheaters – for Baker Hughes, a GE company.

Cimtas Pipe continued to deliver turn-key solutions in the fields of plant design and piping, modularisation, pipe stress analysis, pipe supports, branch connections, pressurised vessels and chimney/ equipment engineering including the sourcing of compressors, valves, instrumentation and supports for Orano (Areva), Petkim, TÜPRAŞ, Siemens, CMI, Doosan Skoda Power and ENKA.

In 2018, Cimtas Pipe recorded another success when it started to fabricate modular systems for GE Power, thereby adding a new product line to its existing multi-product fabrication portfolio after sixteen years of partnership.

Cimtas Pipe received an order from GE Power for 29 modules to be used in the EVM II Combined Cycle Power Plant (850 MW) owned by EVM Energia in Mexico.

These modules are to be used within 5 main systems – namely, the Main Pipe Rack, Small Pipe Rack, Feed-Water, ADV and WSC modular systems. The fabrication of the modules and trial assembly were completed by the end of 2018 and delivery was scheduled for January 2019.





## CİMTAS BORU İMALATLARI VE TİCARET LTD. ŞTİ. (CİMTAS PIPE) - TURKEY



The Cımtas Pipe Fitting Works has manufactured and delivered 2,750 tons (29,200 pieces) of butt weld fittings including cold and hot formed stainless carbon alloy elbows, tees, reducers, and laterals within the range of ½ to 60 inches, as well as Çımtaş-branded branch connections and flanges.

Cımtas Pipe engineered and manufactured 10 Laterals for the Shell Franklin Petrochemical Plant in Pennsylvania, USA, and performed all the required tests in its in-house laboratory.

Cımtas Pipe has upgraded the capacity of its existing induction bending machine to serve pipeline projects better. This upgrade was used to complete and deliver the SUTECH Project which is part of the BRUA pipeline.

SOCAR Turkey and Cımtas Pipe reached an agreement for the manufacture of fittings and supply of pipes and tubes using carbon and stainless steel metallurgies for the STAR Refinery Project.

In 2018, two of Cımtas Pipe's product groups – fittings for pipes and induction bends – were approved by the Abu Dhabi National Oil Company (ADNOC). As a result, Çımtaş was included in the company's AML-approved vendor list. Approvals such as these from global owner/operator companies like BOTAŞ, SOCAR, ADNOC, Tengizchevroil, MOL, Honeywell, GAZPROM, ROSNEFT and SABIC allow Cımtas Pipe to serve top-tier customers with its Integrated Piping Solutions.

The Cımtas Pipe Mechanical and Metallographic Laboratory, which has had TS EN ISO / IEC 17025 accreditation since 2017, has successfully completed the "Inter Laboratory Comparison Tests", organized by the Institut für Eignungsprüfung (IFEP), an independent German Organization, and so taken its place among the most prestigious laboratories in Europe. Only 46 laboratories from 15 countries have completed these tests.

Following its inauguration in July 2017, the Cımtas Pipe LSAW Pipe Works, the biggest investment in the history of Cımtas Pipe, started to produce LSAW pipes for the oil, gas and chemicals sectors and the offshore/onshore industries in 2018.

The Cımtas Pipe LSAW Pipe Works is the first LSAW process-dedicated pipe works in Turkey capable of manufacturing pipes ranging from 406 mm to 1,524 mm in diameter and from 8 mm to 65 mm in thickness. The Works supplied the complete LSAW pipe requirements of the Corpus Christi LNG Train 3 in 2018, manufacturing 3,400 tons of carbon and stainless steel LSAW pipes for the project.

Cımtas Pipe has also manufactured 1,365 tons of offshore structural pipes for the North Marmara Underground Gas Storage Expansion Project, for which two offshore platforms are being fabricated at Çımtaş Module and Shipyard. In 2019, Cımtas Pipe will be manufacturing LSAW pipes to meet the plant piping requirements of the same project.

Cımtas Pipe has strengthened its presence in the market by supplying LSAW pipes for highly demanding projects like the Shell Pennsylvania Chemicals and Saipem/GE Offshore Riser Repair projects and by manufacturing 'sour service' pipes and equipment and 'X80M High Yield API Pipes'.

Additional pipe orders for the well-known trading company Van Leeuwen of the Netherlands have also been fulfilled.

In December 2018, Cımtas Pipe was awarded a contract by Thyssenkrupp Industrial Solutions for the supply of LSAW pipe and fitting materials for the MOL Polyol Project. Manufacturing will commence in 2019 and a total of 1,110 tons of material will

be exported to Hungary for the underground element of the project in the second quarter of 2019.

Cımtas Pipe has been implementing a Digital Transformation Project at its facilities since October, 2017. The company was awarded a grant in this connection upon becoming a partner in the PIANiSM (Predictive and Prescriptive Automation in Smart Manufacturing) project, which is funded by the European Union's ITEA3 programme to support R&D projects for Industry 4.0.





## ÇİMTAŞ HASSAS İŞLEME SAN. VE TİC. LTD. ŞTİ. (ÇİMTAŞ PRECISION MACHINING) - TURKEY

Çimtaş Precision Machining Industries and Trading Ltd. Co., a subsidiary of the Çimtaş Group, manufactures complex performance-critical gas turbine components for the aviation, power, oil and gas industries.

The company is also globally recognized for its vertically integrated manufacturing systems and expertise in advanced materials.

Its state-of-the-art facility, which has a 12,000 m<sup>2</sup> fenced yard and 11,400 m<sup>2</sup> of covered fabrication shop space, is conveniently located in the Bursa Free Trade Zone, Turkey, within 3 km of 4 international deep sea ports.

The company delivers value-added products to its customers through continuous improvement, complete in-house control of processes and a lean production culture.

In 2018, Çimtaş Precision Machining enlarged its portfolio of business sectors to include the oil, gas and aviation industries, and successfully obtained approvals for more than 25 new parts for the aviation industry.

In oil and gas, initial business growth focused on aeroderivative and newly developed gas turbines. The power sector is Çimtaş Precision Machining's legacy business line.

As a centre of excellence for fabricated parts, Çimtaş Precision Machining continued to witness business growth in the power sector in spite of the global trends in the sector.

In addition, Çimtaş Precision Machining added 11 new fabricated aviation grade super alloy sheet metal precision products to its

catalogue. The total number of approved parts reached 48, positioning Çimtaş Precision Machining as an integral element of power sector original equipment manufacturers' (OEM) combustion product mix.

Çimtaş Precision Machining is now concentrating its efforts on 3 main elements for sustainable growth.

The first element is the creation of a high-tech manufacturing base including state-of-the-art machinery and equipment. On top of its existing capabilities, Çimtaş Precision Machining has acquired a brand new robotic laser welding and trim work centre as well as a vacuum furnace and CNC machining work centres capable of meeting production specifications for aeroengine production rotating hardware.

The second element for sustainable growth on which Çimtaş Precision Machining is concentrating is the development of top-notch manufacturing processes approved by the main OEMs and/or certification bodies. In this context, Çimtaş Precision Machining has successfully completed the development of Fluorescent Penetrant Inspection (FPI) and Shot-peen processes complying with the specifications of OEM and first-tier suppliers as well as National Aerospace and Defence Contractors Accreditation Program (NADCAP) approval requirements.

Çimtaş Precision Machining is aiming to obtain a total of 8 process approvals from NADCAP. Achieving this target will make Çimtaş Precision Machining one of the leading companies in Turkey with respect to NADCAP process approvals.

In 2018, Çimtaş Precision Machining upgraded its Enterprise Resource Planning System to allow full integration with the Digital Manufacturing Execution System (MES). This digital transformation generates a wide range of manufacturing data that can be used for preventive and prescriptive analysis.

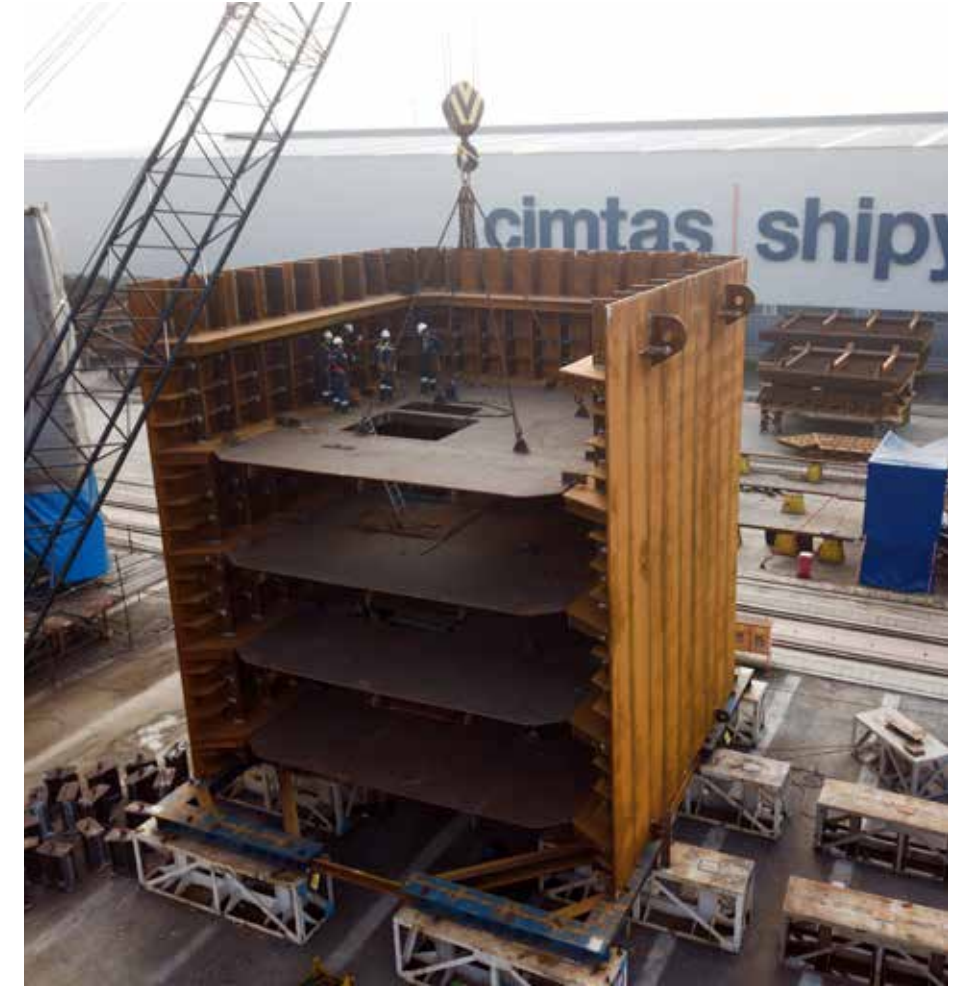
The third, and by far, the most important element of the sustainable growth drive is the human resources frontier. During 2018, Çimtaş Precision Machining continued to develop its employees and to expand its talented human resources to fulfil the extensive requirements of its top-tier customers.

Çimtaş Precision Machining continues to support its customers by digitizing the business, leveraging the technology connected with servicing capability, and successfully manufacturing complex parts for use all around the globe.





## ÇİMTAŞ GEMİ İNŞA SANAYİ VE TİCARET A.Ş. (ÇİMTAŞ MODULE AND SHIPYARD) - TURKEY



Çimtaş Module and Shipyard has successfully completed the Pipe Rack fabrication works of the West Qurna I - Initial Oil Train Project.

Çimtaş Module & Shipyard completed the main body of work on the West Qurna project in the first quarter of 2018, including the successful performance of the engineering works, the procurement of materials, the fabrication and installation of piping and structural steel, post weld heat treatment (PWHT), pressure tests, trial assembly, painting and insulation works.

The West Qurna I – Initial Oil Train Project Temporary Piping and BGC Piping works commenced in the second quarter of 2018 and were completed in the third. Within the scope of these works, Çimtaş Module and Shipyard manufactured 176 tons of piping and 36 tons of structural steel.

In the fourth quarter of 2018, Çimtaş Module and Shipyard carried out its first works under the 1915 Çanakkale Bridge project with the fabrication of bollards and pad eyes. In this context, 207 tons of structural steel were fabricated.

Çimtaş Module and Shipyard has also been awarded the contract for the fabrication and delivery of 2,500 tons of steel shafts and 800 tons of anchor frame for the 1915 Çanakkale Bridge project. The steel shafts are to be delivered by the first quarter of 2019 and the anchor frame in the second quarter.

Çimtaş Module and Shipyard was awarded a contract for the North Marmara Underground Gas Storage Expansion project in the first quarter of 2018. By the fourth quarter, the manufacturing work was under way. Two jacket and two topside platforms will be completed in 2019, together with the related electrical, mechanical, instrumentation and equipment installation works.





## CIMTAS NINGBO MODULAR SKIDS & PIPE SPOOLS (CIMTAS NINGBO) - CHINA



Since 2002, Cintas Ningbo has been successfully manufacturing and delivering piping, skids, modules and quick disconnect clamps to more than 50 countries, in compliance with regional requirements and codes, including ASME, PED, METI, TR-CU, CSA and TS-China.

In 2018, Çimtaş Ningbo delivered 220,000 dia-inches of gas and steam turbine piping systems, turbine auxiliary units and quick-disconnect clamp assembly components to its customers on time For the below listed customers:

- Mitsubishi-Hitachi Power Systems (Japan and USA)
- GE Power (Korea, USA and France)
- GE Energy Services (USA and Hungary)
- Baker Hughes (Italy)
- Siemens Power (Germany, USA and China)
- Toshiba Corporation Power Systems (Japan)
- Alstom Wuhan Boiler Group (China)
- CPME (Germany)

Also in 2018, Çimtaş Ningbo successfully delivered its first blender skid to the US market – its first reference for the pharmaceutical industry.

In the same year, Çimtaş Ningbo enriched its Quality Management System by adding the EN ISO 1090 EXC3, EN ISO 3834 -2 and Quality Laboratory CMA (China Metrology Accreditation) certificates to its numerous certifications. 2018 also saw Çimtaş Ningbo selected to be the regional Member Activity Base for the ASQ (American Society for Quality).

As well as expanding into 3D modeling for various jig and piping projects, Çimtaş Ningbo strengthened its engineering services by obtaining its Canada registration from the ABSA, the pressure equipment safety authority for Canada.

Çimtaş Ningbo's greenfield investment on 55,000 m<sup>2</sup> of land in Ningbo is to become operational in 2019. The new purpose-built facility will incorporate custom-designed manufacturing technologies and enable Çimtaş Ningbo to deepen and broaden its product portfolio by producing power, boiler and plant piping, modularisation and skids using additional metallurgies and dimensions for a wider range of industries.

Cintas Ningbo is strongly committed to be a responsible corporate citizen. The joint training program initiated with the Liaoyang Technical College is one of the examples of Cintas Ningbo's various corporate responsibility projects.





## KASKTAŞ KAYAR KALIP ALTYAPI SONDAJ KAZIK VE TECRİT A.Ş.



Kasktaş started ground engineering and foundation works in 1957 as an internal department of ENKA and was transformed into an individual company in 1975. With a total of 202 personnel including 32 technical and 25 administrative personnel, Kasktaş offers high-quality and economical solutions through its personnel experienced in geotechnical design and all types of soil engineering, and its special geotechnical machinery and equipment. In addition to having a large and modern machinery park, it continues to add new machinery and equipment to its fleet in order to meet the contemporary requirements in soil engineering.

Moreover, having successfully completed third-party inspection of the ISO 9001 Quality, ISO 14001 Environmental and OHSAS 18001 Occupational Health & Safety Management System, administered by BSI in 2018, Kasktaş carries out its activities without compromising on quality. The Environmental and Occupational Health and Safety System, which had been established in the company headquarters and the main workshop earlier in 2007, was extended within the first half of 2009 in order to include all construction sites both in Turkey and abroad. Its affiliate located in Saudi Arabia has also implemented the ISO 14001 Environmental and OHSAS 18001 Occupational Health & Safety Management Systems, which also were certified by BSI in 2009.

Kasktaş entered 2018 with 10 ongoing projects and another 10 new projects were also undertaken in 2018. The major projects completed by Kasktaş in 2018 are presented below:

### TURKEY

- 1915 Çanakkale Bridge European Anchor Block Project, Excavation and Support Works
- 1915 Çanakkale Bridge Asian Anchor Block Project, Excavation and Support Works
- Aliğa Star Refinery, DS1- EA5 Permanent Soil Nail and Permanent SBMA Anchor Works
- Bahçeşehir University Higher Education Building Project, Shoring Works
- Bostancı-Dudullu Metro Project, Depot Station Shoring Works
- Mandarin Oriental Bosphorus Hotel Project, Excavation Works, Shoring System and Foundation Works
- Üsküdar Hakimiyeti Milliye Bazaar and Underground Car-Park Project

### SAUDI ARABIA

- Jabal Omar Development Project
- Maad Hospitality Towers Slope Stability Project
- King Abdulaziz Road Project

### RUSSIAN FEDERATION

- Action Development Office and Hotel Building Project
- Dimitrovsky Multi-functional Complex Building Project
- Domodedova Airport Reconstruction Project
- ENKA 3<sup>rd</sup> Ring Car-Park
- Filicity Multi-functional Building Project
- Krasnopresnenskaya-14 Multi-functional Complex
- Michurinsky Residency Project
- Saharova Building Project
- Selepihinskaya Multi-functional Complex

### IRAQ

- Dhi Qar Combined Cycle Power Plant Bored Pile Works





## POWER GENERATION

GEBZE ELEKTRİK ÜRETİM LTD. ŞTİ.  
ADAPAZARI ELEKTRİK ÜRETİM LTD. ŞTİ.  
İZMİR ELEKTRİK ÜRETİM LTD. ŞTİ.





GEBZE ELEKTRİK ÜRETİM LTD. ŞTİ.  
ADAPAZARI ELEKTRİK ÜRETİM LTD. ŞTİ.  
İZMİR ELEKTRİK ÜRETİM LTD. ŞTİ.



The story of ENKA Power began when InterGen-ENKA, a 40%-60% partnership between ENKA and InterGen established in 1997, was contracted by the General Directorate of Turkish Electricity (TEAŞ) and the Ministry of Energy and Natural Resources to carry out the turnkey construction and operation of three natural gas combined cycle power plants in Gebze, Adapazarı and İzmir with a total installed capacity of 3,830 MW. The plants are to be constructed in accordance with the Build-Own-Operate model.

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

The Environmental Impact Assessment Report, completed in keeping with the format set by the Ministry of the Environment, received the official approval of the Ministry. Since the plants were partly financed through foreign project loans, an additional environmental impact assessment report was prepared for the exclusive review of the export credit agencies in accordance with the environmental guidelines of the World Bank. This report indicated minimum levels of impact and was duly approved.

In line with the technology that is commonly employed at natural gas combined cycle power plants around the world

today, the Adapazarı, Gebze and İzmir plants operate well within the criteria set by air quality, water pollution and noise control regulations, and they constitute an exemplary group of investments in the field of energy in Turkey.

The turnkey construction of the Gebze, Adapazarı and İzmir natural gas combined cycle power plants were awarded to the Bechtel-ENKA Joint Venture (BEJV), in which ENKA had a 50% share. The projects were launched in 2000. The Gebze and Adapazarı plants were commissioned in 2002 and the İzmir plant in 2003.

Thus ENKA, together with its partner InterGen, become the largest private sector electricity producer in Turkey.

The electricity production companies signed 20-year contracts to purchase natural gas from the Petroleum Pipeline Corporation (BOTAŞ) and to sell electricity to the Electricity Generation Company (EÜAŞ - previously TETAŞ). As the 20-year period included the project development and construction phases, the contract period was essentially 16 years from the date on which the plants entered into commercial operation. Under the electricity sales agreement, the electricity produced in the plants is sold to EÜAŞ in accordance with an average tariff of US\$ 4.2 cents per kilowatt-hour. This is made possible by the advanced technology employed in the plants and the low financing costs. The electricity sales price consists of four components: investment costs, fuel costs, fixed operating costs and variable operating costs.

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

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

The ENKA power plants have generated over 430 billion kilowatt-hours of electricity during their 16 years of commercial operation period. With their collective annual generation capacity of 32 billion kilowatt-hours, they are capable of meeting 11% of Turkey's aggregate energy consumption.

The Energy Market Regulatory Authority (EPDK) has issued the ENKA power trading company ENKA Enerji Ticaret A.Ş. with an electricity supply license. Under this license, ENKA Enerji engages in wholesale/retail activities for eligible consumers. The EPDK has also issued ENKA Enerji Ticaret A.Ş. with an import license (spot, LNG). Under this license, ENKA Enerji is able to import natural gas/LNG and to engage in wholesale/retail activities for eligible consumers.

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





# REAL ESTATE

CITY CENTER INVESTMENT B.V.

ENKA INVEST

ENKA TC

MOSKVA KRASNYE HOLMY

MOSENKA







CITY CENTER INVESTMENT B.V.

City Center Investment B.V. (CCI) commenced business in 2003 with the development of the Naberezhnaya Tower complex. One of the most prestigious business centres in Moscow, the Naberezhnaya Tower holds a Commercial Real Estate Award for the best Class-A business centre. Located in Moscow's international business centre, it is a model of inspiring architecture and state-of-the-art innovative design. Its competitive advantages in the commercial real estate market have enabled CCI to build long term relationships with its tenants.

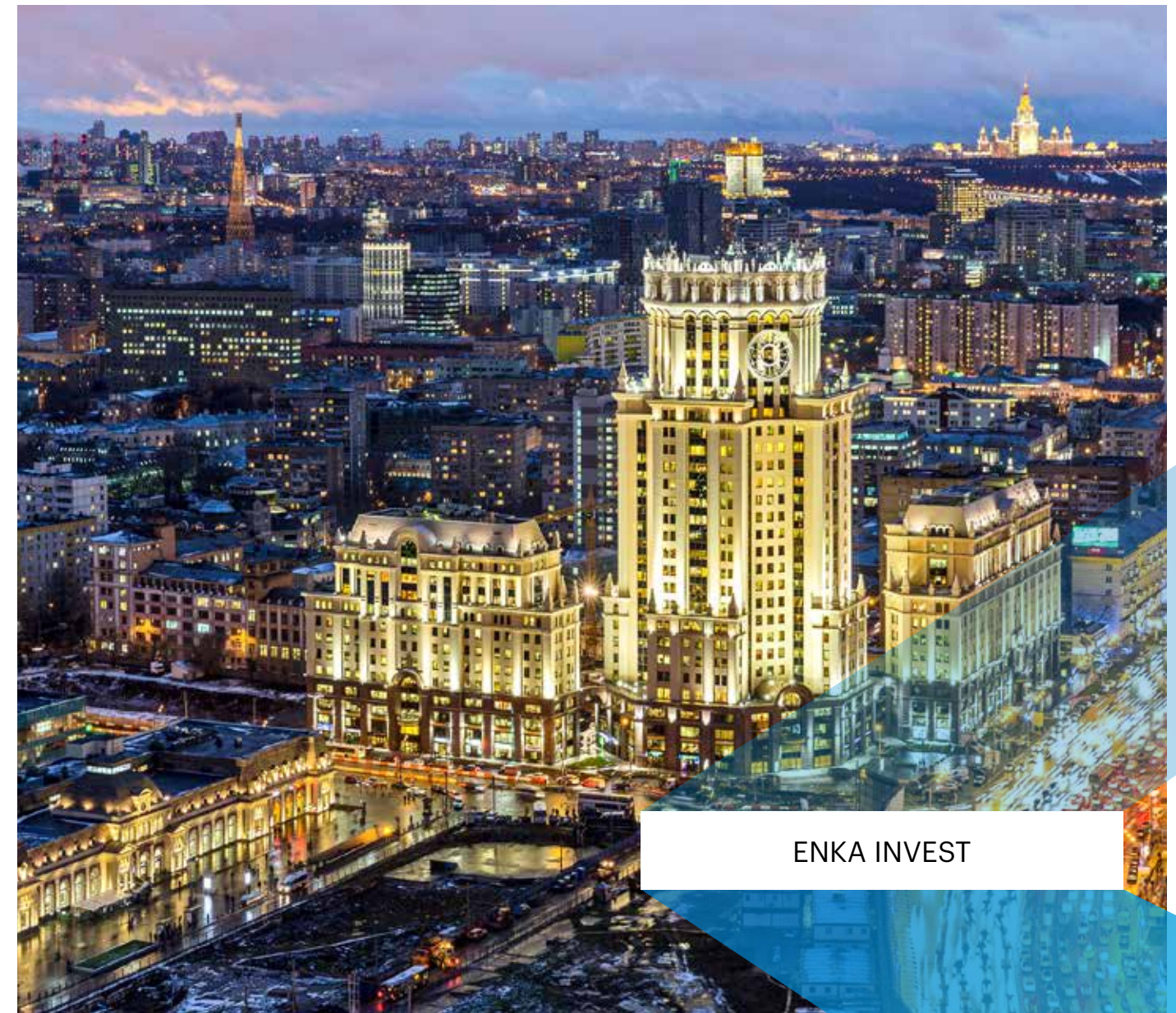
The Naberezhnaya Tower complex consists of 3 blocks with a total leasable area of 163,092 m<sup>2</sup>. It currently employs 120 personnel in the areas of office leasing, management and operation of the facilities and supply of fit-out works.

By the end of 2018, CCI had concluded nearly 30,000 m<sup>2</sup> of new lease contracts and carried out 16,000 m<sup>2</sup> of office fit-out works in the Naberezhnaya Tower complex. With an occupancy rate of 96% in 2018, the complex maintained its

status as the building with the highest occupancy rate in Moscow City.

The CCI leasing department achieved its targets in 2018 in the wake of 2 years of macroeconomic turbulence in the Russian Federation by positioning itself uniquely to monitor the changes in the commercial real estate industry and develop an accurate marketing strategy. Extension agreements were reached for 7,600 m<sup>2</sup> of leased property. This continuity also resulted in sustainable financial stability.

The Naberezhnaya Tower has been the most compelling office choice for leading international and Russian companies in Moscow for more than a decade. Existing CCI tenants include reputable corporations such as Berlin Chemie, CMS Cameron McKenna, Campina, Eli Lilly, Elanco, Fortum, General Electric, GlaxoSmithKline, IBM, Juniper Networks, KPMG, Medtronic, Merz Pharma, Mitsui & Co, Ozon.ru, Pfizer, Qualcomm, Renaissance Capital, Richemont, SKF, Universal Pictures, VTB Group, Unipro and Zara.



ENKA INVEST

ENKA Invest began operating in 1994, as a part of ENKA's real estate investment division, which has been active in Moscow since the early 1990s. The company employs a staff of 85 in the areas of office and residential leasing, and building and facility management. It also provides construction services for tenants' fit-out works. It has built long-term relationships with its tenants by providing exceptional facilities and services.

ENKA Invest has 4 complexes located in the centre of Moscow with a total leasable area of 76,000 m<sup>2</sup>. The Paveletskaya Plaza, the Tsvetnoy Palazzo, the Sretenka Complex and Chaplygina House are built, owned, developed and operated by ENKA Invest.

In line with its sustainability projects, ENKA Invest is constantly renovating and allocating resources to the office lobby areas in the Paveletskaya Plaza.

The occupancy rate in ENKA Invest's assets was 83% as of the end of 2018. In total, 14,000 m<sup>2</sup> of office space has been

leased under new contracts including 4,000 m<sup>2</sup> of new premises for Ernst & Young company for which the fit-out works were done by ENKA Invest.

Meanwhile, some international tenants with whom business relations date back to the 1990s have extended their leases further. This has contributed to the long-term financial stability of the company.

The ENKA Invest team keeps a close watch on developments in the commercial real estate industry and adjusts its marketing strategy accordingly.

As of the end of 2018, ENKA Invest's tenants included major multinational firms such as Accenture, Citibank, Cleary Gottlieb Steen & Hamilton, HSBC, IATA, La Prairie, Hays, LG Electronics, Linde Gas, Linklaters, National Oilwell Varco, Nestle, Nintendo, Setra Lubricants, Equinor, Polycorn, UBS and Ernst & Young.





ENKA TC

ENKA TC, formerly RamENKA, was established in Moscow as an equal partnership between ENKA and Migros in 1997 to create shopping centres and a supermarket chain in the Russian Federation.

In November the same year, it launched its first Ramstore hypermarket and shopping centre in the Kuntsevo District of Moscow, which was constructed by ENKA with a total area of 19,400 m<sup>2</sup>.

The company continued its growth and opened its second hypermarket and shopping centre in Maryina Roshcha, despite the economic crisis in the Russian Federation in 1998.

Maintaining its high quality standards, ENKA completed the construction of the 32,500 m<sup>2</sup> Maryina Roshcha shopping centre in a remarkably short time.

ENKA TC opened 23 new stores between 1999 and 2003, increasing the number of its stores to 25 and the number of its shopping centres to 6.

In the same year, stores were opened in regions outside Moscow - namely, Krasnoyarsk, Kazan and Nizhniy Novgorod. Despite some closures between 2004 and 2007, the total number of stores increased to 53, and the number of shopping centres to 10.

The company used its own resources as well as International Finance Corporation (IFC) and commercial bank loans for its investments. A total of US\$ 170 million in loans was provided by the IFC between 1998 and 2006. All of these loans were repaid in 2008, ahead of their maturity dates.

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

By purchasing the 50% share of Migros in 2007, ENKA became the sole owner of the company and subsequently renamed it "ENKA TC". In order to concentrate on real estate operations as its main line of business, ENKA TC transferred the hypermarket operations and the shopping centres to AUCHAN through rental agreements. Upon the completion of this operation, the leasable area of ENKA TC increased from 167,000 m<sup>2</sup> to 227,000 m<sup>2</sup>.

The shopping malls owned by ENKA TC which operated under the "Ramstore" brand name were rebranded "Kapitoliy" in 2009. In January 2010, the supermarket brand name "Ramstore" was changed to "Citystore".

In accordance with the company's plans to exit the retail business and concentrate on real estate operations, the retail assets of ENKA TC were transferred to OOO BILLA and OOO BILLA REALTY under sales agreements in April 2012.

By the end of 2012, ENKA TC had completely exited the retail sector as a result of this process. The rental revenues of the company reached US\$ 118 million in 2018.

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

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

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

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

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

Furthermore, Kuntsevo Plaza won awards in three more categories at the International Property Awards in 2016, including:

- Best Retail Architecture Russia
- Best Retail Development (5 stars) Russia

- Best Retail Development Europe

Moreover, in June 2017, Vernadskogo Kapitoliy has been selected "The Best Shopping Centre" and Kuntsevo Plaza both "The Best Office Complex" and "The Best Shopping Complex" at the "100 Best Office and Retail Centres in Russia" award ceremony, which was held in St. Petersburg.

The shopping mall at Sergiev Posad in Moscow Region, on which construction began in the 2<sup>nd</sup> quarter of 2013, was opened for retail operations at the beginning of September 2014. This shopping mall project has a total area of 36,750 m<sup>2</sup> (leasable area of 24,883 m<sup>2</sup>) and a parking area with capacity for 696 cars. This project was realized with an investment of US\$ 59 million.

The re-development project and project approval process for the existing Kashirskaya Shopping Mall was completed, the existing building was demolished and new project construction started during the 4<sup>th</sup> quarter of 2015. The new building has a total area of 196,750 m<sup>2</sup> (leasable area of 70,000 m<sup>2</sup>). The project was realised with total investment worth US\$ 232 million, that covered construction, design, infrastructure works, approvals, road works, etc. The new shopping mall began operations in March 2018.

In spite of its short history, Kashirskaya Plaza has been honoured with several important awards:

- RCSC Awards-2018 as the "Best Shopping Centre" in the nomination "Project at the Implementation Stage" in the category "Large Shopping Centres".
- Won the prestigious international European Property Awards and received awards in two nominations at once - Retail Architecture, Moscow, Russia Retail Development, Moscow, Russia.

In addition, the reconstruction plan for the existing Maryina Roshcha Shopping Mall (re-development) was approved by Moscow Municipality, with the project development process beginning. The construction of the project will be realized in two phases. The multilevel above-ground carpark with an approximate gross building area of 3,343 m<sup>2</sup>, will be constructed in the first phase until 2020. The existing buildings will be demolished in the second phase of construction to start the construction of the shopping centre and office components of the new project. The new building is expected to have an area of approximately 245,000 m<sup>2</sup> in total (leasable area of approximately 105,000 m<sup>2</sup>) and come at total investment worth US\$ 335 million.

Project development work on Prospect Vernadskogo (facing Vernadskogo Kapitoliy Shopping Mall owned by ENKA TC) in Moscow for a new 28,300 m<sup>2</sup> (leasable area of approximately 20,000 m<sup>2</sup>) class-A office building will be continued in 2019. Investment for this project is estimated at US\$ 45 million.

In addition to this, it is also planned to start project development works of the existing shopping mall's extension with an approximate area of 13,000 m<sup>2</sup> within 2019.

Project development work on Leningradsky Pravaberejnaya (facing Leningradsky Kapitoliy shopping mall owned by ENKA TC) in Moscow for a new 64,800 m<sup>2</sup> (leasable area of approximately 22,000 m<sup>2</sup>) office building and underground parking project have been initiated. Estimated investment for the development is US\$ 80 million.





MOSKVA KRASNYE HOLMY

Having signed an investment agreement with a number of Russian partners, including the Municipality of Moscow, ENKA established Moskva Krasnye Holmy (MKH) with the specific aim to develop, in five progressive stages, the Russian Cultural Centre, a centre that includes office buildings, trade, cultural and sport centres on a seven-hectare plot of land with a 49-year lease. ENKA owns 100% of this company which commenced operation in the summer of 1995 and has thus far completed a number of buildings totalling 156,000 m<sup>2</sup>, with the occupancy rate of office buildings 81% by the end of 2018. Existing tenants of LLC Moskva Krasnye Holmy include reputable corporations such as Akkuyu, Energoprom, Neftegarant, Nissan, SAP, Strategy Partners and VTB Factoring.

The corporate policy of the company emphasizes a process of institutionalization and dictates that productivity and profitability excel by employing the finest local staff and the best local companies to collaborate with a core Turkish management team. The total number of company employees has reached 104.

The company's 2018 turnover is about US\$ 29 million.

OTEL MOSKVA - KRASNYE  
HOLMY, SWISSOTEL KRASNYE  
HOLMY, MOSCOW

The complex known as Riverside Towers, accommodates a five-star hotel with 234 rooms which has been operated by the FRHI group under the name "Swissotel Krasnye Holmy" since 2005. The FRHI Hotels & Resorts company, an owner of luxury brands, was acquired by the AccorHotels Group, one of the world's largest global hotel companies, in 2017.

Swissotel Krasnye Holmy Moscow brings to the heart of the Russian capital unsurpassed service and luxury combined with the most breathtaking views of the city. The hotel is situated very conveniently in Moscow's business district. Surrounded by major office complexes and financial institutions including the Aurora Business Park, Paveletskaya Tower and Vivaldi Plaza, it is situated close to the Paveletsky railway station, and transfers to Domodedovo airport make it a very convenient base for business travelers.

The five-star luxury hotel was ranked among the 25 best luxury hotels in Russia and the 25 best hotels for service in Russia by TripAdvisor Travelers' Choice® in 2018. It has

received many wonderful ratings and reviews from the main booking companies and social networking services.

Other awards received by Swissotel Krasnye Holmy Moscow in 2018 include: "World's Leading Luxury City Hotel 2018" (World Travel Awards); "World's Leading Hotel Rooftop Restaurant & Bar 2018" (World Travel Awards); "Outstanding Contribution to the Hospitality Industry 2018" (World Travel Awards); "Russia's Leading Business Hotel 2018", and "Russia's Leading Luxury Business Hotel 2018".

The trendy hotel's roof bar, the City Space Bar and Restaurant, is one of the world's top ten bars. The highly popular bar is the ideal place to drink a cocktail while enjoying breathtaking 360-degree views of Moscow. The bars and restaurants of the hotel host various Moscow and international gastronomy festivals as well as master classes by world-class bartenders.

The company had 266 employees and a turnover of approximately US\$ 20 million in 2018.



In 1991, ENKA took advantage of its good business relations in Russia, as well the steady economic progress in the country, to found LLC Mosenka in Moscow with some Russian partners as one of the first real estate service providers in the country.

ENKA now owns 100% of Mosenka, which developed and rented out office space, aiming to meet growing demand in Moscow.

Mosenka has reconstructed six historic buildings with a total construction area of 46,500 m<sup>2</sup> and converted them into modern office buildings, with an office occupancy rate of 74% as of the end of 2018.

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

Currently, the company employs 72 personnel and the company's turnover is about US\$ 11 million.



MOSENKA





# TRADE

ENKA PAZARLAMA İHRACAT İTHALAT A.Ş.  
ENTAŞ NAKLİYAT VE TURİZM A.Ş.  
AIRENKA HAVA TAŞIMACILIĞI A.Ş.  
ENKA SYSTEMS YAZILIM A.Ş.







### ENKA PAZARLAMA İHRACAT İTHALAT A.Ş.

Established in 1972 ENKA Pazarlama entered the Turkish construction market through the sale and servicing of Hitachi excavators and Kawasaki wheel loaders.

From day one ENKA Pazarlama adopted the strategy of representing only the best known and most highly regarded global brands. Focusing on heavy construction and lifting equipment and machinery and industrial machinery ENKA Pazarlama operates across Turkey through 5 regional branches, 1 sales office, 1 liaison office and 69 dealers and authorized service providers.

ENKA Pazarlama provides sales and after-sales support to customers through 5 TSE approved service centres holding ISO 9001:2015 quality certificates, and with the stated mission of being "reliable solutions partners".

ENKA Pazarlama operates its own open and covered vehicle and equipment parks in İstanbul, Ankara, İzmir, Adana and Mersin Free Zone.

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

Aware of its responsibilities towards its own stakeholders and more broadly to the environment and to humanity, during 2018, ENKA Pazarlama undertook a number of initiatives aimed at boosting the sustainability of its operations.

ENKA Pazarlama continues to provide high quality and economical solutions to its customers through the updated 9001:2015 Quality System and by keeping tabs on the latest technological developments.

As a distributor of the world's leading manufacturers of construction and industrial machines and equipment, ENKA Pazarlama markets and distributes the following product groups:

#### Construction Machinery Group:

- Hitachi: Hydraulic excavators, wheel loaders, mining hydraulic excavators, rigid dump trucks
- Kawasaki: Wheel loaders
- Bell: Articulated dump trucks
- Dynapac: Soil, asphalt, double drum and single drum rollers and pavers
- Nobas: Motor graders
- Tana OY: Landfill compactors and shredders
- Shantui: Dozers

#### Industrial Products Group:

- FPT (Iveco Motors): Marine engines, generator engines and industrial engines
- Mitsubishi: Marine engines and industrial engines
- Sole Diesel: Marine engines and generators
- SDMO: Generators and lighting systems

#### Lifting Equipments Group:

- TCM: Forklift and warehouse equipment
- Tailift & CT Power: Forklift equipments by Toyota Group
- HSC – Sumitomo Heavy Industries Construction : Crawler cranes
- Tadano: Rough terrain and all terrain mobile cranes
- Palfinger: Truck mounted loading and recycling cranes
- XCMG: Soil drillers, telehandlers, skid steer loaders, aerial platforms

ENKA Pazarlama with its over US\$ 155 million annual business volume and with the strength of over 45 years experience, aims to continue investing in its future and sustain trustworthy and high-quality service as reliable solution partner.







ENTAŞ NAKLİYAT VE TURİZM A.Ş.



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

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

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

The services offered by ENTAŞ include:

- Worldwide airline ticket sales, hotel reservations, transfers and rent-a-car services
- Private or business trips and holidays
- Luxury packages for individuals and groups
- "Blue Voyage" yacht expeditions and special rail and cruise packages
- City tours with or without a professional tour guide
- Specialist cultural, religious, sports, health, adventure and nature tours and holidays
- Special programmes for education and language schools
- Private plane rental and VIP services
- Organization of conferences, seminars, fairs and symposia
- Dealer conventions and motivational trips
- Corporate events such as personnel dinners, award ceremonies, anniversaries and launches
- Contracts with singers and other performers, and supply of technical equipment, stage design and venue decoration services
- Catering services, visa services and travel insurance

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

ENTAŞ has sustained its leading position over the years. For more than a decade it has consistently ranked among the top 5 national agencies in airline ticket sales. It has the highest turnover of any agency operating from a single location without branch offices.





## AIRENKA HAVA TAŞIMACILIĞI A.Ş.



AirENKA Hava Taşımacılığı A.Ş. was established in 2002. The company was granted an Operation License (No. 2002-HT-04) to operate air taxis on domestic and international routes by Turkey's General Directorate of Civil Aviation, from April 22 of that year.

AirENKA's main operations centre is located at the General Aviation Apron of Istanbul's Sabiha Gökçen Airport and main office is located in Headquarters of ENKA, Balmumcu, Istanbul.

AirENKA is providing safe and comfortable private charter flights for their passengers at the world-class level with the business jet aircrafts.

AirENKA with its Professional Management Team, processes all VIP private charter requests and provides 24/7 concierge service planning.

AirENKA operates a Hawker 900XP aircraft manufactured with the latest on-board flight technology in 2009. The highly experienced flight crew regularly advance and refresh their training in the United States in compliance with international aviation rules and regulations. In 2018, the company logged a total of 455 flight hours to 45 different cities.



## ENKA SYSTEMS YAZILIM A.Ş.



ENKA Systems, established in February 2017 as a subsidiary of ENKA, is engaged in the continuous development of special software products for ENKA Group companies and the marketing of these products to other large and fast-growing multinational companies in Turkey and abroad.

The software products developed by ENKA Systems for ENKA Group and other companies are the:

- EGPS: Global Procurement System
- EGEM: Global Equipment Management System
- EGVN: Global Vendor Network
- EGHR: Global Human Resources System
- EGFS: Global Finance System
- EDMS: Global Document Management System
- EHSE: Health Safety and Environment System
- EGIM: Global Investment Management System
- EGWM: Global Welding Management System

The primary mission of ENKA Systems is to support the development and use of cutting-edge technological resources for industry by introducing ENKA's extensive know-how to the right partners and companies throughout the world. In line with this mission, new features are added to the software continuously and further software development is ensured.

Recently, a Request for Quotations (RFQ) module was developed for EGPS, and quotation request and bid tabulation processes were digitized.

Also, the Building Information Modeling (BIM) module was developed for EDMS. As a result, 3D models can be displayed without need for drawing programmes with the EDMS BIM module.

Over the last year, EGIM and EHSE software have been developed in cooperation with ENKA İnşaat, and ESMS software has been developed together with ENKA Schools.

In 2018, EDMS, EGPS and EGVN were sold on the marketplace and collaboration with public enterprises began. EDMS, EGEM, EGPS, EGVN, EHSE, EGFS and EGHR demo databases were prepared for the General Directorate of Highways.

Clients included:

- NEOSIA S.P.A - Gaziantep Metropolitan Municipality 15 Temmuz Metro Line Project - EDMS, EGHR
- IDOM - Gaziantep Metropolitan Municipality Hospital Metro Line Project - EDMS
- PMO Proje Yönetimi (Uzbekistan and Turkey) - EDMS, EGPS and EGVN
- GÜLERMAK Ağır Sanayi A.Ş. - İzmir Metropolitan Municipality F.Altay Narlıdere Metro Line Project - EDMS
- KKC Marmaray Adi Ortaklığı - AYGM Gayrettepe 3<sup>rd</sup> Airport Metro Line Project - EDMS, EGPS and EGVN
- Özgün&Kolin Adi Ortaklığı - AYGM Halkalı 3<sup>rd</sup> Airport Metro Line Project - EDMS.

Meanwhile, ENKA Systems' products were exhibited at various fairs in Turkey and abroad. Bauma Russia and Digital Construction Week London were some of these events. In April 2019, ENKA Systems will be an exhibitor at Bauma Munich, which is one of the biggest construction equipment fairs in the world. It is aimed to complete the project of fuel automation system integration with EGEM during the preparation process for the exhibition.



# SOCIAL ACTIVITIES

ENKA FOUNDATION  
ENKA SPORTS CLUB  
ENKA SCHOOLS  
ENKA CULTURE & ARTS







## ENKA FOUNDATION

The intellectual basis of the ENKA Foundation, which was founded in 1983, is to uphold the tradition of foundations in Turkish culture and protect the core concepts of the foundation.

It is the natural mission of the foundation to educate individuals with scientific methods, to raise them as modern, productive, questioning individuals and to reveal their potential in an environment in which sports, education, culture and art are all intertwined.

The Sadi Gülçelik Sports Complex was founded in 1983 on the gentle slopes of İstinye, İstanbul based on values such as ethics, morality, respect, trust, sincerity, openness and innovation.

Besides the ENKA Sports Club, the ENKA Foundation comprises ENKA Schools and ENKA Culture and Arts. ENKA Schools came into being with the opening of ENKA Schools İstanbul, in İstinye, in 1996. ENKA Schools Adapazarı were launched in the wake of the 1999 earthquake. The Private ENKA Technical and Vocational Anatolian High School opened its doors in Kocaeli in 2008 and the ENKA Kocaeli Science and Technology High School started teaching in 2014. All the units and members of the foundation work towards disseminating and sharing the wealth of its heritage with society at large.



In 2018, ENKA Sports Club continued to prepare for and participate in national and international competitions. The Club has 1,281 licensed athletes and 93 trainers, all of whom are experts in their fields.

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

#### TRACK AND FIELD

In track and field, ENKA Sports Club has 596 athletes in total, including 97 athletes competing in national teams, 334 athletes with active licenses, and 262 athletes in training. Every year ENKA Sports Club selects new members from thousands of students from Sariyer and other surrounding school districts. With its vision, its highly skilled staff and modern facilities, ENKA Sports Club is regarded as a model sports club in Turkey and trains athletes not only from Istanbul but from all over Turkey.

#### Major International Events in the 2018 season:

In the 17<sup>th</sup> IAAF World Indoor Championship held in Birmingham, between 01-04 March, our athlete Emre Zafer Barnes, became 8<sup>th</sup> in the World with 6.64 seconds for the 60-metre dash.

In the 6<sup>th</sup> European Deaf Indoor Athletics Championships held in Gomel, between 22-24 March; our athlete Yasin Süzen became European 400 metres Champion with a time of 49.46 seconds. Süzen also won a bronze medal with in the 4x400 relay (3:26.64).

In the Half Marathon World Championships held in Valencia, on 24 March, our athlete Kaan Kigen Özbilen was 9<sup>th</sup> in the World with 1:01:05, achieving the best ever result for Turkey in the history of the championship.

In the IAAF World Walking Teams Championship held in Taicang, on 05-06 May, our athlete Meryem Bekmez came 5<sup>th</sup> in the world in the U20 age group.

Our men's and women's teams represented our country in the European Champion Clubs Cup Group A held in Birmingham on 26-27 May and managed to retain their high standings in Europe. Our men's team were European champions among 10 teams. Our women's team won 2<sup>nd</sup> place in Europe with 156 points – a margin of just two points – after their struggle with Sporting of Portugal in the 4x400 metres relay. Back in 2016 our men's team had become the first team from Turkey to win this cup, and they retained their title in Birmingham.

In the 18<sup>th</sup> Mediterranean Games held in Tarragona between 27-30 June; Jak Ali Harvey came 1<sup>st</sup> in the 100 metres with 10.10 seconds., while Emre Zafer Barnes came 2<sup>nd</sup> place with 10.32



ENKA SPORTS CLUB

seconds. Yasmani Copello Escobar came 2<sup>nd</sup> with 48.76 seconds in the 400-metre hurdles. The 4x100 m relay team including our athletes Jak Ali, Emre Zafer and Yiğitcan won the silver medal with a time of 38.50. Kaan Kigen Özbilen came 3<sup>rd</sup> place with 1:04.19 in the half marathon. Kivılcım Kaya Salman came 2<sup>nd</sup> with 71.07 m in the hammer throw.

In the U18 European Championships held in Győr between 05-08 July; Ali Berk Erol (high jump) and İslam Taşçı (3,000 metres) came 4<sup>th</sup> in Europe while Aslan Kağan Kalintaş came in 8<sup>th</sup> in Europe in the discus.

In the U20 World Championships held in Tampere between 10-15 July, our talented athlete Meryem Bekmez came in 2<sup>nd</sup> in the World in the 10,000 metre walk and set a fresh U20 and senior national record.

Our athletes also won medals and set new records in the European Championships held at the Berlin Olympic Stadium between 06-12 August. Yasmani Copello Escobar took the silver medal in the 400-metre hurdles, while breaking the national record with 47.81 seconds. Another silver medal was earned by the 4x100 m relay team, consisting of our athletes Jak Ali, Emre Zafer and Yiğitcan. Our athletes achieved a first in Turkish athletics history by breaking the Turkish record with a time of 37.98

and realizing the all-time third best performance in Europe. Jak Ali Harvey won bronze in the 100 metres and Yasemin Can won bronze in the 5,000 metres. Our 18-year-old athlete Meryem Bekmez, competing in the first championships of her career in the senior category, became the world's number one at U20 level and 11<sup>th</sup> in Europe in the 20 km walk with a time of 1:31:00, setting fresh U20 and senior national records.

In the European Champion Clubs Cup Juniors Group A held in Castellon on 15 September; our U20 men's team won 3<sup>rd</sup> place in Europe.

In the 3<sup>rd</sup> Youth Olympics held in Buenos Aires on 06-18 October, our athlete Mehmet Çelik won the bronze medal.

On 21 October, Turkey's oldest record was reset by Kaan Kigen Özbilen in the Amsterdam Marathon. Kaan came 5<sup>th</sup> with 2:06:23 and surpassed the 31-year record by Mehmet Terzi (2:10:25).

On 9 December, Yasemin Can became the first woman to be champion for the third time at the 25<sup>th</sup> European Cross Country Championship in Tilburg. Our athletes Kaan Kigen Özbilen and Polat Arıkan came 4<sup>th</sup> and 7<sup>th</sup> respectively in the men's competition, and the men's team were champions of Europe in the team rankings.

#### Inter-club Turkish leagues in the 2018 season:

**Turkish Interclub U-16 National Championships:** Our women's team have been the reigning champions since 2013 and our men's team since 2012. Both teams won the Under 16 Turkish Interclub Championships again this year.

**Turkish Interclub Youth League:** Our men's and women's teams finished 2<sup>nd</sup> in Turkey.

**Turkish Interclub Junior League:** Our men's and women's teams finished 2<sup>nd</sup> in Turkey.

**Super League:** Our women's team were champions in the Turkcell Super League in 2018 while our men's team finished 2<sup>nd</sup>. In league history, our women's team were champions for the 16<sup>th</sup> time and will represent Turkey in the 2019 European Championships Club Cup.



New Records Set by our Athletes in 2018

Name-Surname	Event	Result	Competition- Venue	Record
Meryem Bekmez	20 km Walk	1:31.00	24 <sup>th</sup> European Athletics Championship / Berlin	U20NR-NR
	5 km Walk	22,13	24 <sup>th</sup> European Athletics Championship / Berlin	U20NR-NR
	10 km Walk	44,24	24 <sup>th</sup> European Athletics Championship / Berlin	U20NR-NR
	20 km Walk	1:36.08	International Walking Festival / Lithuania	U20NR
	10 km Walk	44:17.69	U20 World Athletics Championship / Finland	U20NR-NR
	10 km Walk	45,16	EA Permit Walking Meeting / Dudince	CR
	10 km Walk	45,09	Walking Olympic Trials / Antalya	U20NR
	5.000 m Walk	21:54.25	National Indoor Walking Championship / Ataköy	U20NIR-NIR
	2.000 m Walk	8:38.50	National Indoor Walking Championship / Ataköy	U20NIR
	3.000 m Walk	13:05.40	National Indoor Walking Championship / Ataköy	U20NIR-NIR
Emre Zafer Barnes	60 m	6,55	Istanbul Cup Indoor Meeting / Ataköy	NIR
		6,62	Balkan Indoor Championship / Ataköy	NIR
		6,64	EA Permit Indoor Meeting / Linz	NIR
		6,65	IAAF World Indoor Tour / Madrid	NIR
		6,67	Indoor Track & Field / Viyana	NIR
Can Özüpek	Triple Jump	16,77 m	National Championships / Bursa	U23NR
		16,39 m	U23 Mediterranean Championhips / Italy	U23NR
		16,35 m	Turkcell National Super League 1 <sup>st</sup> Stage / Mersin	U23NR
Necati Er	Triple Jump	16,63 m	PTS Meeting / Slovakia	U23NR
		16,61 m	Ruhi Sarialp Jumping Events Indoor Cup / Ataköy	U23NIR
		16,39 m	European Champion Club Cups / Birmingham	U23NR
Buse Arıkan	Pole Vault	4,35 m	Turkcell National Super League Final / Bursa	NR
		4,30 m	Cezmi Or Cup / Olympic Stadium	NR
Kaan Kigen Özbilen	Half Marathon	1:00.08	14 <sup>th</sup> Vodafone Istanbul Half Marathon / Istanbul	NR
	Marathon	2:06.23	43. TCS Amsterdam Marathon	NR
Mikdat Sevler	110 m Hurdles	13,95	Olympic Trials / Ankara	U23NR-NR
	60 m Hurdles	7,96	Elan Indoor Meeting / Bratislava	U23NIR
Yasmani Copello Escobar	400 m Hurdles	47,81	24 <sup>th</sup> European Athletics Championship / Berlin	NR
Demet Parlak	Pole Vault	4,33	National Indoor Championships / Ataköy	U23NIR-NIR
Salih Korkmaz	20.000 m Walk	1:28.07	National Super League 1 <sup>st</sup> Stage / Mersin	U23NR
Ahmet Kasap	300 m	34,08	Indoor Olympic Trials / Ataköy	U20NIR
	4x400 m	3:08.93	Relay Events National Record Trials / ENKA	U20NR
Batuhan Altıntaş	600 m	1:17.78	Trials Competitional / Ankara	U23NR
Mert Atlı	5.000 m Walk	19:55.55	Olympic Trials / ENKA	NR
Büşra DüNDAR	Pentathlon	3.338	U18 Indoor Match (Tur-Blr-Ukr-Fra) / Ataköy	U18NIR
Mehmet Çelik	1.500 m	3:50.43	Indoor Record Trials / Ataköy	U18NIR
Emre Zafer Barnes Jak Ali Harvey Yiğitcan Hekimoğlu	4x100 m	37,98	24 <sup>th</sup> European Athletics Championship / Berlin	NR
	4x100 m	38,30	24 <sup>th</sup> European Athletics Championship / Berlin	NR



TENNIS

We have a total of 341 tennis players, including 198 with active licenses and 143 trainees. A total of 17 of our players played for the national teams in their age categories.

Major International Events in the 2018 season:

In the 18<sup>th</sup> Mediterranean Games held in Tarragona between 27-30 June, İpek Öz became doubles champion. Sarp Ağabigün won a bronze medal in the doubles.

Our player Yankı Erel made Turkish tennis history as doubles champion in the Junior Championships Grade A tournament held at Wimbledon on 09-15 July.

Yankı Erel also reached the quarter finals in the doubles at the ITF Junior Grade A Roland Garros Junior Championships held in France between 04-10 June.

Our player Yankı Erel represented our country at the 3<sup>rd</sup> Youth Olympics held in Buenos Aires between 06-18 October.

At the ITF Junior Grade A Australian Open held in Melbourne between 22-28 January, Yankı Erel became the first Turkish player to win through the 3<sup>rd</sup> round of singles at junior level in the Grand Slam arena.

Our 13-year-old player Melisa Ercan won the singles at the 57<sup>th</sup> Orange Bowl International Tennis Championship in the USA – a first in Turkish tennis history.

Davis Cup, FED Cup & U18 European Summer Cup:

Our players Cem İlkel, Altuğ Çelikkilek, Sarp Ağabigün and Tuna Altuna represented Turkey in the FED Cup Europe - Africa 2<sup>nd</sup> group at the Davis Cup.

Our players Çağla Büyükakçay and Ayla Aksu, represented Turkey in the European - African 1<sup>st</sup> group. The national team came 3<sup>rd</sup> and managed to stay in the group.

Turkey came 4<sup>th</sup> in the U18 European Summer Cup where our athletes Yankı Erel and Bora Şengül competed.

WTA, ATP Tournaments:

Ayla Aksu was a quarter-finalist in the doubles at the US\$ 250,000 WTA TEB BNP Paribas Istanbul Cup tournament, which was held at Garanti Koza courts between 23-28 April.

Tuna Altuna played quarter-final in the doubles at the US\$ 1,386,665 ATP Qatar Exxon Mobile Open in Doha, Qatar, between 01-06 January.

US\$ 100,000 - US\$ 60,000 ITF Women's, ATP Challenger Tournaments:

Cem İlkel was a quarter-finalist in the US\$ 150,000 ATP Challenger Bangalore tournament held in India between 12-18 November.

Cem İlkel and Tuna Altuna played quarter-final at the EUR 85,000 ATP Challenger tournament held in Segovia between 30 July-05 August.

In the US\$ 75,000 ATP Challenger tournaments, Cem İlkel reached 2 semi-finals and 1 quarter-final in the singles and 1 semi-final and 1 quarter-final in the doubles. Tuna Altuna was a quarter-finalist and Altuğ Çelikkilek a semi-finalist in the doubles.

In the US\$ 50,000+H ATP Challenger tournaments, Cem İlkel reached a final in the doubles and Tuna Altuna played in 2 quarter-finals in the doubles.

Ayla Aksu was doubles champion at the US\$ 60,000 ITF Women's Circuit Lale Cup tournament held in Göztepe between 09-15 April, while İpek Soylu and Melis Sezer played in the quarter-finals in the doubles.

In the US\$ 60,000 ITF Women's Circuit tournaments; Çağla Büyükakçay played in 1 semi-final and 1 quarter-final and Başak Eraydın played 1 semi-final in the singles.





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

Our players achieved the following successes in the US\$ 25,000 ITF tournaments:

- Cem İlkel won one championship in the singles and played 1 final and 1 semi-final in the doubles.
- Başak Eraydın won a championship and reached 1 final and 1 semi-final in the singles, and reached 1 final and 1 quarter-final in the doubles.
- Çağla Büyükkakçay won a championship in the singles and reached 4 quarter-finals in singles and doubles.
- İpek Soylu won a championship and played 1 quarter-final in the singles. She also played 1 final and 1 quarter-final in the doubles.
- İpek Öz won 1 championship and played 1 semi-final in the doubles. She also played 1 semi-final in the singles.
- Ayla Aksu reached 1 quarter-final and 1 semi-final both in the singles and in the doubles.
- Altuğ Çelikkbilek reached 4 quarter-finals in singles and doubles.
- Tuna Altuna reached 2 quarter-finals in the doubles.
- Melis Sezer played 1 quarter-final in the doubles.

#### US\$ 15,000 ITF Women's & ITF Men's Futures Tournaments:

In the US\$ 15,000 ITF Women's tournaments, İpek Öz, Melis Sezer, Ayla Aksu, Zeynep Sönmez, Selin Lidya Sepken and İpek Soylu won 1 championship and played 2 finals, 4 semi-finals and 12 quarter-finals in singles, and won 4 championships and reached 12 finals, 9 semi-finals and 10 quarter-finals in doubles.

In the US\$ 15,000 ITF Men's Futures tournaments, Altuğ Çelikkbilek, Sarp Agabigün, Cengiz Aksu, Osmancan Söyler, Cem İlkel, Tuna Altuna and Mert Alkaya achieved 7 championships, played 4 finals, 7 semi-finals and 15 quarter-finals in the doubles and reached 3 championships, 3 semi-finals and 9 quarter-finals in singles.

#### Grade 1-2-3-4-5 ITF Junior Tournaments:

##### In the Grade 1 ITF Juniors tournaments:

Yankı Erel reached 1 final, 2 semi-finals and 1 quarter-final in singles, and 1 final, 1 semi-final and 2 quarter-finals in doubles. Bora Şengül was also a finalist in the doubles.

##### In the Grade 2 ITF Juniors tournaments:

Our players Berk İlkel, Bora Şengül and Selin Lidya Sepken played 1 final, 2 semi-finals and 1 quarter-final in the singles, and 4 finals, 1 semi-final and 6-quarter-finals in the doubles.

##### In the Grade 3 ITF Juniors tournaments:

Our players Berk İlkel, Bora Şengül, Zeynep Erman, Özlem Uslu and Melis Ayda Uyar reached 4 finals and 2 quarter-finals in the singles, and played 5 finals, 4 semi-finals and 2 quarter-finals in doubles.

##### In the Grade 4 ITF Juniors tournaments:

Our players Berk İlkel, Bora Şengül, Selin Lidya Sepken, Melisa Yakup Pour, Ali Gülen, Mert Çelik, Doğa Akyürek, Melis Ayda Uyar and Mevlüt Can Zorlu won 3 championships and reached 1 final, 1 semi-final and 3 quarter-finals in the singles, and won 6 championships and played 3 finals, 1 semi-final and 12 quarter-finals in the doubles.

##### In the Grade 5 ITF Juniors tournaments:

Our players Doğa Akyürek, Fatih Sarı, Melisa Yakup Pour, Selin Lidya Sepken, Ali Gülen, Mert Çelik, Özlem Uslu, Mevlüt Can Zorlu, Berk İlkel, Ela Deniz Alpgiray, Zeynep Kuvent, Elif Sanem Karadağ, Selya Rakki, Melisa Ercan, Senem Öcal and Beyda Baykal won 3 championships and played 5 finals and 5 semi-finals and quarter-finals in the singles and won 6 championships and played 8-semi-finals and quarter-finals in the doubles.



#### Turkish Individual Championships in the 2018 season:

##### Women:

##### Senior Turkish Championships:

Selin Lidya Sepken and Melis Ayda Uyar were the doubles champions.

##### Age-18 Turkish Championships:

Selin Lidya Sepken was champion in both singles and doubles. Beyda Baykal was champion in the doubles. Doğa Akyürek and Melis Ayda Uyar were finalists in the doubles.

##### Age-16 Turkish Championships:

Melisa Ercan was champion in singles and Özlem Uslu was the other finalist. Selin Lidya Sepken and Melis Ayda Uyar were champions in doubles and Beyda Baykal was finalist.

##### Men:

##### Senior Turkish Championships:

Sarp Agabigün was a finalist in the doubles while Cem İlkel was champion in singles.

##### International Rankings in 2018:

As of 11 December 2018, in the WTA rankings: Başak Eraydın was ranked 178<sup>th</sup>, Çağla Büyükkakçay was 266<sup>th</sup>, Ayla Aksu was 463<sup>rd</sup>, İpek Soylu was 597<sup>th</sup>, Melis Sezer was 636<sup>th</sup>, İpek Öz was 677<sup>th</sup> and Zeynep Sönmez was 974<sup>th</sup>.

In the ATP rankings: Cem İlkel was ranked 223<sup>rd</sup>, Tuna Altuna was 341<sup>st</sup> (doubles), Altuğ Çelikkbilek was 437<sup>th</sup>, Sarp Agabigün was 1058<sup>th</sup> and Cengiz Aksu was 1080<sup>th</sup>.

As of 11 December 2018, in the ITF Junior Rankings, our players were ranked as follows for 2018: Yankı Erel – 22<sup>nd</sup>, Bora Şengül – 102<sup>nd</sup>, and Berk İlkel 191<sup>st</sup>: In the women's rankings, Selin Lidya Sepken was 213<sup>th</sup>, Zeynep Erman was 409<sup>th</sup>, Özlem Uslu was 463<sup>rd</sup>, Doğa Akyürek was 550<sup>th</sup>, Melis Ayda Uyar was 600<sup>th</sup>, Melisa Yakup Pour was 745<sup>th</sup>, and Beyda Baykal was 925<sup>th</sup>.

#### SWIMMING

We have 524 swimmers in total – 403 with active licenses and 121 young trainees. During the 2018 season, 29 club swimmers swam for the national swimming team.

##### International Events in the 2018 Season:

In the Short Course World Championships held in Hangzhou between 11-16 December, our swimmers reached many finals and set new national records:

- Beril Böcekler broke the national records for the 14, 15-16, 17-18 and 19+ age groups with a time of 4:09.90 in the 400 m freestyle.
- Ergecan Gezmiş broke the national record for age 19+ with 1:54.71 in the 200 m butterfly.
- Berkay Ömer Öğretir broke the national record for ages 19+ with 2:08.32 in the 200 m breaststroke.
- A national record of 3:41.36 was set by the 4x100 m free-style relay team including our swimmers İmge Roza Erdemli, Viktoriya Zeynep Gunes and Ekaterina Avramova. This result in the qualifying round gave the team a ticket to the finals. It was the first time a team from Turkey had competed in the finals of this competition. The team broke another national record in the final, coming 8<sup>th</sup> in the world with with 3:41.25.
- A national record of 1:33.11 was set by the 4x50 m medley relay team including our swimmer İskender Baslakov. The team qualified for the final with this result. In the final, the team came 9<sup>th</sup> in the world with 1:34.38. İskender was also a member of the 4x50 m freestyle, 4x100 m freestyle and 4x50 m mixed-medley teams which set new national records.
- A national record of 3:41.36 was set by the 4x100 m medley relay team including our swimmers Viktoriya Zeynep Gunes, Ekaterina Avramova and Nida Eliz Üstündağ.



A national record was also set by the 4x50 m freestyle mixed relay team with 1:33.11. Our swimmer Ekaterina Avramova was a member of this team.

At the European Swimming Championships held in Glasgow between 03-09 August; Viktoriya Zeynep Güneş finished 6<sup>th</sup> in Europe in the 200m individual race.

At the 18<sup>th</sup> Mediterranean Games held in Tarragona between 27-30 June; Viktoriya Zeynep Güneş came 2<sup>nd</sup> in the 200 m individual race and 3<sup>rd</sup> in the 200 m breaststroke, Ümitcan Güreş was 3<sup>rd</sup> in the 100 m butterfly, and Berkay Ömer Öğretir was 3<sup>rd</sup> in the 100 m breaststroke. The 4x100 m freestyle relay team, which included club swimmer İskender Başlakov, finished 3<sup>rd</sup>, while the 4x100 m medley relay team including our swimmers Ümitcan Güreş, Ege Başer and Berkay Ömer Öğretir broke the national record with a time of 3:39.38.

Our swimmer Efe Turan represented Turkey in the 3<sup>rd</sup> Youth Olympics held in Buenos Aires between 06-18 October.

In the European Juniors Swimming Championships held in Helsinki between 04-08 July; İmge Roza Erdemli finished 9<sup>th</sup> in Europe in the 4x100 m mixed medley and 10<sup>th</sup> in Europe in the 200m butterfly, Efe Turan was 10<sup>th</sup> in Europe in the 4x100 m mixed medley.

At the ISF World School Championships held in Casablanca between 05-09 May, our swimmer Leyla Özdoğuran finished 2<sup>nd</sup> in the world in the 4x100 m medley relay.

In the Balkan Juniors Swimming Championships held in Bosnia Herzegovina between 05-06 May; İmge Roza Erdemli was 3<sup>rd</sup> in the 100 m and 200m butterfly and 2<sup>nd</sup> in the 4x200 m free-style relay while Efe Turan was the 3<sup>rd</sup> in the 100 m freestyle.

In the Multinations Juniors Swimming Championships held in Graz between 23-25 March, the 4x100 m free relay team, including club swimmer İmge Roza Erdemli, broke the national record with 3:48.30 to take 1<sup>st</sup> place. İmge Roza also finished 1<sup>st</sup> in the 100 m butterfly and the 4x200 m freestyle relay, and 2<sup>nd</sup> in the 200 m butterfly, while Efe Turan was 3<sup>rd</sup> in the 100 m, 200 m, 400 m and 4x100 m freestyle.

At the FFN Golden Tour Swimming Meet held in Marseille between 06-08 April, our swimmer Berkay Ömer Öğretir finished 1<sup>st</sup> in the 100 m breaststroke setting a new national record with 1:01.22.

At the Swim Open Stockholm Meet between 05-08 April; our swimmer Viktoriya Zeynep Güneş came 1<sup>st</sup> in the 200 m individual race and 2<sup>nd</sup> in the 400 m individual race.

In the Mare Nostrum Meet held in France between 09-10 June; our swimmer Viktoriya Zeynep Güneş came 2<sup>nd</sup> in the 200 m individual race and 3<sup>rd</sup> in the 400 m individual race.

At the Grand Prix Zrenjanin Cup held in Serbia between 01-04 November; our swimmer Berkay Ömer Öğretir came in first in the 200 m breaststroke with a new national record of 2:08.78. He also came 2<sup>nd</sup> in the 100 m breaststroke. Samet Alkan was 1<sup>st</sup> in the 200 m butterfly and the 400 m individual race and 2<sup>nd</sup> in the 200 m individual race. Efe Turan was 2<sup>nd</sup> in the 400 m free style and 3<sup>rd</sup> in the 200 m butterfly and the 200 m freestyle. Viktoriya Zeynep Güneş came 1<sup>st</sup> in the 100 m, 200 m and 400 m individual races and in the 100 m and 200 m breaststroke.

National Events in the 2018 Season:

In the Age Group Short Course National Championships held at the Beylikdüzü Swimming Pool between 20-23 December; our swimmers won 10 events, came in 2<sup>nd</sup> in 12, and finished 3<sup>rd</sup> in 12.

In the Juniors & Open Short Course National Club Championships held at the Beylikdüzü Swimming Pool between 24-28 December held at the Sports Complex Swimming Pool and Open Age Short Course Swimming Championships in Young (25m); Open Age Turkey Our girls team champion with 213 points, 175 points with Turkey Open Age Male Team Second, Girls Second Team 151 points with Turkey, while Turkey's Third Young Men Team with 122 points, our athletes; They won 25 events, 24 second place and 14 third place.

Beril Böcekler set new national records for the 14, 15-16, 17-18 and 19+ age groups in the 400 m, 800 m and 1500 m free-style, Berkay Ömer Öğretir set the new national record for age 19+ in the 200 m breaststroke, Erge Can Gezmiş set the new national record for ages 19+ in the 400 m freestyle and our 4x200 m women's relay team set the new national record for ages 19+.



2018 New Turkey Records Set by Club Swimmers					
Name - Surname	Event	Result	Pool	Meeting / Venue	Record
Viktoria Zeynep Güneş	100 m Fly	59,66	50 m	Long Course Cadette-Junior-Open Age National Team Sellaction / Tozkoparan	Aged +19 NR
İmge Roza Erdemli	4x100 m Free	3:48.30	50 m	Multinations Junior Swiming Meet. / Graz	Aged 17-18 NR
Berkay Ömer Öğretir	100 m Breast	1:01.22	50 m	FFN Golden Tour Open Age / Marseille	Aged +19 NR
	200 m Breast	2:08.78	25 m	Grand Prix Zrenjanin Cup / Zrenjanin	Aged +19 NR
	200 m Breast	2:08.32	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
	200 m Breast	2:07.12	25 m	Short Course Open Age&Juniors National Team Sellaction / Beylikdüzü	Aged +19 NR
Ergecan Gezmiş	800 m Free	7:57.59	25 m	Short Course Cadette-Junior-Open Age National Team Sellaction / Tozkoparan	Aged +19 NR
	400 m Free	3:45.06	25 m	Short Course Open Age&Juniors National Team Sellaction / Beylikdüzü	Aged +19 NR
	200 m Fly	1:54.71	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
Beril Böcekler	200 m Free	2:02.09	25 m	Short Course Open Age National Team Sellaction / Beylikdüzü	Aged 14 NR
	400 m Free	4:11.54	25 m	Short Course Open Age National Team Sellaction / Beylikdüzü	Aged 14 NR
	400 m Free	4:09.90	25 m	World Short Course Champ. / Hangzhou	Aged 14/15-16/17-18/19+NR
	400 m Free	4:08.51	25 m	Short Course Open Age&Juniors National Team Sellaction / Beylikdüzü	Aged 14/15-16/17-18/19+NR
	800 m Free	8:29.34	25 m	Short Course Open Age National Team Sellaction / Beylikdüzü	Aged 14/15-16/17-18/19+NR
	1.500 m Free	16:41.57	25 m	Short Course Open Age National Team Sellaction / Beylikdüzü	Aged 14/15-16/17-18/19+NR
	1.500 m Free	16:27.52	25 m	Short Course Open Age&Juniors National Team Sellaction / Beylikdüzü	Aged 14/15-16/17-18/19+NR
Ümit Can Güreş Ege Başer Berkay Ömer Öğretir	4x100 m Medley	3:39.38	50 m	18 <sup>th</sup> Mediterranean Games / Tarragona	Aged +19 NR
İmge Roza Erdemli Viktoria Zeynep Güneş Ekaterina Avramova	4x100 m Free	3:41.86	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
		3:41.25	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
Beril Böcekler Nida Eliz Üstündağ Viktoria Zeynep Güneş Ekaterina Avramova	4x200 m Free	8:02.18	25 m	Short Course Open Age&Juniors National Team Sellaction / Beylikdüzü	Aged +19 NR
Viktoria Zeynep Güneş Ekaterina Avramova Nida Eliz Üstündağ	4x100 m Medley	4:00.48	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
İskender Başlakov	4x50 m Free	1:26.25	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
	4x50 m Medley	1:33.11	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
	4x100 m Free	3:12.26	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
	4x50 m Medley	1:40.51	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR
Ümit Can Güreş	50 m Fly	23,70	50 m	18 <sup>th</sup> Mediterranean Games / Tarragona	Aged +19 NR
Efe Turan	800 m Free	8:01.30	25 m	Short Course Open Age National Team Sellaction / Beylikdüzü	Aged 17-18 NR
Ekaterina Avramova	4x50 m Free - Mix	1:32.92	25 m	World Short Course Champ. / Hangzhou	Aged +19 NR





### WATER POLO

In the water polo branch, we have a total of 276 players, including 112 players with active licenses and 164 trainees. 19 of our players played for the national teams.

#### International Events in the 2018 season:

Our water polo team were Turkish champions in the 2017-2018 season and represented our country in the LEN Champions League, reaching the 2<sup>nd</sup> round of the league.

In the European Water Polo Championships held in Barcelona between 14-28 July, our players Emirhan Özdemir, Fatih Acar, Tugay Ergin, Ege Kahraman, Emre Gürdenli and Yuşa Han Düzenli played in the national team and represented Turkey.

In the European Juniors Water Polo Championships held in Belarus between 26 August – 2 September, our players Arda Işık, Emre Gürdenli, Kerem Gemalmazoğlu, Yuşa Han Düzenli, Ege Kahraman, Berke Can Yalçın, Selim Tanbay and Doruk Doyran played in the national team and represented Turkey.

At the 18<sup>th</sup> Mediterranean Games held in Tarragona, Spain between 27 June – 1 July, our players Tugay Ergin, Ege Kahraman and Emirhan Özdemir played in the national team, which finished 8<sup>th</sup>.

In the Barkalov Cup Water Polo Tournament held in Kharkov between 07-09 May, our players Mehmet Yutmaz, Ege Kaner, Alim Cemal Kura, Kerem Barutçuoğlu and Umut Berkuk Baltacı played in the national team and represented Turkey. The Turkish national team won the tournament without conceding a game.

#### Turkish Inter-Club Leagues and Federation Cups in the 2018 season

**U12 National Championships:** Our U12 team finished 2<sup>nd</sup> in Turkey.

**Turkish Inter-Club U13 League:** Our U13 team finished 3<sup>rd</sup> in Turkey.

**Turkish Inter-Club U15 League:** Our U15 team were Turkish champions.

**Turkish Inter-Club U17 League:** Our U17 team were Turkish champions.

**Turkish Inter-Club U19 League:** Our U19 team came 2<sup>nd</sup> in Turkey.

**Super League:** Our men's team were champions in the Spor Toto Super League in 2018 and will represent Turkey in the LEN Champions League.

**U14 Federation Cup:** Our U13 team finished 3<sup>rd</sup> in Federation Cup, Turkey.

**Federation Cup:** Our men's team won the Federation Cup without conceding a game.

### WRESTLING

The ENKA Sports Club women's wrestling team has been active since January 2017 and has 29 women wrestlers in total, including 19 wrestlers competing in the national teams.

#### International Events in the 2018 season:

Our wrestlers Elif Jale Yeşilirmak (59 kg) and Yasemin Adar (76 kg) came 2<sup>nd</sup> in the world and won silver medals at the World Wrestling Championship held in Budapest between 20-28 October,

In the European Wrestling Championships held in Kaspiysk between 30 April and 06 May; our wrestler Elif Jale Yeşilirmak was European champion at 59 kg. Evin Demirhan (50 kg) and Bediha Gün (55 kg) came 3<sup>rd</sup> in Europe, while Yasemin Adar won her third consecutive European Championship in the 76 kg.

Our wrestler Ayşegül Özbege came 2<sup>nd</sup> in the world in the 76 kg category at the U23 World Wrestling Championships held in Bucharest between 12-18 November.

At the U23 European Wrestling Championship held in Istanbul between 04-10 June, our wrestlers Evin Demirhan and Elif Yanık came 2<sup>nd</sup> and 3<sup>rd</sup> in Europe at 50 kg and 55 kg respectively.

In the European Juniors Wrestling Championship held in Italy between 30 July – 5 August, our wrestler Ayşegül Özbege came 2<sup>nd</sup> in Europe at 76 kg while Kadriye Aksoy was 3<sup>rd</sup> in Europe in the 68 kg category.

In the 18<sup>th</sup> Mediterranean Games held in Tarragona, between 25-27 June, our wrestlers Evin Demirhan (50 kg), Bediha Gün (57 kg) and Elif Jale Yeşilirmak (62 kg) all finished as champions

In the Lady Open tournament held in Klippon between 16-19 February, our wrestlers Bediha Gün and Yasemin Adar were 2<sup>nd</sup> in their categories and Elif Jale Yeşilirmak was 3<sup>rd</sup>.

In the Dan Kolov & Nikola Petrov tournament held in Sofia between 21-26 March, Elif Jale Yeşilirmak took 3<sup>rd</sup> place in the 59 kg category.

In the Balkan Juniors Wrestling Championships held in Trina between 01-04 November, one of our wrestlers, Nurife Duman (57 kg), came 2<sup>nd</sup>, while Şule Kabak (62 kg), Gamzenur Adakan (65 kg), Kadriye Aksoy (68 kg) and Merve Pul (72 kg) were all champions.

#### National Events in the 2018 season:

The Women's Turkish National Championship held at the Tekirdağ İsmet İnönü Sports Hall between 06-07 January was the most successful national competition ever for our wrestling team.

The club team won the championship from among 27 competing teams. The ENKA Sports Club team won 205 points, leaving Yalova Tersaneler Spor trailing on 140 points and Kenger Sports Club on 76 points. Individual wrestlers won many medals.

Yasemin Adar (76 kg), Evin Demirhan (50 kg), Elif Jale Yeşilirmak (59 kg), Bediha Gün (55 kg) and Mehlika Öztürk (57 kg) were all Turkish champions in their individual categories. Merve Pul (68 kg) came in 2<sup>nd</sup>, and Zühre Nur Bambul (53 kg), Emine Çataloğlu (53 kg), Elif Yanık (57 kg), Gizem Kabak (59 kg), Gamze Nur Adakan (62 kg), Kadriye Aksoy (65 kg) and Ayşegül Özbege (72 kg) all came 3<sup>rd</sup>.

Six wrestlers from our club, Büşra Atansefer, Zehra Demirhan, Melda Dernekçi, Meryem Yılmaz, Zeynep Atınç and Serpil Karabacak, competed in the Starring (U18) Girls Turkish National Championship held in Tekirdağ between 16-18 February. Zehra Demirhan won first place in the 43 kg category and Büşra Atansefer came 2<sup>nd</sup> at 40 kg. Melda Dernekçi (53 kg) and Meryem Yılmaz (73 kg) came 3<sup>rd</sup>.

In the Turkish Junior Wrestling Championships held in Yalova between 19-21 March, the club team won 137 points to take first place. Nurife Duman (57 kg), Gamzenur Adakan (62 kg), Kadriye Aksoy (68 kg) and Ayşegül Özbege (76 kg) were champions in their own categories. Merve Pul (72 kg) took 2<sup>nd</sup> place and Şule Kabak and Aybike Yıldırım came 3<sup>rd</sup> in the 65 kg category.

Our club team won the Turkish U23 Championship held on 06-08 April, with 210 points. Yalova came 2<sup>nd</sup> with 157 points and Antalya 3<sup>rd</sup> with 104.

Our wrestler Asiye Acer came 3<sup>rd</sup> in the Turkey Junior Wrestling Championship held in Ankara between 04-06 August.

### SCHOLARSHIPS

276 talented and hard-working athletes in need of financial support were awarded scholarships during the 2018-2019 academic year.

### SUMMER AND WINTER SPORTS SCHOOLS

As in previous years, we held successful summer and winter sports schools in 2018. In the 34<sup>th</sup> Summer Sports School, a total of 1,600 students received training from ENKA Sports Club's experienced and professional staff in two different terms. Part-time or full-time training programmes were provided in swimming, tennis, volleyball, basketball, athletics and football. In addition, a total of 1,758 students were trained in a total of four terms in the 2017-2018 Winter Sports School programmes.

### SOCIAL MEMBER ACTIVITIES

Our 5,383 adult and young members make use of a fitness centre, outdoor and indoor tennis courts, an outdoor 50 m pool which can be covered in the winter, two indoor swimming pools of 25 m and 25x33 m respectively, various sports grounds, an indoor sports hall, an international synthetic track and field facility and a health centre.

Our club facilities have been restructured to provide a higher quality service at reasonable prices, primarily for our athletes but also for our members, and are now functioning normally.





## ENKA SCHOOLS

ENKA SCHOOLS - ISTANBUL

ENKA SCHOOLS - ADAPAZARI

PRIVATE ENKA VOCATIONAL AND  
TECHNICAL ANATOLIAN HIGH  
SCHOOL - KOCAELI

PRIVATE ENKA SCIENCE AND  
TECHNOLOGY HIGH SCHOOL -  
KOCAELI

ENKA  
OKULLARI





## ENKA SCHOOLS - ISTANBUL

Founded in 1996, ENKA Schools Istanbul currently has a total of 1,236 students in pre-school, primary school, middle school and high school and follows a student centred and constructivist approach to teaching and learning.

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

Established with the aim of becoming a model of modern education, recognized in Turkey and internationally for our forward-thinking educational practices, ENKA Schools Istanbul is progressing steadily towards its goal. Well established and well respected within the Turkish educational system, the school currently employs 187 teachers, 55 of whom are international, and a total of 237 academic and administrative staff.

ENKA Schools boasts world class facilities. The schools occupy an area of more than 50,000 m<sup>2</sup> within the ENKA Sadi Gülçelik Sports Complex with school buildings providing 21,450 m<sup>2</sup> of usable area in total. The school facilities are housed in two main buildings. The primary school and high school buildings consist of four floors and four blocks. The pre-school is housed in a separate, specially designed building and has its own separate play area.

The range of facilities exhibits the special importance ENKA places on contemporary education, sports, and the arts. In addition to modern, purpose-built classrooms, the school's academic facilities include three full science laboratories, an auditorium, three libraries containing 40,000 volumes in total, computer laboratories, two design rooms, and a multimedia room.

ENKA Schools Istanbul provides a technology-focused learning environment for students featuring a wireless campus, computer and design labs with the CNC laser cutting machine, robotics and coding resources, smart projectors in the classrooms, 3D printers and the latest technology tools

and equipment. In 2014, as part of the 1:1 learning model, the school rolled out its Learning with iPads Programme. Students in Grade 4 and up bring in their own iPads.

The school is accredited by the Turkish Ministry of National Education (MEB) and follows its principles and regulations. Upon graduation, all students receive a Turkish National Diploma. In addition to this, ENKA Schools is internationally accredited by the Council of International Schools (CIS) and the New England Association of Schools and Colleges (NEASC). ENKA Schools is authorized by the International Baccalaureate Organisation (IB) to offer the Primary Years Programme (PYP), the Middle Years Programme (MYP) and the Diploma Programme (DP).

To maintain high academic standards and keep its teachers up-to-date in the latest in pedagogical research, the school offers a robust program of ongoing professional development for faculty.

Additionally, ENKA faculty also provide educational leadership in Turkey and abroad by speaking at international workshops. ENKA Schools Istanbul is a certified national training centre for Turkish schools that want to implement the International Baccalaureate curriculum and GEMS (Great Explorations in Math and Science programme from the University of California at Berkeley).

Clubs, community service, after-school and school team activities serve an important role as do academic pursuits within the educational programme. These activities emphasize the development of leadership and communication skills, promote responsibility, and a sense of discovery and self-confidence. These opportunities improve the personal aptitude and interests of students and help them prepare for their future. They also help ensure that ENKA students become responsible citizens who are sensitive towards populations in need. To achieve this end, there are 103 clubs and 75 afterschool activities and school teams in the different categories such as the Duke of Edinburgh International Award, Round Square, Young Guru Academy, Model United Nations,

European Youth Parliament, ENKA Youth Forum, International Chain of Awareness, the School Magazine (Oceanus), Lego Robotics, Cooking, Drama in English, Film Production, Dance, Yoga, Ceramics, Swimming, and Exploring Istanbul. ENKA students represent ENKA Schools throughout Turkey and abroad via many of these clubs and activities.

Students have achieved national and international rankings and records in basketball, volleyball, football, tennis, swimming, skiing, gymnastics, taekwondo, chess, sailing, fencing, modern pentathlon, archery, and equestrian sports.

### Recent Academic Distinctions:

- 2018: 6<sup>th</sup> place in the world- World Schools Individual Chess Championships.
- 2018: 2<sup>nd</sup> place in Europe- European School Chess Championship. This student is also Turkish Chess Champion for her age group and Woman Candidate Master (WCM).
- 2018: Highest Rookie Seed Award, 2018 Finalist, and America Houston Finals Invitation Award at the First Robotics Competition Regionals. Participated at the World Championship of the First Robotics Competition in the USA, representing Turkey.
- 2017: 2<sup>nd</sup> place in the world-Genius Olympiad, USA.

### Recent Athletic Distinctions:

- 2018: 3<sup>rd</sup> place in the world - in single and double categories at the Islamic Solidarity Sports Federation's Tennis Championship
- 2018: 2<sup>nd</sup> place in Turkey - in the Modern Pentathlon
- 2018: 2<sup>nd</sup> place in Turkey- overall in the National Track & Field Championships
- 2018: 1<sup>st</sup> Place in Turkey - for the long jump in the National Track & Field Championships
- 2017: 1<sup>st</sup> place in the world - for 3 different events at the ISF International Swimming Championship for High Schools
- 2017: 1<sup>st</sup> Place in Turkey- in U16 Slalom, Giant Slalom and Parallel in the Turkish National Skiing Championship

Typically, 100% of ENKA School graduates continue to university. About 75% of graduates attend universities abroad each year.

ENKA School graduates continue on to universities in Turkey and abroad, depending entirely on the student's preference. Regardless of their choices, ENKA School prepares students for a successful university career.

Our counselling offices help our High School students explore their talents and pursue undergraduate studies that are most relevant to their aptitudes and future aims.

At ENKA Schools, we have 2 separate university counselling offices: one specifically for students targeting universities in Turkey, and one for students planning to study internationally.

Both university counselling offices help students and their families with their choices, preparations, and planning through group presentations, individual appointments, university fairs on campus, Career Day, job shadowing, summer programmes, etc. Through these and other events, ENKA Schools work with 9<sup>th</sup> to 12<sup>th</sup> grade students and their parents as they make plans for the future.

Istanbul ENKA Schools's first high school cohort graduated in 2008. Graduates continue to study at top universities in Turkey such as METU, Boğaziçi University, Özyeğin, Bilgi, Koç, ITU and Sabancı University and others. Each year ENKA graduates are accepted to leading international universities, including Harvard, Stanford, Columbia, Brown, Northwestern, Duke, Johns Hopkins, Oxford, Imperial College, Edinburgh, King's College, Manchester, Warwick, University of Toronto, McGill, and University of British Columbia. ENKA graduates also continue to play a role through the ENKA Schools Alumni Association which was established in 2010.



With 85 full-time and 15 part-time teachers, Adapazarı ENKA Schools offer equality of opportunity in education for 693 students. Our aim is to bring up creative individuals with international awareness who can use critical thinking and communication skills across all the disciplines, who ask questions, who can express themselves in different languages, and who are respectful of differences. Adapazarı ENKA Schools aim to create a lifelong learning community that is aware of social problems and aims to find solutions for these problems. Adapazarı ENKA Schools are authorised to teach the International Baccalaureate Primary Years Programme (PYP) and Middle Years Programme (MYP). They continue to make every effort to improve the quality of the education which they provide.

Adapazarı ENKA Schools have been awarded the White Flag for cleanliness and high health standards under a joint project of the Ministry of Health and the Ministry of National Education.

The Adapazarı ENKA Auditorium opened its doors to the arts in 2018 with a piano recital by Fazıl Say, one of the leading performers of the 21<sup>st</sup> century.

The TEDxENKA public speaking event attracted an audience of over 400. Ten speakers tackled the theme of “Little Things, Big Changes”.

Our Primary and Middle Schools became designated “Dyslexia Friendly Schools” under a programme conducted by the Dyslexia Academy within the framework of the dyslexia movement in Turkey.

52 of our athletes started to swim at ENKA Sports Club.

Five of our teachers made presentations on their best practices in the Autumn Teachers Symposium at Istanbul's prestigious Robert College

Our primary school girls and boys swimming teams were the champions in Sakarya.

Our primary school girls and boys chess teams were 5<sup>th</sup> in Sakarya Championship and represented the city in a regional competition.

Our primary school choir represented the school at the SANSEV Sixth İstanbul Choral Festival.

One of our students won the Uludağ Cup Tennis Tournament organised by the Turkish Tennis Federation in Antalya.

Students from our Future Problem Solving Program International (FPSPI) Team won a national competition and represented Turkey at an event in the USA.

Out of 45 of our students who participated in the 15<sup>th</sup> Science Olympics, 41 qualified for the world finals.

Five of our students qualified for one-month term-time trips to Canada as part of the ISE World Student Exchange Programme.

The school hosted the 23<sup>rd</sup> Philosophy Olympics in 2018.

Five of our 7<sup>th</sup> grade students were selected as ‘Athletes of the Year’ in swimming for the Sakarya region.



ENKA SCHOOLS - ADAPAZARI

Our middle school girls and boys swimming teams won the Sakarya provincial championships.

One of our 7<sup>th</sup> grade boys was crowned Turkish national 100 m swimming champion and placed second in the 50 m.

Another of our 7<sup>th</sup> grade students became the pentathlon champion of Turkey.

One of our 7<sup>th</sup> grade boys came first in the 50 m, 100 m and 200 m and came 2<sup>nd</sup> in the 4x100 m.

The boys junior tennis team came second in the Sakarya provincial championships while the girls team were Sakarya regional champions and took second place in the national championships.

Our youngest girls and boys chess teams were crowned Sakarya regional champions in their categories.

One of our 7<sup>th</sup> grade students became a licensed TED translator and published her first TEDTalks translation.

Ten of our teachers attended International Baccalaureat (IB) Middle Years Programme (MYP) regional workshops in 2018.

As many as 15 of our students passed the AFS exchange programme examination and 5 students passed the NCA exchange programme exams. As a result, one of our students will study in Japan with AFS, while two of our students will study in America and one in Argentina under the NCA Program.

At the 21<sup>st</sup> national EYP selection conference, the jury selected two of our students to take part in the national team of 50 students representing Turkey at an international conference.

Two of our students were invited to the Istanbul/Asia Regional Exhibition to present their project “An Investigation of the Frequency and Distribution of Peer Bullying at High School Level”. They prepared the project for the 49<sup>th</sup> High School Students Research Projects Competition organised by the Turkish Scientific and Technical Research Institution (TÜBİTAK).

One of our students took part in the 100m butterfly event at the IPC European Swimming Championship in Dublin, Ireland, between 13-19 August 2018. He qualified to take part with a time of 01:11.17 – well below the threshold of 01:14.17. He was also a member of the 4x100 m relay team which was runner up in that event.

Our robotics club ENKA-TECH competed in the First Robotics Club (FRC) Istanbul Regional Competition, finishing with the highest score, and was awarded the “Highest Rookie Award”. Our team also attended the First Robotics Club Championship in Houston, USA.

Our junior girls darts team came 3<sup>rd</sup> in the Sakarya Schools Darts Championship, while our junior boys team took 2<sup>nd</sup> place.

Our boys tennis team was placed third in the Marmara Regional Championship.

Our High School FPSPI Club came in first in the senior category of the Turkish national finals held in Ekin College in İzmir, winning the right to represent Turkey in the world finals in the USA. At the same event, one of our students came 2<sup>nd</sup> in the scenario category.

Students from our school debating society finished 2<sup>nd</sup> in Turkey.

At the Turkish Special Athletes Sports Federation Swimming Championship held in Istanbul, one of our students won the 100 m butterfly, the 50 m and 100 m freestyle, and the 100 m and 200 m backstroke in the 16-21 age group.

At the Turkish Special Athletes Schools Sports Championship in Kırşehir, one of our students was crowned Turkish champion in the 50 m backstroke, the 100 m backstroke, the 50 m butterfly, and the 100 m butterfly.

Five of our students attended the EU “Sustainability In The Future” Project at the Schloss Schule Kirchberg in Germany. One of our students attended the World Linguistics Championships in Dublin, Ireland. Eight of our students visited the Conseil Européen pour la Recherche Nucléaire (CERN) and the Ferrari factory.



The ENKA Vocational and Technical Anatolian High School is Turkey's first private vocational school that accepts all students on full scholarships. It was established in 2008, then on temporary premises, before moving to its main campus in 2010. The school provides education to 455 students with 75 teachers in three major disciplines: industrial automation, machinery technologies and chemical technologies.

The school offers training in key vocational subject areas using contemporary methods and the latest technological equipment. The school was founded to bring up individuals capable of meeting the requirements of various industries and of vocational and technical educational institutions, to train persons currently working in the relevant sectors, and to provide courses to unskilled labourers and graduates of general high schools. In this way, the school seeks to support Turkish industry and contribute to the resolution of a social issue. At the same time, we also aim to meet the social and cultural needs of our students, to increase their self-awareness, and to inculcate in them a sense of responsibility, professional ethics and moral values.

The vision of the school is to educate individuals who embrace the "ENKA" brand, who understand their responsibilities, as students of the first private vocational high school in Turkey, to set a good example to similar institutions, and who are determined to have an influence on vocational and technical education around the world.

All students at the ENKA Vocational and Technical Anatolian High School receive full scholarships. In addition to education, service and meals are provided free of charge. University preparatory courses are also offered free of charge within the school.

The school has its own original training programme, technical facilities and qualified teaching staff. It occupies a building with a covered area of 15,000 m<sup>2</sup> located within 30,750 m<sup>2</sup> of green space. The site was donated to the school by the Istanbul Machinery Manufacturers Industry Cooperative.

The building contains a total of 13 workshops, a dining hall, a gym, 27 classrooms and 5 laboratories. It possesses machinery technologies, industrial automation and chemical technologies equipment. The school areas, equipment and training programme were developed in cooperation with other institutions abroad, especially in Germany.

Students receive a superior technical education based on a project-based philosophy of education using state-of-the-art CNC machines, high-level chemistry laboratory devices and mechatronics workshops in the spirit of industry 4.0. The extensive workshops and machinery park and the 3D printer facilities offered in the computer laboratory make it easy for them to carry out the projects they have designed. Students produce 3D printer, 3-axis and 5-axis CNC machine, mechatronics test sets which they use in the school's own workshops. In order to ensure integration with industry, instil a culture of production, and witness the process of production on site, technical trips are organised to various factories.

The interrelationship with the outside world has been strengthened by means of the sister school project. Under this project, a group of students from the sister school are hosted

at the ENKA Vocational and Technical Anatolian High School every year, while a group of ENKA Technical School students are hosted at the sister school.

In order to improve the students' foreign language skills, a number of students are sent to a language school in the United Kingdom each year with scholarships sponsored by the Regional Directorate of Machinery Specialized Industry.

In addition to applied physics, chemistry and biology laboratories equipped with the latest technology, the school has a LEGO robot studio, a drone workshop, a science centre, a visual arts studio and a studio for the school orchestra and music bands to rehearse in. Additional activities and amenities are available as a result of a protocol with Gebze Technical University.

Under this protocol, students can benefit from counselling provided by the academic staff of the university in addition to physical facilities such as laboratory and recreational facilities. There are also plans to collaborate on scientific and technical projects.

The school has achieved the ISO 9001:2015 Quality Management standard and qualified for the Ministry of Health's "Clean School, Healthy School" certificate. It is also active in the European Union Erasmus Plus programme. Within the framework of the Erasmus Programme, students of the

## ENKA SCHOOLS - KOCAELI



school joined students from Poland, Belgium, Germany and Hungary to produce a machine for minting coins. For the new project cycle, students from Italy have joined the group, and work has begun on a solar-powered boat project.

In June 2018, 117 students graduated from the school. All the graduates won places at top universities and went on to study a wide range of subjects from medicine to pharmacy, dentistry to engineering, and law to business. The school's graduates have established an alumni association and are keeping the ENKA culture alive by continuing to work together under the umbrella of this association to increase internship opportunities, share information on job vacancies, conduct social responsibility projects and so on.

Students have recorded many achievements both in education and professionally. One group of students came second in the 2018 WRO Lego robot competition and won the right to participate in an international contest in the Philippines.

Other students from the school have achieved high rankings in the thematic robotics competitions organised by various institutions in Turkey. These awards include 2<sup>nd</sup> and 3<sup>rd</sup> places in the Yıldız Technical University Star Wars competition and 2<sup>nd</sup> place in the "Thematic Robot" category organised by the Ministry of National Education. Students from the school also designed a lathe which came 2<sup>nd</sup> in the "Golden Compasses"

machine design contest held across Turkey. Together with students from the Adapazarı and İstanbul Enka High Schools, students from the ENKA Vocational and Technical Anatolian High School built robots which won awards at the FRC Turkey Istanbul Regional robot competition and competed in the FRC world championships in Houston.

Students from the school are also striving to be a force on the sports field. In 2018, students representing the school in provincial championships achieved a 2<sup>nd</sup> place in girls' tennis and a 1<sup>st</sup> place in boy's swimming, and also represented the school at the national level. Under the guidance of school teachers, students from the theatre club won a 1<sup>st</sup> prize in Kocaeli. The members of the folk dance club proudly represent the school in festivals organized in the Balkan countries every year.

With the support of teachers, students also continue to take part in activities and events such as the European Youth Parliament, the Model United Nations and English-language drama, as well as in various social responsibility projects.

Careers days are organized on campus with representatives of business associations, universities and organized industrial zones to enable the students to review their career options and choose the professions they like best.





Founded in 2014 on a modern campus, with qualified teaching staff and fully-equipped laboratories, the school currently has 121 students. The most important goal of the school is to train qualified people who can steer Turkey in the direction which the country merits in the future. The school has a five-year education programme that starts with a preparatory year of intensive English. German is taught as a second foreign language.

The main objectives of the ENKA Science and Technology High School are:

- To implement project-based education
- To provide an academic education that enables students to study for good majors at top universities
- To provide foreign language education
- To provide education in contemporary technology
- To raise students as socially-minded individuals
- To prepare students to study abroad

The school is located in the same building as the Private ENKA Vocational and Technical High School, which occupies a building with 15,000 m<sup>2</sup> of covered space on a green 30,750 m<sup>2</sup> campus in the Machinery Organized Industrial Zone in Kocaeli. The school has 10 classrooms and students share the dining hall, sports hall, tennis court, football pitch and other facilities with students of the Private ENKA Vocational and Technical Anatolian High School.

All of the school's students receive full scholarships. Besides education, all other services and meals are provided free of

charge. University preparatory courses are also offered free of charge within the school.

In addition to teaching the science high school curriculum, the school provides students who want to study medicine with genetics courses in the genetics laboratory from the 10<sup>th</sup> grade onwards, while students who want to study engineering are taught mechatronics and computer programming languages in the relevant workshops.

The school has a very rich library, including digital resources such as Encyclopaedia Britannica. Students are able to follow a wide range of periodicals in the library. In addition to the applied physics, chemistry and biology laboratories, equipped with the latest technology, the school also has a LEGO robot studio, a drone workshop, a science centre, a visual arts studio and a studio for the school orchestra and music bands to rehearse in. Additional activities and amenities are available as a result of a protocol with Gebze Technical University.

Under this protocol, students can benefit from counselling provided by the academic staff of the university in addition to physical facilities such as laboratory and recreational facilities. There are also plans to collaborate on scientific and technical projects.

The school's Mathematics, Physics, Biology and Chemistry Olympic Teams honoured the school with 3 medals in the Science Olympics held by TÜBİTAK, where only 150 students from all over Turkey were awarded medals.



The school has also performed very well in TÜBİTAK competitions for high school student research projects. Of the 20 projects, prepared by students from the school, 7 were selected for the regional exhibition. Nationally, while the Chemistry project took 3rd place, one of the school's Mathematics students came 1<sup>st</sup> and went on to represent Turkey in the EU Contest for Young Scientists (EUCYS). In the Turkey Philosophy Olympics, in which 503 students participated, one student from our school came 7<sup>th</sup>.

Every year a number of students are sent to a language school in the United Kingdom each year with scholarships sponsored by the Regional Directorate of Machinery Specialized Industry.

Students from the school studying robotics as part of their programming and technical courses represented Turkey in the 2018 WRO Lego Robot Competition in the Philippines and came in 2<sup>nd</sup>. In addition to this, our students performed very successfully in the thematic robotics competitions organised by various universities.

Together with students from the Adapazarı and İstanbul Enka High Schools, students from the ENKA Science High School built robots which won awards at the FRC Turkey İstanbul Regional robot competition and competed in the FRC world championships in Houston.

In sports, students representing the school in provincial championships achieved a 2<sup>nd</sup> place in girls' tennis and a 1<sup>st</sup> place in boy's swimming in 2018, and also represented the school at the national level.

Under the guidance of school teachers, students from the theatre club won a 1<sup>st</sup> prize in Kocaeli. The members of the folk dance club proudly represent the school in festivals organized in the Balkan countries every year.

Student music groups take part in competitions across Turkey. Students also take part in art exhibitions with their paintings and sculptures.

Within the framework of the support which the school extends to the work of student clubs, students from the school continue to be active in many social fields such as the European Youth Parliament, the Model United Nations, English-language drama and social responsibility projects.

Careers days are organized on campus with representatives of business associations, universities and organized industrial zones to enable the students to review their career options and choose the professions they like best.

Sustainability activities are held in conjunction with the ENKA Anatolian Vocational and Technical High School and other ENKA Schools on the theme of a sustainable campus.

The student club established for this purpose has carried out activities such as saving electricity by using LED lamps instead of halogen lamps for lighting the campus, staging a World Wildlife Fund nature conservation information seminar and fundraising campaign, distributing awareness raising posters to reduce the use of paper towels in the school toilets, installing energy-saving hand dryers in some student toilets, and planting seedlings of nut-bearing trees in the school Memory Forest to create a real forest ecosystem.





## ENKA CULTURE & ARTS

Acknowledged as a highly respectable and exclusive programme by spectators and artists alike for the past 30 years, ENKA Culture and Arts organises its events over three seasons. In spring and winter, music and theatre events are held at the ENKA Auditorium with seating for 600 people. In the summer, events are held at the ENKA Eşref Denizhan Open Air Theatre which has a capacity of 1,000 people.

With its cutting-edge technical equipment, modern stage facilities and professional personnel, ENKA Culture and Arts hosts a large number of local and international groups and artists.

ENKA Culture and Arts also cooperates with local and international arts institutions, thus contributing towards organising a variety of events for art lovers. The activities reach a very wide audience, including art lovers, employees of the ENKA Group, the ENKA Foundation and ENKA Sports Club, the athletes and students of ENKA's Schools and their parents, as well as various non-governmental organizations, associations and scholarship students.

In the 30<sup>th</sup> year of ENKA Culture and Arts, a comprehensive programme reached an audience of 18,000 people at events held throughout the year - concerts ranging from jazz to classical and pop to world music, modern and classical ballet and dance and theatre performances.



# REPORTS

CORPORATE GOVERNANCE  
INDEPENDENT AUDITOR'S REPORT





# CORPORATE GOVERNANCE

## SECTION I- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Corporate Governance Committee of the company is elected by the resolution of the Board of Directors dated 28.03.2018 and Board Members Fatih Osman Tar (Chairman) and Erdoğan Turgut (Member) as well as Gizem Özsoy (Member) which has the Capital Market Activities Advanced Level License and the Corporate Governance Rating Specialists License are selected. According to the same resolution it is decided that scope of activities of Nominating and Compensation Committee will be carried out by the Corporate Governance Committee. Principles and responsibilities of the committees are approved by the Board of Directors on 28.05.2012 and have been announced to the public.

On 11.06.2014, the duties and working principles of the committees were revised to ensure compliance with the legislation and were declared on company's official website. There are no compulsory principals, which are stated on the annex to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 and which are not applied. For the non-compulsory ones, principles 1.5.2, 3.3.8, 4.2.8, 4.3.9, 4.4.7, 4.5.5, 4.6.1 and 4.6.5 are not being applied by our company and the reasons for not applying them are explained in the relevant sections of the Corporate Governance Compliance Report. There is no conflict of interest in our Company due to not fully complying with these non-compulsory principles.

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

## SECTION II- SHAREHOLDERS

### 2.1. INVESTOR RELATIONS UNIT

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

The Investor Relations Department reports to İlhan Gücüyener, the Member of the Executive Committee of the company and prepares reports on activities 4 times a year.

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

### 2.2. AMENDMENTS TO THE ARTICLES OF ASSOCIATION, SHARE CAPITAL AND SHAREHOLDING STRUCTURE

#### Amendments to the Articles of Association

At the General Assembly meeting held on March 28, 2018, increasing the value of the shares in the issued share capital of the Company from 1 (one) Kuruş to 1 (one) TL; in order to having a single type share by removing A and B group shares by changing the Article 6 of the Articles of Association titled "Capital"; and changing the voting right of each share to 1 as amended by Article 27 titled "Voting Rights" has been approved. General Assembly resolutions relating to changes in the Articles of Association was registered on April 2, 2018 and were published on April 6, 2018 and 9553 numbered Turkish Trade Registry Gazette.

After the disclosure made at the PDP for the capital increase in the amount of TL 400 million, the Article 6 of the Articles of Association titled "Capital" has been amended to reflect this change and it was published on May 29, 2018 and 9588 numbered Turkish Trade Registry Gazette.

#### Share Capital

The Ceiling of the Registered Share Capital of the Company is TL 6,000,000,000 (Say: Six Billion Turkish Liras) which is divided into total 6,000,000,000 Shares, each having a nominal value of TL1 (Say: One Turkish Lira). The total emitted Share Capital of

the Company amounts to TL 5,000,000,000 (Say: Five Billion Turkish Liras) and is fully paid up. The emitted Share Capital of the Company is divided into total 5,000,000,000 Shares, each having a nominal value of TL1 (Say: One Turkish Lira).

#### Shareholding Structure

The list of the shareholders of ENKA İnşaat ve Sanayi A.Ş. having 5% and above shareholding as of December 31, 2018 is as follows:

SHAREHOLDER	%
TARA HOLDİNG A.Ş.	49,72
VİLDAN GÜLÇELİK	7,99
SEVDA GÜLÇELİK	6,43
ENKA SPOR EĞİTİM VE SOSYAL YARDIM VAKFI	5,87
FREE FLOAT AND OTHERS	29,99
<b>TOTAL</b>	<b>100,00</b>

The details of the changes in the Capital and the Shareholding Structure within the year has been given under the Capital section of the Independent Audit Report.

### 2.3. DIVIDEND RIGHT

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

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

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

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

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

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

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

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

The Board of Directors of our Company resolved, as a result of the resolutions of the Ordinary General Assembly for the year 2017 of our Company as held on 28.03.2018, to raise the Share Capital of our Company, within the authorized Registered Share Capital Ceiling of TL 6,000,000,000 (Six Billion Turkish Liras) thereof, from its current level of TL 4,600,000,000 (Four Billion Six Hundred Million Turkish Liras) to TL 5,000,000,000 (Five Billion Turkish Liras) by increasing it 8,6956%; and to cover TL 170,000,000 of such increased amount of TL 400,000,000 (Four Hundred Million Turkish Liras) from the 1<sup>st</sup> Dividends of 2017, a further total of TL 230,000,000 from the 2<sup>nd</sup> Dividends and for this purpose, to issue to a total of 4,600,000,000 holders of Registered Nominal Shares, bonus shares free of charge in proportion to their shares at a rate of 8,6956% of each share they hold; and to issue the respective share certificates representing such increased part in the Share Capital as Registered Nominal Shares; and to make the necessary application to the Capital Markets Board for the approval of the Share Issue Certificate for capital increase as prepared for this purpose and the increase was realised.



Basing on the power vested in the Board of Directors of our Company by the General Assembly thereof in its Ordinary Meeting held on 28.03.2018, our Company's Board of Directors resolved by unanimous votes of the attendees of the Board Meeting, to distribute, as of the date of December 12, 2018, a total of TL 200.000.000,- from the amount that remains after deduction of the relevant reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, to be set apart from the net profit of the current period as indicated on the financial statements comprising the interim period from 01.01.2018 to 30.09.2018, as Dividend Advances at a rate of 4% gross and 3,40% net per share, to the holders of share certificates representing the share capital amounting to TL 5.000.000.000,- and the dividend was distributed thereof.

2.4. DONATION AND AIDS

In 2018, within the framework of the existing Donation and Aids Policy; ENKA İnşaat ve Sanayi A.Ş. on its own has donated TL 18,312,311 while its subsidiaries have donated TL 4,838,284.

SECTION III- STAKEHOLDERS

Employee Training

Within the scope of ENKA Academy, a total of 11,508 person-hours of training was carried out in 2018 with approximately 645 hours of training.

Personnel Training Hours by Category of Gender at ENKA Headquarters	Woman	Man
Total Hours of Training	3,183	8,325
Training Hours Per Employee	12.73	11.96

Personnel Training Hours by Category of Employee at ENKA Headquarters	Blue Collar	White Collar
Total Hours of Training	392	11.116
Training Hours Per Employee	8	12.39

Employee Rights and Employee Satisfaction

- All ENKA employees have the pension rights and rights to maternity/paternity leave specified in the laws.
- All ENKA employees have the right to a 50% discount at ENKA Sports, which is one of Turkey's leading sports clubs.
- All ENKA employees have the right to a 20% discount for events organised by ENKA Culture & Arts, which hosts a variety of well-respected artistic performances.
- Every year, sailing programmes are organised especially for employees with and without sailing experience, at basic and advanced levels.
- Health services in clinics established at the head office and projects are offered free of charge.
- Suitable menus are being prepared for vegetarians and for employees needing special diets.

Social Responsibility Projects

- In 2018, ENKA and its subsidiaries took part in the 40<sup>th</sup> Istanbul Marathon organised by Istanbul Metropolitan Municipality and Vodafone with the theme of “Run for Health”. The ENKA team reached a total of 747 sponsors and raised donations totalling TL 44,000. These donations were used to support the participation of children in a nature education programme and to combat erosion through the establishment of “Children's Memorial Forests” under the “Tree Brothers and Sisters” project run by TEMA, the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats.
- On November 17-18, ENKA volunteers spent two days sorting, cleaning, ironing and packaging second-hand clothes, shoes, books and toys at the Ahtapot (Octopus) Volunteers Recycling Centre to make them fit to be used again by needy primary and middle-school children in Kahramanmaraş, and to get them ready to be despatched in boxes. Subsequently, on 5 December, International Volunteer Day, the ENKA volunteers travelled with the Ahtapot Volunteers Association to Afşin in Kahramanmaraş to meet with primary school students and to distribute the clothes, shoes, books and toys which they had prepared, and which had been sent to Kahramanmaraş by ENKA Marketing, together with stationery items which they took along themselves.

- ENKA's TAIF Business Centre project team in Kazan, Tatarstan, the Russian Federation, worked with children to make 11 birds' nests and set them up in the grounds of School No. 159 and the Alenkiy Tsvetochnik Nursery School.
- ENKA and several of its subsidiaries switched off their lights for an hour between 20.30 and 21.30 on 24 March 2018 in support of the Earth Hour, which has been organised by the World Wildlife Fund (WWF) since 2007 in order to draw attention to the World's environmental problems. In Turkey, the Istanbul Central Office Buildings of ENKA Construction and Industry Corp. and the Çimtaş Boru (Çimtaş Pipes), Çimtaş Çelik (Çimtaş Steel) and Çimtaş Hassas İşleme (Çimtaş Precision Processing) plants all switched off their lights. In Russia, the lights went out at the ENKA TC, MKH, OMKH and MOSENKA buildings and at the Naberezhnaya Tower and Paveletskaya Plaza. The Earth Hour is considered the World's biggest environmental event. Two billion people from 135 countries have taken part to date.

SECTION IV- THE BOARD OF DIRECTORS

4.1. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

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

Regarding the independent members, 2 nominees were submitted to Corporate Governance Committee, which undertook authority of Nominating Committee, on 04.01.2018 and were approved by the Board of Directors on 04.01.2018.

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

*In the context of my nomination being “Independent Member of the Board of Directors” at ENKA İnşaat ve Sanayi A.Ş.'s (“ENKA”) Ordinary General Assembly Meeting of 2017 which will held in 2018;*

- *No relationship was formed in employment, in capital or in important trading activities, neither by me nor by my spouse, nor by my blood or affinity relatives up to the 3<sup>rd</sup> degree within last five years did not have any direct or indirect relationship with ENKA, 3<sup>rd</sup> parties in relation with ENKA or legal entities who have relation with shareholders of ENKA having a share of 5% or more,*
- *Within the last five years, I have not been a partner (5% or above), employed as an executive having a significant duty and responsibility, or as a member of the board of directors in a company, which is primarily serving as auditing (tax audit, legal audit and including any internal audit), consulting and rating of ENKA, which undertakes material business activities under an agreement, in the period where the services or goods have been purchased or sold,*
- *As being an independent member of the board of directors, I have the required professional training, knowledge and experience for undertaking the duties of the position,*
- *I am not working full time in a governmental or public institution,*
- *I am a resident in Turkey in accordance with the Income Tax Law no 193 dated 31.12.1960,*
- *I have strong standards of ethics, professional reputation and experience for adding positive contribution in activities of ENKA, for securing my independency about subjects in relation with the conflicts of shareholders and for making independent decisions with taking into account of stakeholders' rights,*
- *I will be able to spend necessary time for fulfilling the requirements of the position and monitoring processes of the activities of the company,*
- *I have not been on the board of ENKA for more than six years within the last ten years,*
- *I am not an independent board member in more than three of the companies which are controlled by ENKA or its controlling shareholders and in more than five companies listed on the stock exchange,*
- *I am not registered as a board member elected for the legal entity,*

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



In accordance with the Articles of Association of the company, the Board of Directors is responsible for the management of ENKA İnşaat ve Sanayi A.Ş. and its representation. Validity of all documents to be given by ENKA İnşaat ve Sanayi A.Ş. and all the agreements to be concluded require the names of two persons authorized to represent the company under the official heading and per the signature circular of ENKA İnşaat ve Sanayi A.Ş. The Board of Directors assembles at the beginning of each fiscal year and divides up the tasks as well as the management and representation authorizations between the board members. With Ordinary General Assembly resolution dated March 28, 2018, the Board of Directors has been resolved to a tenure of one year with a task division as below:

<b>Board of Directors</b>		
<b>Name, Surname</b>	<b>Profession</b>	<b>Position</b>
M.Sinan Tara	Civil Engineer M.Sc	Chairman of the Board
Haluk Gerçek	Industrial Engineer	Vice Chairman of the Board
Erdoğan Turgut	Civil Engineer M.Sc	Member of the Board (Non-Executive Member)
Mehmet Mete Başol	Economist	Member of the Board (Non-Executive & Independent Member)
Fatih Osman Tar	Business and administration professionals	Member of the Board (Non-Executive & Independent Member)

Member of the Executive Committee:

<b>Member of the Executive Committee</b>		
<b>Name, Surname</b>	<b>Profession</b>	<b>Position</b>
A.Mehmet Tara	Civil Engineer	President and Chairman of the Executive Committee
Mustafa Gökhan Sağnaklar	Civil Engineer	Vice Chairman of the Executive Committee
Bekir Burak Özdoğan	Civil Engineer	Member of the Executive Committee
Özger İnal	Civil Engineer	Member of the Executive Committee
Zafer Gür	Civil Engineer	Member of the Executive Committee
Salim Oğuz Kırkgöz	Civil Engineer	Member of the Executive Committee
Hasan Fehmi Bayramoğlu	Mechanical Engineer	Member of the Executive Committee
Cem Çeliker	Lawyer	Member of the Executive Committee
İlhan Gücüyener	Certified Public Accountant	Member of the Executive Committee
Hakan Kozan	Civil Engineer	Member of the Executive Committee

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

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

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

Having joined ENKA in 1980 when he was assigned to ENKA's jobsite in Saudi Arabia as field engineer, Sinan Tara worked thereafter actively in various departments, units and projects of the company in the fields of finance, energy investments, construction projects, project financing and other investment areas. Since 1984, he acted as General Manager, Board Member and Managing Director and Executive of ENKA İnşaat ve Sanayi A.Ş., and since 1994, he acts as the Chairman of the Board of Directors of ENKA İnşaat ve Sanayi A.Ş..

Moreover, in the fields of social activity and social responsibility projects of the company, he acted actively in the organization and operation of the ENKA Foundation and Sadi Gülçelik Sports Center established in 1983 and the ENKA Sports Club under the umbrella of the ENKA Foundation as well as of the ENKA Schools İstinye, founded in 1996, the ENKA Schools Adapazarı, founded in 1999, and the Private ENKA Technical and Industrial Vocational High School Gebze, founded in 2008 as well as of the ENKA Culture and Arts Unit. Besides these, Sinan Tara is a member of the Turkish Contractors Association.

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

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

Haluk Gerçek, born in 1956 at Istanbul, graduated in 1979 from the Middle East Technical University, Department of Industrial Engineering. He joined ENKA in 1980 when he started to work in the group company ENKA Pazarlama İhracat İthalat A.Ş. in the position of Deputy General Manager. After having worked as Logistic Manager in Tripoli, Libya between 1981 and 1982, he continued to act as Deputy General Manager of ENKA Pazarlama İhracat İthalat A.Ş. until 1983. Between 1983 and 1987 he was assigned as the Deputy General Manager in charge of ENKA İnşaat ve Sanayi A.Ş., and acted between 1986 and 1987 as Project Manager of the Bombah Water Supply Pipeline Project in Libya. He has acted as Management Committee Member in the investment and construction projects in Russia between 1987 and 1991, as Board Member of ENKA İnşaat ve Sanayi A.Ş. between 1991 and 2001, as the General Manager of ENKA İnşaat ve Sanayi A.Ş., between 2006 and 2012. Since 2001 Haluk Gerçek acts as the Vice Chairman of the Board of Directors and he is fluent in English. Haluk Gerçek, being an Executive Board Member within the scope of the Corporate Governance Principles of the Capital Markets Board, is not an Independent Member of the Board of Directors of ENKA İnşaat ve Sanayi A.Ş.. He was within the last ten years and is currently director in charge in the Board of Directors of ENKA İnşaat ve Sanayi A.Ş. and of the affiliated group companies thereof.

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

Erdoğan Turgut, born in 1953, graduated in 1977 from the Aegean University, Department of Civil Engineering, and completed thereafter in 1979 his Master of Science (M.Sc.) Degree Program in Soil Mechanics at the London University Kings College, so that he is fluent in English. After having worked as Deputy Project Manager in the company Koray Al Mutamidoon İnşaat A.Ş. in Saudi Arabia between 1981 and 1986 during the construction of the Intercontinental Hotel, Erdoğan Turgut acted between 1986 and 1991 as General Manager in the company Koray – Turser A.Ş. when the latter constructed the 5 Stars Sheraton Hotel & Karum Shopping Center in Ankara, and between 1991 and 1993 as Board Member of the Kavala Group of Companies, and as the partner in the company PMS A.Ş. between 1993 and 1995. Between 1995 and 2010 he acted as Foreign Relations Manager, Deputy Chairman of the Executive Board and Group Coordinator in and of the company Koray Yapı Endüstrisi ve Ticaret A.Ş. Erdoğan Turgut, being a Non-Executive Board Member within the scope of the Corporate Governance Principles of the Capital Markets Board, is not an Independent Member of the Board of ENKA İnşaat ve Sanayi A.Ş. and acted between 2012 - 2018 as a Non-Executive Board Member.

#### **MEHMET METE BAŞOL (Non-Executive Independent Member)**

M. Mete Başol, born in 1957, graduated from Arizona State University, Department of Economics and started his banking career in 1984 at Interbank at the Mid-term Loans department by making economic evaluation of various investment projects as well as preparing sector reports. He has moved to Turkish Merchant Bank which was established as an investment bank jointly by Bankers Trust Co. New York and T. Is Bankası, as the Treasury, Fund Management and Foreign Relations Manager. In 1992 he has also assumed the responsibility of the group of capital markets as Assistant General Manager. In 1995, he was elected as a Member of the Board of Directors and the Credit Committee following the purchase of the entire bank by the Bankers Trust. The name of the bank was changed to Bankers Trust A.Ş. and between 1997 - 2001 he has undertaken the Chairman of the Board of Directors and General Manager task of the bank. Between 2001 and 2003, he became the Managing Director of the joint Board of Directors of the public banks (TC Ziraat Bankası, T. Halk Bankası, T. Emlak Bankası) which was established by the law. After this assignment he established Tridea Consulting with two partners and gave financial and administrative consultancy services to SME's. He continued his consultancy services under his own company after 2009. He was a Member of the Board of Directors at Galatasaray Sportif A.Ş. (2011-2012), at T. İş Bankası A.Ş. (2011-2014), at Dedeman Holding A.Ş. (2008-2014) and at Dedeman Turizm Otelcilik Yatırım A.Ş. (2012-2014). Currently, he is a Member of the Board of Directors at Enerji Yatırım Holding A.Ş. (2015), Enerya Gaz Dağıtım A.Ş. (2015), Enerya Gaz Ticaret A.Ş. (2015) and Nurol Investment Bank Inc. (2014). Mehmet Mete Başol's Independent Board Member task was completed in 2018 at Coca-Cola İçecek A.Ş. (2012) and Anadolu Efes Brewery and Malt Sanayii A.Ş (2012). M. Mete Başol meets the criteria applicable to Independent Board Members within the scope of the Corporate Governance Principles of the Capital Markets Board.

#### **FATİH OSMAN TAR (Non-Executive Independent Member)**

Born in 1953, Fatih O. Tar graduated from Robert College and then Boğaziçi University, Department of Business Administration in 1975. His professional life started in 1975 at Enka Pazarlama İhracat İthalat A.Ş., Foreign Trade Co. and then he worked as Sales Manager at Binex JV Construction Materials Company between 1977 and 1980, Procurement Manager at Enka Holding between 1979 and 1981, Assistant General Manager for Marketing and Sales at Güney Sanayi Tekstil İşletmeleri between 1981 and 1983, as General Manager at Enka Dış Ticaret between 1983 and 2003, as Board Member at Pimaş between 1985 and 1987, as Board



Member at Enka Teknik between 2002 and 2010, as Chairman of Azen Oil Company (Netherlands) between 2003 and 2008, as Chairman and CEO of Binagadi Oil Company (Azerbaijan) between 2003 - 2008, as Deputy General Manager of Oyak Holding between 2010 and 2013, as Group Chairman and Managing Director of Eregli Demir Çelik, Iskenderun Demir Çelik & Group of Companies between 2010 and 2013, as Board Member at Yücel Group between 2013 - 2015 and the President and CEO of Yücel Group since 2015. Fatih Osman Tar meets the criteria applicable to Independent Board Members within the scope of the Corporate Governance Principles of the Capital Markets.

4.2. OPERATIONAL PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors which was approved at the Ordinary General Assembly dated 28.03.2018 made 18 meetings until the end of report period and the average of attendance rate is 89%. Prior to each meeting, the secretariat of Board Directors personally informs board members about the meeting agenda. Since the IPO of ENKA İnşaat ve Sanayi A.Ş., no divergent views have been suggested by board members. There are no privileged voting rights for any member of the Board of Directors.

The Board of Directors were authorized at the Ordinary General Assembly for execution of written transactions listed in articles No. 395 and 396 of the Turkish Commercial Code and to transactions were done with this authority.

In 2018, there were no administrative and judicial sanctions imposed on the Company's governing body and members due to practices contrary to the provisions of the legislation.

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

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

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

Three committees officiate in affiliation with the Board of Directors of ENKA İnşaat ve Sanayi A.Ş. The committees assemble as often as it is necessary. Board of Directors’ resolution dated 28.03.2018 about these committees is as follows:

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

Fatih Osman Tar (Chairman) and Mehmet Mete Başol (Member)

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

Fatih Osman Tar (Chairman), Erdoğan Turgut (Member) and Gizem Özsoy (Member)

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

Mehmet Mete Başol (Chairman) and Erdoğan Turgut (Member)

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

Purpose of the Audit Committee:

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

Activities of the Audit Committee:

The Audit Committee convened 5 times during the year. Committee;

- Review of the options for the independent auditor for the fiscal year 2018 and submitted KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. to the Board of Directors’ for approval.

- Reviewed the interim and annual financial reports of the Company and submitted the reports to the Board of Directors for the approval of the Board of Directors after detecting that they reflect the truth.
- It examined the reports submitted to them as a result of the audits conducted by the Internal Control Unit with the Coporate Quality, Finance, Human Resources and HSE departments within the scope of internal audit.

Purpose of the Corporate Governance Committee:

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

Purpose of the Early Identification of Risks Committee:

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

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

In 2018 Audit Committee made 5 meetings, Corporate Governance Committee made 2 and the Early Identification of Risks Committee made 6 meetings within the months stated below.

Moreover, besides these committees, a further committee named Executive Ethics and Compliance Committee reporting to the Executive Board and to which the Chief Legal Counsel, the Finance Director and the Corporate Quality, HSE and Integrity Director are assigned as permanent members and, in case of need, some others as auxiliary members, as well as a Risk Management Working Group and an OHS (Occupational Health and Safety) Board are actively involved in various processes

Purposes of the Executive Ethics and Compliance Committee:

The Executive Ethics and Compliance Committee reporting to the Executive Board is formed to ensure the Corporate Values to be supported by the Ethics and Compliance Program. This Committee, furthermore, provides support to the Company in the application of an effective Ethics and Compliance Program, in the determination of the basic principles of such Program as well as in the continuously promotion of creation of a Corporate Culture that attaches importance to ethical business conduct and compliance with laws.

Purposes of the OHS (Occupational Health and Safety) Board:

The OHS Board, consisting of the Employer Representative, OHS Specialists, Workplace Physician/Nurse, Human Resources Specialist, Administrative Affairs Officer, Employee Representatives and any related experts as to be assigned pursuant to the relevant agenda items, and holding its meetings in 3 months intervals , is formed for the purpose of properly identification and assessment of any potential risks related to occupational health and safety at Head Office and accurately determination and assessment of any measures to be taken there against, and reporting the same to the Executive Board.

Besides the OHS Board, in all our projects, also HSE Boards are formed under the guidance of the relevant Project Managements and the Project Health, Safety and Environment (HSE) Departments. These Boards hold regularly on weekly and monthly basis the so-called “Zero Accident Team Meetings” and review the HSE performance of the Project and decide on any main actions required to be taken.

	January	February	March	April	May	June	July	August	September	October	November	December
Audit Committee			✓✓		✓			✓			✓	
Corporate Governance Committee	✓						✓					
Early Identification of Risks Committee	✓		✓		✓		✓		✓		✓	



4.4 RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The Internal Control Unit within the structure of the company, which periodically inspects the projects and the group companies in advance and proposes the necessary solutions for any deviations from the objectives, as well as all of the potential risk factors to the management. The internal control systems and its structure is organized in a way that can eliminate all risks to be encountered by the company, especially the ones which could adversely affect the activities and proactively works for the solution without encountering any problems even in the crisis period. Increasing strength of the company’s financial position is an indication of this system working effectively.

Purposes of the Risk Management Working Group:

The Risk Management Working Group is formed in accordance with the Resolution of the Company’s Executive Ethics and Compliance Committee dated 28.11.2017 in order to ensure the properly identification of any corporate risks of ENKA, the accurately determination of the applicable risk mitigation methods and the precisely assessment and review of such risks as identified. Amongst the basic tasks of the Risk Management Working Group is the application of an effective Risk Management Program throughout the Company, the identification of the principles and methods underlying such Risk Management Program, and the assurance of continuous development of Risk Management as a Corporate Culture extending to and through the projects, units and individuals.

The main risks faced by the Company and the policies related to the management of these risks are given in detail under 34<sup>th</sup> note of the Independent Audit Report in the following headings.

- Capital risk management
- Interest risk
- Foreign currency risk
- Credit risk
- Liquidity risk

4.5. MISSION, VISION AND OBJECTIVES OF THE COMPANY

Our Mission:

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

Our Vision:

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

Our Performance Objectives:

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

Pursuit of the Objectives and Achievement of Goals:

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

4.6. FINANCIAL BENEFITS

For stand-alone ENKA İnşaat ve Sanayi A.Ş.; total wages paid for the members of the Board of Directors is TL 4,951,072 the social security payments is TL 85,848 and the accrued retirement pay provisions as of December 31, 2018 are TL 395,670. The total amount of the fees and similar benefits provided to the top managers such as the general manager, general coordinator and vice general managers is TL 31,091,216 the social security payments is TL 1,229,514 and the accrued retirement pay provisions as of period end are TL 2,826,493. There are no payments made to the members of the Board of Directors and top managers in the

way of shares, derivative products originating from shares, share buying options or payments not made in cash such as house or car whose proprietorship bestowed and/or allocated for their use. ENKA İnşaat ve Sanayi A.Ş. is not in any sort of debt relation whatsoever with any of the members of the board or any top managers. The Remuneration Policy Applicable to the Board Members and Administratively Responsible Managers was submitted to the shareholders at the General Assembly dated March 27, 2014 which was published on our internet site is as follows:

1. Objective and Scope

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

2. Principles Applicable to Remuneration

Remunerations Payable to the Members of the Board of Directors

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

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

Remunerations Payable to Administratively Responsible Managers

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

3. Performance and Remuneration Methods

Fixed Pays:

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

Performance Pays (Bonus Payments):

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



SECTION V – FINANCIAL POSITION

As of 31.12.2018, it is concluded that the Company's debt structure is suitable for the continuation of activities in a healthy manner with a debt- to-equity ratio of 0.26. As of 31.12.2018, the backlog amount and basic ratios are given below and detailed financial information is given in the Independent Auditor's Report.

Backlog as 31.12.2018 (Million US Dollars)

Country	Amount	Rate (%)
Iraq	774	%27,8
US Embassies	699	%25,1
Kazakhstan	492	%17,7
Russia	361	%13,0
Turkey	320	%11,5
United States	62	%2,2
Kosovo	40	%1,4
Georgia	29	%1,0
Others	6	%0,2
TOTAL	2.783	100,0

BASIC RATIOS (Thousand US Dollars)

	31.12.2018			31.12.2017		
<u>Current Ratio:</u>						
Current Assets	2,521,452	=	276.1%	2,086,281	=	219.7%
Current Liabilities	913,251			949,558		
<u>Cash Ratio:</u>						
Cash & Cash Equivalents + Financial Investments	3,251,693	=	356.1%	3,479,276	=	366.4%
Current Liabilities	913,251			949,558		
<u>Leverage Ratio:</u>						
Total Liabilities	1,615,063	=	20.7%	1,747,476	=	21.8%
Total Assets	7,796,281			8,031,289		
<u>Total Equity to Total Assets Ratio:</u>						
Total Equity	6,181,218	=	79.3%	6,283,813	=	78.2%
Total Assets	7,796,281			8,031,289		
<u>Current Assets to Total Assets Ratio:</u>						
Current Assets	2,521,452	=	32.3%	2,086,281	=	26.0%
Total Assets	7,796,281			8,031,289		
<u>Non-current Assets to Total Assets Ratio:</u>						
Non-current Assets	5,274,829	=	67.7%	5,945,008	=	74.0%
Total Assets	7,796,281			8,031,289		
<u>Return on Assets (ROA) Ratio:</u>						
Net Income	327,536	=	4.2%	704,558	=	8.8%
Total Assets	7,796,281			8,031,289		
<u>Net Income to Revenue Ratio:</u>						
Net Income	327,536	=	11.4%	704,558	=	24.3%
Revenue	2,881,443			2,899,584		
<u>Total Liabilities to Total Equity:</u>						
Total Liabilities	1,615,063	=	26.1%	1,747,476	=	27.8%
Total Equity	6,181,218			6,283,813		

	Corporate Governance Compliance Report	Company Compliance Status					Explanation
		Yes	Partial	No	Exempted	N/A	
1.1.	FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
	1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2.	RIGHT TO OBTAIN AND REVIEW INFORMATION						
	1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3.	GENERAL ASSEMBLY						
	1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
	1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
	1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
	1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
	1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Although there is no restriction on the participation of stakeholders and media in the General Assembly meetings, stakeholders participated in the meeting held in 2018 but the media did not have any request for participation.
1.4.	VOTING RIGHTS						
	1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
	1.4.2 - The company does not have shares that carry privileged voting rights.	X					
	1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					
1.5.	MINORITY RIGHTS						
	1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
	1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			In our company, minority rights are defined in regulated rates in the Turkish Commercial Code (TTK) and there are no plans to change this.
1.6.	DIVIDEND RIGHT						
	1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
	1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
	1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Our company regularly distributes profit.
	1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7.	TRANSFER OF SHARES						
	1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1.	CORPORATE WEBSITE						
	2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
	2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
	2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					



	Corporate Governance Compliance Report	Company Compliance Status					Explanation
		Yes	Partial	No	Exempted	N/A	
2.2.	ANNUAL REPORT						
	2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
	2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1.	CORPORATION'S POLICY ON STAKEHOLDERS						
	3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
	3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
	3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
	3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2.	SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
	3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
	3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3.	HUMAN RESOURCES POLICY						
	3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
	3.3.2 - Recruitment criteria are documented.	X					
	3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
	3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
	3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				The Human Resources have been working as a representative of ENKA, for coordination and relation between the employer and employees of the company. However, there is no trade union in our company.
	3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
	3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
	3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.			X			Although there is no association or trade union in the company, there is no restrictive practice.
	3.3.9 - A safe working environment for employees is maintained.	X					
3.4.	RELATIONS WITH CUSTOMERS AND SUPPLIERS						
	3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
	3.4.2 - Customers are notified of any delays in handling their requests.	X					
	3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
	3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5.	ETHICAL RULES AND SOCIAL RESPONSIBILITY						
	3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
	3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					

	Corporate Governance Compliance Report	Company Compliance Status					Explanation
		Yes	Partial	No	Exempted	N/A	
4.1.	ROLE OF THE BOARD OF DIRECTORS						
	4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
	4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2.	ACTIVITIES OF THE BOARD OF DIRECTORS						
	4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
	4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
	4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
	4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
	4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
	4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
	4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.			X			The company has not subscribed to Directors liability insurance.
4.3.	STRUCTURE OF THE BOARD OF DIRECTORS						
	4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			Although the aim is to have one female member at the Board of Directors, the proposal of the Board Members submitted to the General Assembly has been formed in line with the above-mentioned targets.
	4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4.	BOARD MEETING PROCEDURES						
	4.4.1 - Each board member attended the majority of the board meetings in person.	X					
	4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
	4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	In 2018 meetings, The board members that could not attend the meeting, did not submit their opinion in written format.
	4.4.4 - Each member of the board has one vote.	X					
	4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
	4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
	4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			The Board Members are able to spend necessary time for fulfilling the requirements of the position and monitoring processes of the activities of the company.



	Corporate Governance Compliance Report	Company Compliance Status					Explanation
		Yes	Partial	No	Exempted	N/A	
4.5.	BOARD COMMITTEES						
	4.5.5 - Board members serve in only one of the Board's committees.			X			Due to the formation of the Board of Directors as being in total 5 people, some of the members of the Board of Directors are assigned in more than one committee. All committee members ensure adequate participation in the activities of the committee in which they are members.
	4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
	4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
	4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6.	FINANCIAL RIGHTS						
	4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Performance evaluation is made within the Board of Directors but not in written format.
	4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
	4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			The disclosure is not done individually, but the total amount and the remuneration policy has been provided under the financial benefits section of the Annual Report.

Corporate Governance Information Form		
1.	SHAREHOLDERS	
1.1.	Facilitating the Exercise of Shareholders Rights	
	The number of investor meetings (conference, seminar/etc.) organised by the company during the year	53
1.2.	Right to Obtain and Examine Information	
	The number of special audit request(s)	N/A
	The number of special audit requests that were accepted at the General Shareholders' Meeting	N/A
1.3.	General Assembly	
	Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/en/Bildirim/665880">https://www.kap.org.tr/en/Bildirim/665880</a>
	Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	General Assembly Notices and related materials are disclosed in English at the same time.
	The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no transaction in the context.
	The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no related party transactions in the context.
	The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	There is no common and continuous transactions in the context.
	The name of the section on the corporate website that demonstrates the donation policy of the company	<a href="https://www.enka.com/investor-relations/company-policies/">https://www.enka.com/investor-relations/company-policies/</a>
	The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/en/Bildirim/198439">https://www.kap.org.tr/en/Bildirim/198439</a>
	The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 24
	Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Company employees
1.4.	Voting Rights	
	Whether the shares of the company have differential voting rights	Hayır (No)
	In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
	The percentage of ownership of the largest shareholder	% 49,72

1.5.	Minority Rights	
	Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association.	Hayır (No)
	If yes, specify the relevant provision of the articles of association.	-
1.6.	Dividend Right	
	The name of the section on the corporate website that describes the dividend distribution policy.	<a href="https://www.enka.com/investor-relations/company-policies/">https://www.enka.com/investor-relations/company-policies/</a>
	Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	Dividend is distributed.
	PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends.	Dividend is distributed.

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
28/3/2018	0	%90	%0	%90	Investor Relations / Meetings Minutes of General Assembly	No question were asked	16	0	<a href="https://www.kap.org.tr/en/Bildirim/665880">https://www.kap.org.tr/en/Bildirim/665880</a> <a href="https://www.kap.org.tr/en/Bildirim/671173">https://www.kap.org.tr/en/Bildirim/671173</a>

2.	DISCLOSURE AND TRANSPARENCY	
2.1.	Corporate Website	
	Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	About Us / Company Profile, Investor Relations, Sustainability
	If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Shareholding Structure
	List of languages for which the website is available	Turkish - English - Russian
2.2.	Annual Report	
	The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
	a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Corporate Governance / 4.1 Structure and Formation of The Board of Directors
	b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance / 4.3 Number, Structure And Indepence of The Committees Established Within The Board of Directors
	c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance / 4.2 Operational Principles of The Board of Directors
	ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Independent Auditors' Report / Basis of Presentation of The Consolidated Financial Statements
	d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Independent Auditors' Report / Commitments
	e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	-
	f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There is no cross ownership subsidiary.
	g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Corporate Governance / Section 3 Stakeholders



3.	STAKEHOLDERS	
3.1.	Corporation’s Policy on Stakeholders	
	he name of the section on the corporate website that demonstrates the employee remedy or severance policy	https://www.enka.com/investor-relations/company-policies/
	The number of definitive convictions the company was subject to in relation to breach of employee rights	668
	The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Director of Quality, HSE & Integrity
	The contact detail of the company alert mechanism	+90 (212) 376 10 10
3.2.	Supporting the Participation of the Stakeholders in the Corporation’s Management	
	Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
	Corporate bodies where employees are actually represented	-
3.3.	Human Resources Policy	
	The role of the board on developing and ensuring that the company has a succession plan for the key management positions	-
	The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Corporate Groups / Human resources
	Whether the company provides an employee stock ownership programme	Pay edindirme planı bulunmuyor (There isn't an employee stock ownership programme)
	The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Corporate Groups / Human resources
	The number of definitive convictions the company is subject to in relation to health and safety measures	2
3.5.	Ethical Rules and Social Responsibility	
	The name of the section on the corporate website that demonstrates the code of ethics	Sustainability / Ethics & Compliance
	The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Sustainability / Publications / Developing Communities
	Any measures combating any kind of corruption including embezzlement and bribery	Sustainability / Ethics & Compliance / Fighting bribery and corruption

4.	BOARD OF DIRECTORS-I	
4.2.	Activity of the Board of Directors	
	Date of the last board evaluation conducted	It is held once a year before the General Assembly.
	Whether the board evaluation was externally facilitated	Hayır (No)
	Whether all board members released from their duties at the GSM	Evet (Yes)
	Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Mehmet Sinan TARA -Chairman of the Board, Haluk GERÇEK - Vice Chairman of the Board, Erdoğan TURGUT - Member of the Board, Mehmet Mete BAŞOL - Member of the Board, Fatih Osman TAR - Member of the Board
	Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	15
	Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Corporate Governance / Risk Management and Internal Control Mechanism
	Name of the Chairman	Mehmet Sinan Tara
	Name of the CEO	Agah Mehmet Tara
	If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	Not the same person
	Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
	The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
	The number and ratio of female directors within the Board of Directors	0

Composition of Board of Directors							
Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independence Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Mehmet Sinan Tara	İcrada görevli (Executive)	Bağımsız üye değil (Not independent director)	31/03/1988	-	-	-	-
Haluk Gerçek	İcrada görevli (Executive)	Bağımsız üye değil (Not independent director)	30/03/1994	-	-	-	-
Erdoğan Turgut	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	11/04/2013	-	-	-	-
Fatih Osman Tar	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	28/03/2018	-	Değerlendirildi (Considered)	Hayır (No)	Evet (Yes)
Mehmet Mete Başol	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	28/03/2018	-	Değerlendirildi (Considered)	Hayır (No)	Evet (Yes)

4.	BOARD OF DIRECTORS-II	
4.4.	Meeting Procedures of the Board of Directors	
	Number of physical board meetings in the reporting period (meetings in person)	18
	Director average attendance rate at board meetings	%89
	Whether the board uses an electronic portal to support its work or not	Hayır (No)
	Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Depending on the agenda.
	The name of the section on the corporate website that demonstrates information about the board charter	Investor relations / Corporate articles / Articles of Association -Article 17
	Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no upper limit.
4.5.	Board Committees	
	Page numbers or section names of the annual report where information about the board committees are presented	Corporate Governance / 4.3 Number, Structure And Indepence of The Committees Established Within The Board of Directors
	Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/en/Bildirim/366204

Composition of Board Committees-I				
Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Denetim Komitesi (Audit Committee)	-	Fatih Osman Tar	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Denetim Komitesi (Audit Committee)	-	Mehmet Mete Başol	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Mehmet Mete Başol	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Erdoğan Turgut	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Fatih Osman Tar	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Erdoğan Turgut	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Gizem Özsoy	Hayır (No)	Yönetim kurulu üyesi değil (Not board member)



4.	BOARD OF DIRECTORS-III	
4.5.	Board Committees-III	
	Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance / 4.3 Number, Structure And Indepence of The Committees Established Within The Board of Directors
	Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance / 4.3 Number, Structure And Indepence of The Committees Established Within The Board of Directors
	Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance / 4.3 Number, Structure And Indepence of The Committees Established Within The Board of Directors
	Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance / 4.3 Number, Structure And Indepence of The Committees Established Within The Board of Directors
	Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance / 4.3 Number, Structure And Indepence of The Committees Established Within The Board of Directors
4.6.	Financial Rights	
	Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Corporate Governance / Mission, Vision and Objectives Of The Company
	Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Invesment Relations / Company Policies
	Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	-

Composition of Board Committees-II					
Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Denetim Komitesi (Audit Committee)		%100	%100	5	5
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)		%100	%50	6	6
Kurumsal Yönetim Komitesi (Corporate Governance Committee)		%66,6	%33,3	2	2

ENKA İNŞAAT VE SANAYİ  
ANONİM ŞİRKETİ  
AND ITS SUBSIDIARIES  
  
CONSOLIDATED FINANCIAL  
STATEMENTS AS AT AND FOR THE  
YEAR ENDED  
31 DECEMBER 2018 WITH  
INDEPENDENT AUDITORS’ REPORT

5 March 2019

*This report includes 6 pages of independent auditors’ report and 82 pages of consolidated financial statements together with their explanatory notes.*





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Independent Auditors' Report

To the Shareholder's of Enka İnşaat ve Sanayi Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Enka İnşaat ve Sanayi Anonim Şirketi ("the Company") and its subsidiaries and joint operations ("collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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



Key Audit Matters

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

Revenue recognition

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

Key Audit Matter	How the matter was addressed in our audit
<p><b>Revenue recognition on construction contracts</b></p> <p>Revenue derived from construction contracts represents 35% of the Group's total revenue.</p> <p>The measurement and timing of the revenue arising from construction contracts in the period in which they are incurred calculated and recognized by using the input method under the IFRS 15 Revenue from Contracts with Customer. The input method recognizes the revenue in the financial statements by comparing the costs incurred by the Group for the fulfillment of performance obligations in a construction project to the expected total costs for the fulfillment of the performance of the obligation to the financial statements.</p> <p>The measurement of contract revenue and estimation of the contract costs have been affected by a variety of uncertainties that depend on the outcome of future events and the management's estimates and judgements need to be revised as events occurred. Revenue recognition on construction contracts was considered to be a key audit matter, due to the significance of the estimates and the level of judgement applied by management.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• We assessed the terms and conditions of the significant contracts in order to evaluate the management's estimate whether revenue is recognized within the related period.</li><li>• We evaluated and tested the operating effectiveness of controls over the relevant processes regarding the accuracy and timing of revenue recognized in the financial statements.</li><li>• The costs incurred by the Group in ongoing construction projects have been tested by using sampling method.</li><li>• The contract revenue associated with the construction contract have been recalculated by using the stage of completion method.</li><li>• We assessed the management's ability to deliver contracts within budgeted margins by analysing the historical accuracy of forecasting margins and the relationship of cost versus billing status on contracts.</li><li>• We assessed the adequacy of the disclosures of revenue described in notes to consolidated financial statements under IFRS.</li></ul>





Impairment of Goodwill

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for goodwill impairment.

Key Audit Matter	How the matter was addressed in our audit
<p><b>Impairment of intangible assets (goodwill)</b></p> <p>The Group, in the consolidated financial statements for the year ended 31 December 2018, has reduced the goodwill amount to zero by reflecting the impairment loss of USD 22,077 thousand in the current period.</p> <p>In accordance with IFRS, intangible assets with indefinite useful lives to which goodwill has been allocated shall be tested for impairment annually. Within this scope, significant estimates and assumptions applied by management have been used to determine impairment.</p> <p>These estimates and assumptions are based on the long term growth rate used to determine the cash generating unit's future cash flows, discount rates used to determine present value of future cash flows, inflation and foreign currency rates. These estimates and assumptions are highly sensitive to the expected future market conditions.</p> <p>Due to the estimates and judgements used for goodwill impairment test included appropriate considerations, we have identified this matter as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• We evaluated management's future cash flow forecasts by which they were determined with macroeconomic data, by comparing them to historical results checking that the forecast were consistent and confirming the mathematical accuracy of the underlying calculations.</li><li>• We evaluated the appropriateness of the key assumptions, long term growth rates used in the calculations, discount rates used to determine present value of future cash flows.</li><li>• We assessed the adequacy of the disclosures of goodwill described in notes to consolidated financial statements under IFRS.</li></ul>



Measurement of Investment Property

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for investment properties.

Key Audit Matter	How the matter was addressed in our audit
<p><b>Valuation of investment property</b></p> <p>As of 31 December 2018, the investment properties represent 24% of the Group's total assets.</p> <p>The Group measures the investment properties at fair values. The Group has appointed independent valuation firms to determine the fair values of investment properties.</p> <p>Valuation of investment property was considered to be a key audit matter, due to significant estimates and judgement used in valuation methods to determine fair value of investment properties.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• We evaluated the qualifications and competence of the external valuers appointed by the Management for valuation of investment property.</li><li>• We evaluated the appropriateness of the key assumptions such as long term growth rates used in the calculations, discount rates used to determine present value of future cash flows.</li><li>• We evaluated the appropriateness of the key inputs used in valuation reports such as rental income, duration, management fee, yields and occupancy rate.</li><li>• We assessed the adequacy of the disclosures of investment properties described in notes to consolidated financial statements under IFRS.</li></ul>

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

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

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

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





#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



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

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

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

Erdal Tıkmak, SMMM  
Partner

5 March 2019  
İstanbul, Turkey



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)  
AS AT 31 DECEMBER 2018

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

ASSETS	Notes	31 December 2018	31 December 2017
<b>Current Assets</b>		<b>2,521,452</b>	<b>2,086,281</b>
Cash and cash equivalents	6	626,712	781,718
Financial investments	7	899,517	578,886
Trade receivables	9	505,938	306,459
Other receivables			
Other receivables from related parties	10,33	20	21
Other receivables from third parties	10	1,033	793
Costs and estimated earnings in excess of billings on uncompleted contracts	12	45,203	12,168
Prepaid expenses	17	45,890	90,103
Inventories	11	307,082	223,772
Other current assets	21	66,681	68,725
		<u>2,498,076</u>	<u>2,062,645</u>
Assets held for sale	30	23,376	23,636
<b>Non-Current Assets</b>		<b>5,274,829</b>	<b>5,945,008</b>
Financial investments	7	1,725,464	2,118,672
Trade receivables	9	44,103	46,877
Investment properties	13	1,891,078	2,081,941
Property, plant and equipment	14	1,554,394	1,614,651
Intangible assets			
Goodwill	16	-	22,077
Other intangible assets	15	44,062	34,959
Prepaid expenses	17	6,426	18,745
Deferred tax assets	31	5,415	2,759
Other non-current assets	21	3,887	4,327
<b>TOTAL ASSETS</b>		<b><u>7,796,281</u></b>	<b><u>8,031,289</u></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 FINANCIAL POSITION (BALANCE SHEET)  
AS AT 31 DECEMBER 2018**

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

	Notes	31 December 2018	31 December 2017
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>913,251</b>	<b>949,558</b>
Short-term borrowings	8	54,540	40,105
Current portion of long-term borrowings	8	18,914	37,598
Trade payables	9	344,400	153,562
Payables to employees	20	19,751	26,704
Other payables			
Payables to related parties	10,33	29	34
Payables to third parties	10	20,776	19,513
Billings in excess of costs and estimated earnings on uncompleted contracts	12	167,209	267,629
Deferred income	17	139,368	224,234
Taxation on income	31	53,126	60,188
Provisions			
Provisions for employee benefits	20	14,780	20,460
Other provisions	18	51,630	50,795
Other current liabilities	21	28,728	48,736
<b>Non-Current Liabilities</b>		<b>701,812</b>	<b>797,918</b>
Long-term borrowings	8	178,355	233,807
Trade payables	9	-	59,002
Other payables	10	25,009	17,997
Deferred income	17	1,079	4,412
Provisions for employee benefits	20	13,309	15,520
Deferred tax liabilities	31	484,060	467,180
<b>EQUITY</b>		<b>6,181,218</b>	<b>6,283,813</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>6,102,790</b>	<b>6,207,493</b>
Share capital	22	2,639,338	2,556,803
Treasury shares	22	(55,725)	(25,866)
Revaluation surplus	22	169,342	176,262
Currency translation difference		(1,311,178)	(1,094,940)
Other reserves		(1,644)	280
Legal reserves and accumulated profit		4,662,657	4,594,954
<b>Non-Controlling Interests</b>		<b>78,428</b>	<b>76,320</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,796,281</b>	<b>8,031,289</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 2018**

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

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
<b>CONTINUING OPERATIONS</b>			
Revenue	5,23	2,881,443	2,899,584
Cost of revenues (-)	5,23	(2,152,766)	(2,148,974)
<b>GROSS PROFIT</b>		<b>728,677</b>	<b>750,610</b>
Administrative expenses (-)	5,24	(90,261)	(101,616)
Marketing, selling and distribution expenses (-)	5,24	(22,926)	(26,612)
Other operating income	5,26	77,131	42,221
Other operating expenses (-)	5,26	(31,210)	(26,209)
<b>PROFIT FROM OPERATIONS</b>		<b>661,411</b>	<b>638,394</b>
Income from investing activities	5,27	203,160	405,438
Expenses from investing activities (-)	5,27	(403,993)	(173,694)
<b>OPERATING PROFIT BEFORE FINANCE EXPENSES</b>		<b>460,578</b>	<b>870,138</b>
Financial income	5,28	54,265	23,241
Financial expenses (-)	5,29	(51,983)	(18,172)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>462,860</b>	<b>875,207</b>
Current tax expense (-)	5,31	(99,692)	(118,025)
Deferred tax expense (-)	5,31	(29,168)	(43,186)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>334,000</b>	<b>713,996</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>334,000</b>	<b>713,996</b>
<b>Attributable to:</b>			
Non-controlling interests		6,464	9,438
Equity holders of the parent		327,536	704,558
		<b>334,000</b>	<b>713,996</b>
<b>Earning per share from continuing operations</b>			
- ordinary share certificate (full USD)	32	0.07	0.14
<b>Weighted average number of shares (Weighted average number of shares of 1 Full TL each)</b>		4,950,000,000	4,950,000,000

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 2018**

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

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
<b>NET PROFIT FOR THE YEAR</b>		<b>334,000</b>	<b>713,996</b>
<b>Other Comprehensive Income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>		<i>(5,221)</i>	<i>(5,363)</i>
Gains / (losses) on revaluation of property, plant and equipment	22	1,213	(5,787)
Remeasurement of defined benefit plans	20	453	(1,345)
Changes in currency translation difference	22	(1,068)	315
Income tax relating items that will not be reclassified subsequently to profit or loss		(5,819)	1,454
Income tax relating to gains / (losses) on revaluation of property, plant and equipment	31	(5,728)	1,185
Income tax relating to remeasurement of defined benefit plans	31	(91)	269
<i>Items that may be reclassified subsequently to profit or loss</i>		<i>(222,048)</i>	<i>102,696</i>
Changes in currency translation difference		(220,124)	102,696
Gains (Losses) on financial assets measured at fair value through other comprehensive income		(1,924)	-
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		<b>(227,269)</b>	<b>97,333</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>106,731</b>	<b>811,329</b>
<b>Attributable to:</b>			
Non-controlling interests		2,580	17,051
Equity holders of the parent		104,151	794,278
		<b>106,731</b>	<b>811,329</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 2018**

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

	Notes	Share capital	Treasury shares	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2017</b>		<b>2,445,227</b>	<b>(12,032)</b>	<b>182,004</b>	<b>(1,190,023)</b>	<b>280</b>	<b>4,241,127</b>	<b>5,666,583</b>	<b>61,920</b>	<b>5,728,503</b>
Total other comprehensive income		-	-	(4,287)	95,083	-	(1,076)	89,720	7,613	97,333
Profit for the year		-	-	-	-	-	704,558	704,558	9,438	713,996
Total comprehensive income		-	-	(4,287)	95,083	-	703,482	794,278	17,051	811,329
Purchase of treasury shares		-	(13,834)	-	-	-	-	(13,834)	-	(13,834)
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	-	(1,455)	-	-	1,455	-	-	-
Share capital increase	22	111,576	-	-	-	-	(111,576)	-	-	-
Dividends paid		-	-	-	-	-	(239,534)	(239,534)	(2,651)	(242,185)
<b>Balance at 31 December 2017</b>		<b>2,556,803</b>	<b>(25,866)</b>	<b>176,262</b>	<b>(1,094,940)</b>	<b>280</b>	<b>4,594,954</b>	<b>6,207,493</b>	<b>76,320</b>	<b>6,283,813</b>
<b>Balance at 1 January 2018</b>		<b>2,556,803</b>	<b>(25,866)</b>	<b>176,262</b>	<b>(1,094,940)</b>	<b>280</b>	<b>4,594,954</b>	<b>6,207,493</b>	<b>76,320</b>	<b>6,283,813</b>
Total other comprehensive income		-	-	(5,583)	(216,238)	(1,924)	360	(223,385)	(3,884)	(227,269)
Profit for the year		-	-	-	-	-	327,536	327,536	6,464	334,000
Total comprehensive income		-	-	(5,583)	(216,238)	(1,924)	327,896	104,151	2,580	106,731
Purchase of treasury shares		-	(29,859)	-	-	-	-	(29,859)	-	(29,859)
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	-	(1,337)	-	-	1,337	-	-	-
Share capital increase	22	82,535	-	-	-	-	(82,535)	-	-	-
Dividends paid		-	-	-	-	-	(178,995)	(178,995)	(472)	(179,467)
<b>Balance at 31 December 2018</b>		<b>2,639,338</b>	<b>(55,725)</b>	<b>169,342</b>	<b>(1,311,178)</b>	<b>(1,644)</b>	<b>4,662,657</b>	<b>6,102,790</b>	<b>78,428</b>	<b>6,181,218</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 2018**

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

		<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
	<b>Notes</b>		
<b>Cash flows from operating activities</b>			
Profit for the year		334,000	713,996
Adjustments to reconcile net income			
to net cash used in operating activities:			
- Adjustments related to depreciation and amortisation	5	95,114	106,137
- Adjustments related to provision for employment		1,533	2,660
- Adjustments related to allowance for doubtful receivables	9,26	1,694	130
- Adjustments related to provision for litigations		5,107	2,995
- Adjustments to related to deferred income from electricity sale		(136,494)	(158,518)
- (Income) / loss from fair value of forward transactions		(8,519)	3,741
- Adjustments to related to interest expense	29	6,043	3,542
- Adjustments to related to interest income		(126,848)	(126,842)
- Adjustments to related to dividend income	27	(11,717)	(9,408)
- Adjustments to related to provision for inventory impairment, net		(1,593)	31,407
- Adjustments to related to gain on sale or disposal of property, plant and equipment, net	14	(1,257)	(1,007)
- Adjustments to related to fair value increase in investment properties		(18,734)	1,781
- Adjustments to related to valuation of investment securities		314,763	(106,992)
- Interest accrual		316	245
- Tax expense	31	128,860	161,211
		<u>582,268</u>	<u>625,078</u>
Movements in working capital			
Change in trade and other receivables		(199,470)	93,286
Change cost and estimated earnings in excess of billings on uncompleted contracts		(33,034)	(9,108)
Change in inventory		(81,715)	39,719
Change in other current assets and other non current assets		59,035	(100,943)
Change in trade and other payables		131,833	(25,542)
Change in billings in excess of cost and estimated earnings on uncompleted contracts		(100,420)	26,602
Change provision for liabilities and other liabilities		<u>26,248</u>	<u>(37,740)</u>
		<u>(197,523)</u>	<u>(13,726)</u>
Income taxes paid	31	(106,754)	(109,816)
Employee termination benefits paid	20	(2,067)	(3,877)
<b>Net cash generated from operating activities</b>		<b><u>275,924</u></b>	<b><u>497,659</u></b>
<b>Cash flows from investing activities</b>			
Cash receipts from sales of equity or debt instruments of other entities		(242,394)	(396,033)
Proceeds on disposal or sale of property, plant and equipment	14	22,729	11,548
Purchases of property, plant and equipment, intangible assets and investment properties	5	(137,294)	(262,356)
Interest received		115,642	119,347
Dividend received		11,717	9,408
<b>Net cash used in investing activities</b>		<b><u>(229,600)</u></b>	<b><u>(518,086)</u></b>
<b>Cash flows from financing activities</b>			
Short-term borrowings		(18,264)	11,621
Addition to long-term borrowings		25,000	41,658
Repayments of borrowings		(15,214)	(45,094)
Purchase of treasury shares		(29,859)	(13,834)
Interest paid		(5,982)	(2,458)
Interest received		10,891	7,250
Dividend paid to non-controlling interests		(472)	(2,651)
Dividend paid		(178,995)	(239,534)
<b>Net cash used in financing activities</b>		<b><u>(212,895)</u></b>	<b><u>(243,042)</u></b>
Translation reserve		11,565	45,167
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b><u>(155,006)</u></b>	<b><u>(218,302)</u></b>
Cash and cash equivalents at beginning of the year	6	780,718	999,020
<b>Cash and cash equivalents at end of the year</b>	<b>6</b>	<b><u>625,712</u></b>	<b><u>780,718</u></b>

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 2018**

(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 head quarter 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 2018, 11.68% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (ISE).

As of 31 December 2018, the average numbers of white and blue-collar personnel are respectively 4.558 and 12.043 (31 December 2017 – 4.641 and 15.751).

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. Additionally the Group is operating in trading activities.
- 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, Kenya, Djibouti, Mauritania in Africa; Saudi Arabia, Sri Lanka, India, Oman, Iraq, Afghanistan in Asia, Mexico in North America and Paraguay in South America.
- iv. Europe:* engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Germany, Greece and Kosovo.



ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

(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 2018, 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 Müteahhitlik 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 Müteahhitlik Hizmetleri A.Ş. (Enka Müteahhitlik)	Engaged in construction activities.	Turkey	2002
Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı 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 Ticaret A.Ş.	Will perform 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 2018

(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 2018, Enka İnşaat has the following joint operations:

Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys  
Bechtel-Enka Joint Venture (Romania)  
Bechtel-Enka Joint Venture (Kosovo)  
Bechtel-Enka Joint Venture (Albania)  
Bechtel-Enka Joint Venture (Oman)  
Bechtel-Enka Joint Venture (Georgia)  
Other (Europe, Africa, America, Asia)

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 2018. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 5 March 2019. The General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

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

The Group also reported separately for the consolidated financial statements for the same period prepared in accordance with TAS.

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



ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

(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. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies (i.e. any currency other than the functional currency) are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of foreign subsidiaries operating in Russia (Moscow Krasnye Holmy (MKH), Limited Liability Company Mosenka (Mosenka) and Limited Liability Company Enka TC (Enka TC)) are Ruble.The functional currency of jointly managed subsidiaries established in Romania, Kosovo and Albania and Enka Pazarlama are the Euro. The functional currency of some subsidiaries incorporated in Turkey is TL. These companies reporting to Enka İnşaat in the currency of their respective currencies.

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

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

The year-end and average rates for 2018 and 2017 for one U.S. Dollar can be summarized as below:

	2018	2017
U.S. Dollars/TL – as of balance sheet date	5.2609	3.7719
U.S. Dollars/TL – yearly average	4.8301	3.6445
U.S. Dollars/RUB – as of balance sheet date	69.4706	57.6002
U.S. Dollars/RUB – yearly average	62.7078	58.3529

Inflation accounting

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their consolidated financial statements in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”). Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the POA, has not been applied in the consolidated financial statements for the accounting year commencing 1 January 2005. Accordingly, the non-monetary assets and liabilities and equity items included in the balance sheet of the Company for the year ended 31 December 2018 and 2017 have been calculated by indexing the entries until 31 December 2004 until 31 December 2004 and the entries after these dates are carried at nominal values.

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

2.1 Basis of presentation (cont’d)

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.

Basis of consolidation

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

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

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

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



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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 2018 and 2017 are as follows:

Company name	Segment	Functional Currency	Direct / Indirect ownership	
			31 December 2018	31 December 2017
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%
OMKH	Rental	RUB	100.00%	-
Enka Santral Hizmetleri A.Ş.	Energy	USD	100.00%	100.00%
Enka Enerji Ticaret A.Ş.	Energy	USD	100.00%	100.00%
Enka Holding B.V.	Construction	EUR	100.00%	100.00%
Enka Holding Investment S.A.	Construction	USD	100.00%	100.00%
Enka Power Systems B.V.	Construction	EUR	100.00%	100.00%
Enka Construction & Development B.V.	Construction	EUR	100.00%	100.00%
Far East Development B.V.	Construction	EUR	100.00%	100.00%
Enka Geothermal B.V.Middle East Construction B.V.	Construction	EUR	100.00%	100.00%
Enmar	Construction	USD	100.00%	100.00%
Entrade	Construction	EUR	100.00%	100.00%
Capital City Investment B.V.	Construction	EUR	100.00%	100.00%
City Center Investment B.V.	Rental	USD	100.00%	100.00%
Enka LLC	Construction	USD	100.00%	100.00%
Retmos Investment Ltd.	Construction	USD	100.00%	100.00%
Emos LLC	Trade and manufacturing	RUB	100.00%	100.00%
Enmar Construction B.V.	Trade and manufacturing	EUR	100.00%	100.00%
Cmos B.V.	Trade and manufacturing	EUR	100.00%	100.00%
OOO Victoria	Construction	USD	100.00%	100.00%
Enka & Co LLC	Construction	USD	100.00%	100.00%
Enka Müteahhitlik	Construction	TL	100.00%	100.00%
Edco Investment B.V.	Rental	EUR	100.00%	100.00%
Enru Development B.V.	Rental	EUR	100.00%	100.00%
Enkamos Region B.V.	Construction	EUR	100.00%	100.00%
Airenka	Trade and manufacturing	USD	100.00%	100.00%
Poyraz Shipping B.V.	Construction	USD	100.00%	100.00%
Bogazici Shipping B.V.	Construction	USD	100.00%	100.00%
Doga Shipping B.V.	Construction	USD	100.00%	100.00%
Imbat Shipping B.V.	Construction	USD	100.00%	100.00%
TNY Shipping B.V.	Construction	USD	100.00%	100.00%
Alacante Shipping B.V.	Construction	USD	100.00%	100.00%
BRK Overseas Shipping B.V.	Construction	USD	100.00%	100.00%
MML Merchant Shipping B.V.	Construction	USD	100.00%	100.00%
Esta Construction B.V.	Construction	USD	100.00%	100.00%
Enka UK Construction Ltd.	Construction	USD	100.00%	100.00%

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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 2018	31 December 2017
Enet	Construction	TL	100.00%	100.00%
Üstyurt Kurylys	Construction	USD	100.00%	100.00%
Enka Pazarlama	Trade and manufacturing	EUR	99.99%	99.99%
Enka Trading B.V.	Trade and manufacturing	EUR	99.99%	99.99%
Metra Akdeniz Dış Ticaret A.Ş.	Trade and manufacturing	EUR	99.99%	99.99%
Entaş	Trade and manufacturing	TL	99.98%	99.98%
Kasktaş	Construction	USD	99.90%	99.90%
Burkas Ltd. Şti.	Construction	USD	99.90%	99.90%
Kasktaş Arabia Ltd.	Construction	USD	99.90%	99.90%
Titaş	Construction	USD	99.50%	99.50%
Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.	Construction	USD	97.88%	97.88%
Çimtaş Hassas İşleme Sanayi ve Ltd.Şti	Construction	USD	97.35%	97.35%
Çimtaş Çelik	Construction	USD	97.35%	97.35%
Cimtas Mechanical Contracting B.V.	Construction	USD	97.35%	97.35%
Cimtas (Ningbo) Steel Processing Company Ltd.	Construction	USD	97.35%	97.35%
Cimtas Investment B.V.	Construction	EUR	97.35%	97.35%
Gemlik Deniz Taşımacılık Ltd.Şti.	Construction	USD	97.35%	97.35%
Enka Teknik	Construction	USD	80.00%	77.50%
Enka Systems	Trade and manufacturing	USD	75.00%	75.00%
Cimtas Boru İmalatları ve Ticaret Ltd. Şti.	Construction	EUR	50.00%	50.00%
OOO R-Avtam	Rental	USD	-	100.00%
Enka Finansal Kiralama A.Ş.	Trade and manufacturing	TL	-	99.99%

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 2018 and 2017 is as follows:

	Functional Currency	31 December 2018	31 December 2017
Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys	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%
Bechtel-Enka Joint Venture (Oman)	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Georgia)	USD	50.00%	50.00%
Other Partnerships (Europe, Africa, America, Asia)	USD	50.00%	50.00%



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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)****2.2 Changes in the accounting policies**

With the exception of followings, the accounting policies applied in the consolidated financial statements as at and for the year ended 31 December 2018 are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017.

**a) IFRS 15 Revenue from contracts with customers**

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

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

The new standart is effective for periods beginning on or after 1 January 2018 and the application of IFRS 15 has not had significant impact on the consolidated financial statements and performance of the group based on the analysis performed.

**b) IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of IFRS 9 are set out below:

*i. Classification and measurement of financial assets and financial liabilities*

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

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

Detailed information on how the Group classifies and measures and financial assets in accordance with IFRS 9 is presented below.

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

*ii. Impairment of financial assets*

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

**Impact of the IFRS 9**

Since the Group had adopted IFRS 9 (2009) in 2010, IFRS 9 (2017) does not have an impact on the Group’s financial statement in terms of classification and measurement. IFRS 9 (2017) have different impairment model from the IFRS 9 (2009). Such new impairment model has not had a significant impact on the Group’s financial statements based on the analysis performed.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)****2.3 Changes in Accounting Estimates and Errors**

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

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

**2.4 Standards and interpretations issued but not yet effective*****Standards issued but not yet effective and not early adopted***

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

**IFRS 16 Leases**

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

**IFRS Interpretation 23 Uncertainty Over Income Tax Treatments**

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

**Amendments to IFRS 9 - Prepayment features with negative compensation**

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

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

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



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

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

*Standards issued but not yet effective and not early adopted (cont’d)*

**The Revised Conceptual Framework**

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

*Annual Improvements to IFRSs 2015-2017 Cycle*

**Improvements to IFRSs**

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

*IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*

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

*IAS 12 Income Taxes*

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

*IAS 23 Borrowing Costs*

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

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

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

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

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

**IFRS 17 Insurance Contracts**

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

**Amendments to IAS 1 and IAS 8 - Definition of Material**

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements.

**Amendments to IFRS 3 - Definition of a Business**

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group does not expect that application of these amendments to IFRS 3 will havet impact on its consolidated financial statements



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

2.5 Summary of significant accounting policies

Revenue

In accordance with IFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the entity satisfies a performance obligation

The Group evaluates the goods or services it undertakes in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation. It is determined in the beginning of the contract whether the performance obligation will be carried out over a period of time or it will be performed at a certain time for each performance obligation. Group recognizes the revenue over a period of time by measuring the progress attributed to complete fulfillment of performance obligation in question on the occasion that the Group transfers the control of a good or a service and therefore it fulfills the performance obligation related to these sales over time.

The accounting for the revenue of the Group's different activities is explained below:

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.

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

2.5 Summary of significant accounting policies (cont’d)

Revenue (cont’d)

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 ans taxes related to sales.

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 included in the cost. Raw materials, spare parts, merchandise and construction materials - purchase cost 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.



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

2.5 Summary of significant accounting policies (cont’d)

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.

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 (except goodwill)

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

Derecognition of intangible assets

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

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

2.5 Summary of significant accounting policies (cont’d)

Investment properties

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

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

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

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

Business combinations

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

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

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

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



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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. If the contingent consideration classified as an asset or liability is a financial instrument and is in the scope of IFRS 9 Financial Instruments standard, the contingent consideration is measured at fair value and the gain or loss arising from the change is recognized in profit or loss or other comprehensive income. Those not included in IFRS 9 are accounted for in accordance with IAS 37 Provisions or other appropriate IFRS.

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.

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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.

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.



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

2.5 Summary of significant accounting policies (cont’d)

Impairment of non-financial assets (cont’d)

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.

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

Recognition and measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

The Group may irrevocably make preference about presentation of subsequent changes in its fair value in other comprehensive income on initial recognition of non-trading equity investment. This is made separately for each investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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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)

Financial Instruments: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are managed on the basis of fair value and whose performance is assessed accordingly are measured at fair value through profit or loss.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.



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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)

*Financial assets – subsequent measurement and gains and losses*

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

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to 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.

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.

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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)

Financial liabilities (cont’d)

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

Derivative financial instruments are initially recognized at fair value and are subsequently remeasured at their fair value. Derivative financial instruments of the Group predominantly constitute forward foreign currency purchase and sale contracts.

The fair value of forward foreign exchange contracts measured at fair value and associated with the consolidated profit or loss is calculated by reference to the market interest rates valid for the rest of the contract for the relevant currency for the relevant period, by comparison with exchange rate. Derivatives are recorded as assets or liabilities in the balance sheet, respectively, depending on whether the fair value is positive or negative differences arising from the fair value of derivative financial instruments except for the cash flow hedge explained below are reflected in the profit and loss statement in the consolidated statements of income.

*Cash flow hedge*

The Group performs cross currency transactions with participation option to hedge the cash flow risk of variable and fixed rate financial instruments and liabilities in different currencies. The effective portion of the fair value change of the hedging instrument in the cash flow hedge accounting is recognized in “other comprehensive income”, while the ineffective portion is recognized in the in profit or loss. In the periods in which the cash flows of the hedged item affect the profit or loss, the profit or loss of the hedging instrument is also removed from equity and reflected to the income statement. In addition, the time value change in the options included in the structured cross-currency swaps is recognized in other comprehensive income as the hedging cost.

According to IFRS 9, the hedging relationship ends when the required criteria are no longer met after rebalancing. The termination of the hedging relationship is not accepted if the required criteria are met. In the event that the hedging target changes, the hedging instrument expires or is sold, terminated or used, the hedging accounting ends when the economic relationship between the hedging instrument and the hedged item is eliminated or the credit risk affects the fair value changes arising from the economic relationship.

When the Group discontinued hedge accounting for cash flow variability, the amount accumulated in the cash flow hedge fund is recognized as follows;

- The profit or loss recognized in other comprehensive income and presented in the hedging reserve under equity remains there until the cash flows of the hedged item realised.

- When the cash flows from the hedged item is expected not to be realised, the gain or loss accumulated under equity is recognized immediately in profit or loss.



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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)

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

Financial assets

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Impairment of financial assets

Financial assets and contract assets

The Group recognizes loss allowances for the expected credit losses of the following items:

- financial assets measured at amortized cost;
- contract assets (as defined in IFRS 15).

Under IFRS 9, loss allowances are measured on either of the following bases:

Financial assets measured at amortized cost;

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument;and

Bank balances for which credit risk has not increased significantly since initial recognition;

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

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

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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)

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”.

The maximum time to be measured by the ECLs is the maximum contractual period that the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

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

Credit-impaired financial assets

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

Presentation of impairment

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

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Trade receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The Group has calculated the ECLs according to the experience of credit losses in the last three years. The Group performed the calculation of ECL separately for each customers of receivables at the reporting date. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship.

Effect 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. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in the consolidated statement of profit or loss in the period in which they arise.



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

2.5 Summary of significant accounting policies (cont’d)

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.

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 epreciated 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.

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

2.5 Summary of significant accounting policies (cont’d)

Leases - The Group as lessor

Operating lease

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).

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.



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

2.5 Summary of significant accounting policies (cont’d)  
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.

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

2.5 Summary of significant accounting policies (cont’d)

Employee termination benefits

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

Defined benefit plans

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

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

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

Defined contribution plans

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

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

Statement of cash flows

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

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

Events after the reporting period

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

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



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

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:

- a) Determination of total estimated project costs, profitability and calculation of loss accruals under the scope of IAS 11 “Construction Contracts” (Note 12).
- b) Fair value of investment properties under the scope of IAS 40 “Investment Property” and land and buildings under the scope of IAS 16 “Property, Plant and Equipment” (Note 13 and 14).
- c) Estimation of impairment losses on financial assets and trade receivables (Note 7 and 9).
- d) Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 31).
- e) The Group management has made significant assumptions for determining the economic lives of tangible and intangible assets with the guidance of experienced technical staff (Note 14, 15).
- f) Estimates and assumptions are used in goodwill impairment test (Note16).
- g) In accordance with the accounting policies referred to in Note 2.5, provisions are based on the assumption that the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount to be paid can be reliably estimated. The Group is subject to various legal processes, requests and regulatory negotiations whose results are uncertain. The Group assesses the likelihood of adverse consequences as well as other factors, and the possibility of reasonably estimating losses. Unforeseeable events and changes in these factors may require an increase or decrease in the provisions that the Group accounts for (whether it is considered unlikely or has not recorded a provision due to inability of a reliable estimation).

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3. DIVIDENDS

Based on the Group’s Ordinary General Assembly held on 28 March 2018; regarding to the distribution of the year 2017 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.12 full TL gross / 0.109 full TL net in total TL 901,000 (2017 - TL 784,000); further it has been resolved to distribute TL 32,348 (2017 - TL 29,352) as cash dividend to founder shares. Net in total TL 349,000 from TL 901,000 has been distributed as an advance dividend on 27 September 2017 and 13 December 2017, and the remaning amount net in total TL 552,000 is distributed on 17 April 2018.

In 2018 and 2017, the Group distributed dividends as detailed below:

	2018		2017	
	Dividend (TL Thousands)	Dividends per share	Dividend (TL Thousands)	Dividends per share
Ordinary share owners (1 Full TL nominal value) (*)	549,240	0.12 Full TL	504,000	0.12 Full TL
Founder share owners	32,348	32.34 TL	29,352	29.35 TL
Ordinary share owners (1 Full TL nominal value) (*) (**)	198,000		165,000	0.03 Full TL
Ordinary share owners (1 Full TL nominal value)			184,000	0.03 Full TL
	<u>779,588 TL</u>		<u>882,352 TL</u>	

(\*)The amount of dividends distributed to the shares bought back by the Company has been deducted.

(\*\*) Based on the power vested in the Board of Directors of Enka İnsaat by the General Assembly in its ordinary Meeting held on 28 March 2018; regarding to the distribution of the period between 1 January – 30 September 2018 profit, it is resolved to distribute, as of the date of 14 December 2018 a total TL 200,000 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 4.00% gross and 3.40% net per share.



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**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 2018	31 December 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	98,209	170,316
Trade receivables	102,603	58,951
Other receivables	294	43
Inventories	3,999	4,468
Costs and estimated earnings in excess of billings on uncompleted contracts	6,754	7,713
Other current assets	11,984	13,126
<b>Group's share in current assets of joint operations</b>	<b>223,843</b>	<b>254,617</b>
<b>Non-Current Assets</b>		
Cost	67,826	73,775
Accumulated depreciation	(41,085)	(46,469)
<b>Group's share in joint operations in property, plant and equipment</b>	<b>26,741</b>	<b>27,306</b>
Other non-current assets	-	8,086
<b>Group's share in non-current assets of joint operations</b>	<b>-</b>	<b>8,086</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade payables	29,724	21,829
Billings in excess of costs and estimated earnings on uncompleted contracts	138,965	187,053
Provisions	5,803	5,264
Provisions for employee benefits	5,943	6,422
Other current liabilities	3,744	9,080
<b>Group's share in current liabilities of joint operations</b>	<b>184,179</b>	<b>229,648</b>
<b>Non-Current Liabilities</b>		
Other non-current liabilities	-	1,250
<b>Group's share in non-current liabilities of joint operations</b>	<b>-</b>	<b>1,250</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 2018	1 January - 31 December 2017
Revenue	490,613	410,603
Cost of revenue	(362,195)	(301,889)
Other operating expenses	(42)	(2,502)
Financial income	323	220
Financial expenses	(4,512)	(55)
Taxation charge	(2,857)	(4,672)
<b>Net profit</b>	<b>121,330</b>	<b>101,705</b>

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**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:**

Business segments:

	1 January - 31 December 2018					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	939,156	328,438	157,331	1,456,518	-	2,881,443
Inter-segment revenues	71,354	533	7,889	17,049	(96,825)	-
Cost of revenues (-)	(727,457)	(112,024)	(126,316)	(1,186,969)	-	(2,152,766)
Inter-segment cost of revenues (-)	(71,354)	-	(7,889)	(17,049)	96,292	-
<b>Gross profit</b>	<b>211,699</b>	<b>216,947</b>	<b>31,015</b>	<b>269,549</b>	<b>(533)</b>	<b>728,677</b>
Administrative expenses (-)	(60,561)	(14,510)	(7,486)	(8,337)	633	(90,261)
Marketing, selling and distribution expenses (-)	(10,286)	(4,974)	(7,666)	-	-	(22,926)
Other operating income	57,121	5,704	2,890	11,416	-	77,131
Other operating expenses (-)	(26,150)	(1,359)	(3,433)	(268)	-	(31,210)
<b>Profit from operations</b>	<b>171,823</b>	<b>201,808</b>	<b>15,320</b>	<b>272,360</b>	<b>100</b>	<b>661,411</b>
Investment income	162,611	40,536	-	13	-	203,160
Investment expenses (-)	(361,425)	(20,508)	-	(22,060)	-	(403,993)
<b>Profit from operations Before financial income/(expenses)</b>	<b>(26,991)</b>	<b>221,836</b>	<b>15,320</b>	<b>250,313</b>	<b>100</b>	<b>460,578</b>
Financial income	26,369	2,057	12,878	15,224	(2,263)	54,265
Financial expenses (-)	(28,639)	(13,300)	(3,296)	(9,009)	2,261	(51,983)
<b>Profit before tax</b>	<b>(29,261)</b>	<b>210,593</b>	<b>24,902</b>	<b>256,528</b>	<b>98</b>	<b>462,860</b>
Current tax expense (-)	(22,598)	(30,837)	(3,526)	(42,731)	-	(99,692)
Deferred tax expense (-)	4,608	(10,876)	(984)	(21,916)	-	(29,168)
<b>Profit for the year from continuing operations</b>	<b>(47,251)</b>	<b>168,880</b>	<b>20,392</b>	<b>191,881</b>	<b>98</b>	<b>334,000</b>
	31 December 2018					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	4,154,590	2,014,801	242,280	1,384,610		7,796,281
<b>Total assets</b>	<b>4,154,590</b>	<b>2,014,801</b>	<b>242,280</b>	<b>1,384,610</b>		<b>7,796,281</b>
Segment liabilities	613,938	369,409	110,999	520,717		1,615,063
<b>Total liabilities</b>	<b>613,938</b>	<b>369,409</b>	<b>110,999</b>	<b>520,717</b>		<b>1,615,063</b>
	1 January - 31 December 2018					
<b>Other segment information</b>	Construction contracts	Rental	Trade	Energy		Consolidated
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	68,559	58,990	441	2,848		130,838
Intangible assets	6,166	83	-	207		6,456
<b>Total capital expenditures</b>	<b>74,725</b>	<b>59,073</b>	<b>441</b>	<b>3,055</b>		<b>137,294</b>
Depreciation expenses	35,213	2,329	1,192	53,594		92,328
Amortization expenses	2,549	88	9	140		2,786



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**5. SEGMENTAL INFORMATION (cont'd)****a) Business segments (cont'd)**

1 January - 31 December 2017						
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	1,032,871	318,977	227,964	1,319,772	-	2,899,584
Inter-segment revenues	162,137	-	6,281	17,197	(185,615)	-
Cost of revenues (-)	(811,523)	(103,248)	(179,760)	(1,054,443)	-	(2,148,974)
Inter-segment cost of revenues (-)	(162,137)	-	(6,281)	(17,197)	185,615	-
<b>Gross profit</b>	<b>221,348</b>	<b>215,729</b>	<b>48,204</b>	<b>265,329</b>	<b>-</b>	<b>750,610</b>
Administrative expenses (-)	(66,832)	(17,169)	(8,389)	(9,226)	-	(101,616)
Marketing, selling and distribution expenses (-)	(9,811)	(5,576)	(11,215)	(10)	-	(26,612)
Other operating income	38,693	1,218	766	1,544	-	42,221
Other operating expenses (-)	(19,541)	(4,148)	(2,296)	(224)	-	(26,209)
<b>Profit from operations</b>	<b>163,857</b>	<b>190,054</b>	<b>27,070</b>	<b>257,413</b>	<b>-</b>	<b>638,394</b>
Investment income	346,658	58,723	16	41	-	405,438
Investment expenses (-)	(92,628)	(47,975)	-	(33,091)	-	(173,694)
<b>Profit from operations Before financial income/(expenses)</b>	<b>417,887</b>	<b>200,802</b>	<b>27,086</b>	<b>224,363</b>	<b>-</b>	<b>870,138</b>
Financial income	14,939	2,245	5,381	4,782	(4,106)	23,241
Financial expenses (-)	(10,891)	(3,268)	(6,494)	(1,625)	4,106	(18,172)
<b>Profit before tax</b>	<b>421,935</b>	<b>199,779</b>	<b>25,973</b>	<b>227,520</b>	<b>-</b>	<b>875,207</b>
Current tax expense (-)	(42,179)	(38,735)	(5,763)	(31,348)	-	(118,025)
Deferred tax expense (-)	(7,030)	(8,677)	(625)	(26,854)	-	(43,186)
<b>Profit for the year from continuing operations</b>	<b>372,726</b>	<b>152,367</b>	<b>19,585</b>	<b>169,318</b>	<b>-</b>	<b>713,996</b>

31 December 2017					
	Construction contracts	Rental	Trade	Energy	Consolidated
Segment assets	4,232,520	2,204,963	230,174	1,363,632	8,031,289
<b>Total assets</b>	<b>4,232,520</b>	<b>2,204,963</b>	<b>230,174</b>	<b>1,363,632</b>	<b>8,031,289</b>
Segment liabilities	696,449	430,388	91,396	529,243	1,747,476
<b>Total liabilities</b>	<b>696,449</b>	<b>430,388</b>	<b>91,396</b>	<b>529,243</b>	<b>1,747,476</b>

1 January - 31 December 2017					
	Construction contracts	Rental	Trade	Energy	Consolidated
<b>Other segment information</b>					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	81,264	139,709	281	28,502	249,756
Intangible assets	12,298	113	48	141	12,600
<b>Total capital expenditures</b>	<b>93,562</b>	<b>139,822</b>	<b>329</b>	<b>28,643</b>	<b>262,356</b>
Depreciation expenses	45,794	2,444	1,018	54,414	103,670
Amortization expenses	2,199	86	41	141	2,467

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**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 2018, revenue amounting to USD 1,456,518 (31 December 2017 - USD 1,319,772) 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 2018, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 1,065,214 (31 December 2017 - USD 908,581) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds 10%.

**b) Geographical segments**

1 January - 31 December 2018						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	1,852,937	610,892	137,211	280,403	-	2,881,443
Inter-segment sales	49,382	47,443	-	-	(96,825)	-
Capital expenditures	46,341	63,337	18,082	9,534	-	137,294

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

1 January - 31 December 2017						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	1,867,310	681,436	164,836	186,002	-	2,899,584
Inter-segment sales	65,838	119,777	-	-	(185,615)	-
Capital expenditures	98,160	142,763	8,282	13,151	-	262,356

31 December 2017						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,073,605	2,630,522	101,135	226,027	-	8,031,289



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**6. CASH AND CASH EQUIVALENTS**

	31 December 2018	31 December 2017
Cash on hand	1,910	1,769
Cash in bank		
Demand deposits	337,634	312,195
Time deposits	284,984	464,379
Other	2,184	3,375
	<u>626,712</u>	<u>781,718</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>625,712</u>	<u>780,718</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 2018 and 2017 are detailed below:

	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	76,784	42,400
Foreign Government bonds		
- International markets	352,639	99,716
Equity securities		
- International markets	428,954	323,449
Mutual funds		
- International markets	41,140	113,321
	<u>899,517</u>	<u>578,886</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 2018 and 2017 are detailed below:

	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	1,417,956	1,744,174
Foreign Government bonds		
- International markets	294,480	358,234
Turkish Government bonds		
- International markets	12,927	15,955
Equity securities	101	309
	<u>1,725,464</u>	<u>2,118,672</u>

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

	31 December 2018	31 December 2017
Private Sector Bonds - International markets	28 March 2073	28 March 2073
Foreign Government Bonds - International markets	17 October 2044	17 October 2044
Turkish Government Bonds - International markets	14 January 2041	14 January 2041



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**8. FINANCIAL LIABILITIES****a) Bank loans**

	31 December 2018			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
<b>Short-term borrowings:</b>				
Short-term bank borrowings	2.02%	EUR	20,823	23,859
	4.50%	USD	1,242	1,242
	1.65%	JPY	3,257,370	29,439
Total short-term borrowings				<u>54,540</u>
<b>Long-term borrowings:</b>				
Other long-term bank borrowings (*)	5.10%	USD	23,823	23,823
	2.55%	EUR	20,932	23,984
	1.65%	JPY	6,128,276	55,386
Finance lease obligations				94,076
				<u>197,269</u>
Less: Current portion of long-term borrowings				(18,914)
Total long-term borrowings				<u>178,355</u>

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

	31 December 2017			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
<b>Short-term borrowings:</b>				
Short-term bank borrowings	1.04%	EUR	33,500	40,103
	0.00%	TL	7	2
Total short-term borrowings				<u>40,105</u>
<b>Long-term borrowings:</b>				
Other long-term bank borrowings (*)	2.50%	EUR	50,090	59,965
	1.64%	JPY	7,808,046	69,182
Finance lease obligations				142,258
				<u>271,405</u>
Less: Current portion of long-term borrowings				(37,598)
Total long-term borrowings				<u>233,807</u>

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

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**8. FINANCIAL LIABILITIES (cont'd)****a) Bank loans (cont'd)**

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

	31 December 2018	31 December 2017
Less than 1 year	15,456	32,225
1 - 2 years	39,049	32,123
2 - 3 years	29,958	32,017
3 - 4 years	15,806	17,867
4 - 5 years	2,924	14,915
More than 5 years	-	-
Less : Current portion of long-term borrowings	(15,457)	(32,225)
	<u>87,736</u>	<u>96,922</u>

The reconciliation of the cash flows arising from the financing activities of the year ended 31 December 2018 and the movements in liabilities is as follows:

	31 December 2017	Cash flows	Non-cash		31 December 2018
			Exchange rate change	Other non-cash movements	
Short term bank loans	40,105	(18,264)	(1,895)	34,594	54,540
Long term bank loans	129,147	9,786	(1,697)	(34,043)	103,193
Lease obligations (ST)	5,373	(3,458)	792	751	3,458
Lease obligations (LT)	136,885	(5,373)	(20,999)	(19,895)	90,618
Total liabilities arising from financing activities	<u>311,510</u>	<u>(17,309)</u>	<u>(23,799)</u>	<u>(18,593)</u>	<u>251,809</u>

The reconciliation of the cash flows arising from the financing activities of the year ended 31 December 2017 and the movements in liabilities is as follows:

	31 December 2016	Cash flows	Non-cash		31 December 2017
			Exchange rate change	Other non-cash movements	
Short term bank loans	24,279	11,621	4,002	203	40,105
Long term bank loans	122,603	(3,436)	9,996	(16)	129,147
Lease obligations (ST)	-	(5,373)	7,281	3,465	5,373
Lease obligations (LT)	132,515	(4,612)	6,251	2,731	136,885
Total liabilities arising from financing activities	<u>279,397</u>	<u>(1,800)</u>	<u>27,530</u>	<u>6,383</u>	<u>311,510</u>



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**8. FINANCIAL LIABILITIES (cont'd)****b) Finance lease obligations**

	31 December 2018			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	3.00%	RUB	240,203	3,458
				<u>3,458</u>
Long-term	3.00%	RUB	6,295,303	90,618
				<u>90,618</u>
				<u>94,076</u>
	31 December 2017			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	3.00%	RUB	309,504	5,373
				<u>5,373</u>
Long-term	3.00%	RUB	7,884,622	136,885
				<u>136,885</u>
				<u>142,258</u>

**c) Finance lease commitments**

As of 31 December 2018 and 2017, repayment schedule of finance lease obligations are as follows:

	31 December 2018	31 December 2017
Less than 1 year	3,458	5,373
1 - 5 years	18,063	25,912
More than 5 years	72,555	110,973
Total finance lease obligations	<u>94,076</u>	<u>142,258</u>

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

	31 December 2018	31 December 2017
Short-term trade receivables		
Trade receivables, net	337,490	161,406
Contract receivables	174,825	151,315
Notes and cheques receivables, net	1,632	4,764
Retention receivables (*)	7,892	11,634
	<u>521,839</u>	<u>329,119</u>
Less: Allowance for doubtful receivables	(15,901)	(22,660)
	<u>505,938</u>	<u>306,459</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.

For the years ended 31 December 2018 and 2017, movement of allowance for doubtful receivables is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at beginning of the year	22,660	28,947
Additional provision (Note 26)	1,694	130
Foreign currency translation effect	1,073	2,096
Amounts recovered during the year (Note 26)	(122)	(17)
Write-offs (*)	(9,404)	(8,496)
Closing balance	<u>15,901</u>	<u>22,660</u>

(\*) Allowances of the previous periods which were decided as bad debts were written-off as of 31 December 2018 and 2017.

	31 December 2018	31 December 2017
Long-term trade receivables		
Notes and cheques receivables, net	-	1,066
Trade receivables, net	44,103	45,811
	<u>44,103</u>	<u>46,877</u>

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



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**9. TRADE RECEIVABLES AND PAYABLES (cont'd)****b) Trade payables**

	31 December 2018	31 December 2017
<b>Short-term trade payables</b>		
Trade payables	342,686	153,166
Notes payable	246	88
Other trade payables	1,468	308
	<u>344,400</u>	<u>153,562</u>
<b>Long term trade payables</b>		
Trade payables	-	59,002
	<u>-</u>	<u>59,002</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 2018	31 December 2017
<b>Short-term other receivables</b>		
Deposits and guarantees given	1,033	793
Other receivables from related parties (Note 33)	20	21
	<u>1,053</u>	<u>814</u>

**b) Other payables**

	31 December 2018	31 December 2017
<b>Short-term other payables</b>		
Deposits and guarantees taken	20,776	19,513
Other payables to related parties (Note 33)	29	34
	<u>20,805</u>	<u>19,547</u>
<b>Long-term other payables</b>		
Deposits and guarantees taken	24,927	17,192
Other taxes payable	82	802
Other payable	-	3
	<u>25,009</u>	<u>17,997</u>

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**11. INVENTORIES**

	31 December 2018	31 December 2017
Raw materials and spare parts	173,162	150,975
Work in progress	38,730	23,783
Trade goods (machinery and others)	68,174	29,855
Finished goods	2,768	4,897
Goods in transit	4,103	3,542
Construction materials	20,815	12,984
Allowance for impairment on inventory (*)	(670)	(2,264)
	<u>307,082</u>	<u>223,772</u>

(\*) As of 31 December 2018 and 2017, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 December 2018, there is not any pledge on inventories (31 December 2017 - None).

**12. CONSTRUCTION CONTRACTS**

	31 December 2018	31 December 2017
Costs incurred on uncompleted contracts	2,489,083	2,259,859
Recognized profit less recognized losses to date, net	439,169	384,951
	<u>2,928,252</u>	<u>2,644,810</u>
Less: Progress billing	(3,050,258)	(2,900,271)
	<u>(122,006)</u>	<u>(255,461)</u>

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

	31 December 2018	31 December 2017
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	45,203	12,168
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(167,209)	(267,629)
	<u>(122,006)</u>	<u>(255,461)</u>

As of 31 December 2018, the amount of advances received of subsidiaries and companies shares in joint operations is USD 42,809 (31 December 2017: USD 26,322).



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13. INVESTMENT PROPERTIES

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	2,081,941	1,886,911
Currency translation difference	(240,186)	62,260
Change in fair value, net (Note 27)	18,734	(1,781)
Additions	57,283	136,569
Change in present value of lease obligations	(26,694)	(2,018)
Closing balance	<u>1,891,078</u>	<u>2,081,941</u>

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2018 and 2017 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 2017 - USD 11,021).

“Krasconsalt” which is licenced by Russian Federation as an independent valuation firm, has revalued the fair values of the investment properties of the Group in Russia.

Investment properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2018, the fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 12.52 million RUB equivalent to USD 180,221 (31 December 2017 - 11.96 million RUB equivalent to USD 207,690), Mosenka; 4.41 million RUB equivalent to USD 63,480 (31 December 2017 - 4.40 million RUB equivalent to USD 76,407), Enka TC; 58.09 million RUB equivalent to USD 836,188 (31 December 2017 – 53.66 million RUB equivalent to USD 931,656).

The fair values of the investment properties of the Company in Russia, determined at 31 December 2018 as USD 705,963 (31 December 2017 - USD 712,907). 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.

Valuation models such as income capitalization, discounted cash flow model and market value model 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 11.70% to 14.40% and 11.60% to 14.10% (31 December 2017 – 11.02% to 15.04% and 11.33% to 15.35%) respectively.

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13. INVESTMENT PROPERTIES (cont'd)

For the years ended 31 December 2018 and 2017 fair value hierarchy table of investment properties is as follows:

	31 December 2018	Fair value as at 31 December 2018		
		1. Level USD	2. Level USD	3. Level USD
Investment properties in Russia	1,880,057	-	-	1,880,057
Investment properties in Turkey	11,021	-	11,021	-
Total	<u>1,891,078</u>	<u>-</u>	<u>11,021</u>	<u>1,880,057</u>

	31 December 2017	Fair value as at 31 December 2017		
		1. Level USD	2. Level USD	3. Level USD
Investment properties in Russia	2,070,920	-	-	2,070,920
Investment properties in Turkey	11,021	-	11,021	-
Total	<u>2,081,941</u>	<u>-</u>	<u>11,021</u>	<u>2,070,920</u>

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



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14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircraft (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2018	241,213	178,768	2,233,757	36,642	58,213	23,495	14,899	16,637	11,268	2,814,892
Currency translation differences	(2,492)	(9,390)	(5,507)	(1,327)	(1,704)	445	-	(199)	120	(20,054)
Revaluation (**)	-	1,213	-	-	-	-	-	-	-	1,213
Additions	100	3,128	39,948	3,252	3,093	1,266	-	1,110	21,658	73,555
Other reclassifications (***)	617	7,507	6,306	(1,664)	166	83	-	(134)	(12,881)	-
Disposals	(2)	(5,994)	(39,347)	(3,309)	(1,862)	(3,145)	-	(1,620)	(2,045)	(57,324)
Transfers to intangible assets	-	-	-	-	-	-	-	-	(6,208)	(6,208)
Closing balance as of 31 December 2018	239,436	175,232	2,235,157	33,594	57,906	22,144	14,899	15,794	11,912	2,806,074
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2018	(30,319)	(25,981)	(1,029,864)	(22,043)	(46,872)	(21,649)	(10,930)	(12,583)	-	(1,200,241)
Currency translation differences	(47)	232	2,510	617	1,210	(445)	54	503	-	4,634
Charge of the year	(1,163)	(6,813)	(76,227)	(1,931)	(3,371)	(698)	(995)	(1,130)	-	(92,328)
Other reclassifications (***)	-	200	(1,832)	1,804	(210)	(35)	265	(192)	-	-
Disposals	-	4,425	23,393	1,958	1,544	3,100	-	1,835	-	36,255
Closing balance as of 31 December 2018	(31,529)	(27,937)	(1,082,020)	(19,595)	(47,699)	(19,727)	(11,606)	(11,567)	-	(1,251,680)
Net book value as of 1 January 2018	210,894	152,787	1,203,893	14,599	11,341	1,846	3,969	4,054	11,268	1,614,651
Net book value as of 31 December 2018	207,907	147,295	1,153,137	13,999	10,207	2,417	3,293	4,227	11,912	1,554,394

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

(\*\*) As of 31 December 2018, Group's investments in hotel building of OMKH 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.

(\*\*\*) 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)

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircraft (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2017	235,982	165,226	2,160,577	34,375	55,584	22,889	14,899	14,796	16,922	2,721,250
Currency translation differences	4,676	6,533	10,508	1,079	1,022	96	-	(254)	1,150	24,810
Revaluation (**)	-	(5,390)	-	-	322	-	-	(322)	-	(5,390)
Additions	146	2,534	23,937	2,709	3,548	528	-	2,675	77,110	113,187
Other reclassifications (***)	-	-	-	-	-	-	-	-	-	-
Disposals	(80)	(5,233)	(28,635)	(1,689)	(2,495)	(18)	-	(264)	(551)	(38,965)
Transfers from construction in progress	489	15,098	67,370	168	232	-	-	6	(83,363)	-
Closing balance as of 31 December 2017	241,213	178,768	2,233,757	36,642	58,213	23,495	14,899	16,637	11,268	2,814,892
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2017	(27,634)	(20,622)	(964,218)	(20,066)	(44,458)	(20,871)	(9,935)	(11,441)	-	(1,119,245)
Currency translation differences	(28)	(76)	(4,439)	(201)	(595)	(63)	-	42	-	(5,360)
Revaluation (**)	-	(397)	-	-	(98)	-	-	98	-	(397)
Charge of the year	(2,657)	(7,089)	(84,584)	(2,997)	(3,336)	(728)	(995)	(1,284)	-	(103,670)
Disposals	-	2,205	23,227	1,390	1,593	13	-	3	-	28,431
Other reclassifications (***)	-	(2)	150	(169)	22	-	-	(1)	-	-
Closing balance as of 31 December 2017	(30,319)	(25,981)	(1,029,864)	(22,043)	(46,872)	(21,649)	(10,930)	(12,583)	-	(1,200,241)
Net book value as of 1 January 2017	208,348	144,604	1,196,359	14,309	11,126	2,018	4,964	3,355	16,922	1,602,005
Net book value as of 31 December 2017	210,894	152,787	1,203,893	14,599	11,341	1,846	3,969	4,054	11,268	1,614,651

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

(\*\*) As of 31 December 2017, Group's investments in hotel building of OMKH 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.

(\*\*\*) 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 2018, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to USD 4,001 (31 December 2017 - USD 4,063) and USD 3,838 (31 December 2017 - USD 3,867).

As of 31 December 2018, there is no security on the property, plant and equipment of the Group (31 December 2017 - None).

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

	31 December 2018	31 December 2017
Cost	290,406	292,216
Accumulated depreciation	(96,581)	(99,553)
Net book value	<u>193,825</u>	<u>192,663</u>

The distribution of depreciation expenses as of 31 December 2018 and 2017 is presented in Note 25.

As of 31 December 2018 and 2017 fair value hierarchy table of fixed asset is as follows:

	31 December 2018	Fair value as at 31 December 2018		
		1. Level USD	2. Level USD	3. Level USD
Lands	207,907	-	207,907	-
Buildings	147,295	-	-	147,295
Total	<u>355,202</u>	<u>-</u>	<u>207,907</u>	<u>147,295</u>

	31 December 2017	Fair value as at 31 December 2017		
		1. Level USD	2. Level USD	3. Level USD
Lands	210,894	-	210,894	-
Buildings	152,787	-	-	152,787
Total	<u>363,681</u>	<u>-</u>	<u>210,894</u>	<u>152,787</u>

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

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**15. OTHER INTANGIBLE ASSETS**

	1 January - 31 December 2018	1 January - 31 December 2017
<u>Cost</u>		
Opening balance	50,691	37,325
Currency translation difference	(856)	773
Additions	6,456	12,600
Transfer from fixed assets	6,208	-
Disposals	<u>(404)</u>	<u>(7)</u>
Closing balance	<u>62,095</u>	<u>50,691</u>
<u>Accumulated amortization</u>		
Opening balance	(15,732)	(12,863)
Currency translation difference	485	(407)
Charge of the year	(2,786)	(2,467)
Disposals	<u>-</u>	<u>5</u>
Closing balance	<u>(18,033)</u>	<u>(15,732)</u>
Carrying value	<u>44,062</u>	<u>34,959</u>

As of 31 December 2018, there is not any pledge on intangible assets (31 December 2017 - None).

The distribution of amortization expenses as of 31 December 2018 and 2017 is presented in Note 25.

**16. GOODWILL**

The Group had acquired the remaining part and increased to 100% interest stake in the Power Companies, where the Company had 40% shareholding. Regarding these acquisitions goodwill amounting to USD 22,077 was recorded in the consolidated financial statements as of 31 December 2017.

In accordance with the accounting policies described in Note 2.5, the Group reviews carrying amount of goodwill for impairment annually, or more frequently in cases where the circumstances indicate impairment. As of 31 December 2018, the Group tested impairment of carrying amount of goodwill by comparing the recoverable amount which is determined by value in use calculations. These calculations are based on projected before-tax cash flows based on financial budgets/forecasts approved by the Board of Directors. Expected growth rates are used to discount projected cash flows for periods greater than five years. Operating market growth rates, per capita gross domestic product and pricing information such as indices, have been acquired from outside sources. Estimations related to parameters such as selling prices, working capital requirements and fixed assets investments are based on Group’s predictions and previous period realizations. In this analysis, USD currency and 9.00% (31 December 2017 - 9.25%) weighted average cost of capital has been used for estimation on Group’s discounted cash flow over approved financial budget till 2033. The Group predicts that analysis which is related more than five years period regarding evaluation of results and estimations are more appropriate therefore impairment test bases fifteen year plans.

For the years ended 31 December 2018 and 2017, the movement of goodwill is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	22,077	55,168
Impairment loss	<u>(22,077)</u>	<u>(33,091)</u>
Closing balance	<u>-</u>	<u>22,077</u>



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**17. PREPAID EXPENSES AND DEFERRED INCOME**

	31 December 2018	31 December 2017
<b>Short-term Prepaid Expenses</b>		
Advances given	26,757	45,100
Prepaid expenses	19,133	45,003
	<u>45,890</u>	<u>90,103</u>
	31 December 2018	31 December 2017
<b>Long-term Prepaid Expenses</b>		
Advances given	627	-
Prepaid expenses	5,799	18,745
	<u>6,426</u>	<u>18,745</u>
	31 December 2018	31 December 2017
<b>Short-term Deferred Income</b>		
Advances taken	88,063	25,043
Deferred income	51,305	199,191
	<u>139,368</u>	<u>224,234</u>
	31 December 2018	31 December 2017
<b>Long-term Deferred Income</b>		
Advances taken	494	3,550
Deferred rent revenue	585	862
	<u>1,079</u>	<u>4,412</u>

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

	31 December 2018	31 December 2017
<b>Short-term accrued expenses</b>		
Accrual for construction costs	34,669	21,832
Provision for legal claims	13,180	13,347
Accrued expenses	3,604	10,978
Forward accrual (*)	-	4,045
Other accrued expenses	177	593
	<u>51,630</u>	<u>50,795</u>

**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 2018 and 2017, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

	31 December 2018			
	Unrealized Loss	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	5,176	-	-	-
Forward contracts sales agreements	-	146,719	-	-
Forward contracts purchase agreements	-	149,966	-	-
	31 December 2017			
	Unrealized Loss	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(3,881)	-	-	-
Forward contracts sales agreements	-	91,223	-	-
Forward contracts purchase agreements	-	87,189	-	-



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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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Within one year	282,151	260,192
After one year but not more than five years	654,427	595,788
More than 5 years	299,534	273,273
	<u>1,236,112</u>	<u>1,129,253</u>

Litigations

As of 31 December 2018, the international arbitration which has been filed by the Group for the losses incurred and unbilled receivables related to the joint operation in Oman was under progress. Necessary provisions have been reserved in the Group’s consolidated financial statements.

As of 31 December 2018, The group has initiated necessary legal procedures regarding its receivables from overseas projects which is amounting to USD 38,211.

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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 2018 and 2017 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	31 December 2018		31 December 2017	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		578,382		510,867
-USD	337,120	337,120	346,577	346,577
-EUR	140,435	160,912	76,192	91,213
-TL	132,544	25,194	79,838	21,166
-Others (*)		55,156		51,911
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		64,751		69,282
-USD	85	85	85	85
-EUR	-	-	-	-
-TL	826	157	826	219
-Others (*)		64,509		68,978
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		-		-
i. Total amount of guarantees given on behalf of the parent company		-		-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C		-		-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>643,133</u>		<u>580,149</u>

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

As of 31 December 2018 the portion of other guarantess given to shareholders’ equity is 0% (31 December 2017 - 0%).



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

	31 December 2018	31 December 2017
Payroll payable	19,751	26,704
	<u>19,751</u>	<u>26,704</u>

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

	31 December 2018	31 December 2017
Bonus accrual	7,426	12,143
Vacation pay liability	7,354	8,317
	<u>14,780</u>	<u>20,460</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 5,435 equivalent to full USD 1,034 (31 December 2017 - full TL 4,732 equivalent to full USD 1,255) per year of employment at the rate of pay applicable at the date of retirement or termination.

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, 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 4.11% real discount rate, assuming an annual inflation rate of 9.5% and a discount rate of 14.00% (31 December 2017 – 4.69 %).

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 6,018 which is in effect since 1 January 2019 is used in the calculation of Groups' provision for retirement pay liability (1 January 2018 – full TL 5,001).

Movements of the provision for employee termination benefits for the years ended 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	15,520	16,290
Service cost	1,984	2,890
Actuarial loss	(451)	1,345
Retirement benefits paid	(2,067)	(3,877)
Currency translation difference	(1,677)	(1,128)
Closing balance	<u>13,309</u>	<u>15,520</u>

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**21. OTHER ASSETS AND LIABILITIES**

	31 December 2018	31 December 2017
Other current assets		
Deferred VAT	11,783	8,550
VAT receivable	19,916	25,867
Prepaid taxes and funds	26,771	13,554
Other	8,211	20,754
	<u>66,681</u>	<u>68,725</u>

	31 December 2018	31 December 2017
Other non-current assets		
Prepayment for land leases	3,400	3,441
Other	487	886
	<u>3,887</u>	<u>4,327</u>

	31 December 2018	31 December 2017
Other current liabilities		
VAT payable	17,421	27,908
Taxes and funds payable	10,654	20,398
Other	653	430
	<u>28,728</u>	<u>48,736</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 2018 and 2017 is as follows:

	31 December 2018		31 December 2017	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.72%	1,312,279	49.52%	1,266,129
Vildan Gülçelik	7.99%	210,883	7.99%	204,289
Sevda Gülçelik	6.43%	169,709	6.43%	164,402
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	154,929	5.87%	150,084
Other	29.99%	791,538	30.19%	771,899
	100%	2,639,338	100%	2,556,803
Purchase of treasury shares (*)		(55,725)		(25,866)
		2,583,613		2,530,937

(\*) Group's buyback transactions have reached 30,000,000 shares (2017 - 9,200,000) in 2018. Group has paid USD 55,725 (2017 – 25,866 USD) for the buyback transactions.

Based on the Group's Ordinary General Assembly held on 28 March 2018 ; it has been resolved to increase the share capital from TL 4,600,000 to TL 5,000,000; and covered the TL 400,000 from dividend.

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

The emitted Share Capital of the Company is divided into total 5.000.000.000 Shares, each having a nominal value of TL 1. Any Shareholders or their proxies or attorneys or representatives taking part in any General Assembly meetings have (1) vote for each Share Certificate they hold.

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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 the years 2018 and 2017 is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	176,262	182,004
Currency translation difference	(1,068)	315
Revaluation of fixed assets	1,213	(5,787)
Deferred tax effect of revaluation of fixed assets	(5,728)	1,185
Transfer of depreciation difference (net of deferred tax) of revaluation effect	(1,337)	(1,455)
Closing balance	169,342	176,262

**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 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)**

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 2018, legal reserves of Enka İnşaat are amounting to TL 853,222 equivalent to USD 162,182 (31 December 2017 – TL 703,819 equivalent to USD 186,595).

The movement of the share capital (in numbers and in historical TL) of the Group during 31 December 2018 and 2017 is as follows:

	31 December 2018		31 December 2017	
	Number	TL	Number	TL
At 1 January,	4,581,600,000	4,581,600	419,160,000,000	4,191,600
Bonus shares issued out of general reserve	398,400,000	398,400	39,920,000,000	399,200
Treasury shares	(30,000,000)	(30,000)	(920,000,000)	(9,200)
	<u>4,950,000,000</u>	<u>4,950,000</u>	<u>458,160,000,000</u>	<u>4,581,600</u>

At the general assembly meeting held on 28 March 2018 , as of 31 December 2017 the Group has agreed and accepted to change the nominal value of each share from (1) Full Kr to (1) Full TL and the change has been registered in the Trade Registry on 2 April 2018.

**d) Remeasurement of defined benefit plans**

As a result of adoption of IAS 19, actuarial gains and losses are recognized as other comprehensive income.

**23. SALES AND COST OF SALES**

	1 January - 31 December 2018	1 January - 31 December 2017
<b>Sales</b>		
Domestic sales	1,852,937	1,867,310
Export sales	1,028,506	1,032,274
	<u>2,881,443</u>	<u>2,899,584</u>
<b>Cost of Sales</b>		
Cost of domestic sales	1,496,959	1,467,469
Cost of export sales	655,807	681,505
	<u>2,152,766</u>	<u>2,148,974</u>

Segmental information of the Group is disclosed in Note 5.

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

	1 January - 31 December 2018	1 January - 31 December 2017
Administrative expenses	90,261	101,616
Marketing, sales and distribution expenses	22,926	26,612
	<u>113,187</u>	<u>128,228</u>

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

	1 January - 31 December 2018	1 January - 31 December 2017
Employee benefit expenses	16,390	16,783
Advirtesement & Commission Expenses	2,298	3,771
Transportation expenses	1,365	1,468
Office expenses	641	778
Business development expenses	188	611
Depreciation and amortization expenses (Note 25)	333	56
Other	1,711	3,145
	<u>22,926</u>	<u>26,612</u>

**b) General administrative expenses**

	1 January - 31 December 2018	1 January - 31 December 2017
Employee benefit expenses	49,494	55,865
Consulting and legal expenses	7,754	6,992
Depreciation and amortization expenses (Note 25)	6,164	6,987
Insurance expense	4,472	5,216
Transportation expenses	5,086	4,902
Office Expenses	2,884	4,346
Rent expenses	1,149	849
Other	13,258	16,459
	<u>90,261</u>	<u>101,616</u>



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**25. EXPENSES BY NATURE**

Depreciation and amortization expenses are detailed below:

	1 January - 31 December 2018	1 January - 31 December 2017
<u>Depreciation expenses</u>		
Cost of revenues	86,248	96,722
Selling and administrative expenses	6,080	6,948
	<u>92,328</u>	<u>103,670</u>
<u>Amortization expenses</u>		
Cost of revenues	2,369	2,372
Selling and administrative expenses	417	95
	<u>2,786</u>	<u>2,467</u>
	<u>95,114</u>	<u>106,137</u>

Employee benefit expenses are detailed below:

	1 January - 31 December 2018	1 January - 31 December 2017
Wages and salaries	192,013	228,180
Social security costs	36,023	45,258
Provision for employee termination benefits	1,984	4,235
Other benefits	7,618	3,238
	<u>237,638</u>	<u>280,911</u>

**26. OTHER OPERATING INCOME / EXPENSES**

	1 January - 31 December 2018	1 January - 31 December 2017
<u>Other operating income</u>		
Reversal of provision	-	22,818
Foreign exchange gains from trade receivables	14,631	8,879
Machinery and other rent income	1,214	1,500
Repaired spare parts gained as an inventory	7,124	1,440
Compensation income (*)	44,288	1,013
Insurance income	372	905
Service income	729	725
Collection of doubtful receivables (Note 9)	122	17
Commission income	12	3
Other	8,639	4,921
	<u>77,131</u>	<u>42,221</u>

(\*) Settlement income consists of the income accruals of settlements cases in relation to projects amounting to 187,824 TL, and the remaining consists of the settlement income comprised of early annulment of contracts of tenants.

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

	1 January - 31 December 2018	1 January - 31 December 2017
<u>Other operating expense</u>		
Foreign exchange losses from trade receivables	12,989	8,156
Donations	3,749	5,241
Litigation provisions	5,368	2,995
Tax penalties	109	2,523
Commission expense	-	1,028
Capital increase expense	459	537
Provision for doubtful receivables (Note 9)	1,694	130
Loss from change in fair value of lands	-	-
Other	6,842	5,599
	<u>31,210</u>	<u>26,209</u>

**27. INVESTMENT INCOME / EXPENSES**

	1 January - 31 December 2018	1 January - 31 December 2017
<u>Income from investing activities</u>		
Interest income from financial investments	115,642	119,347
Increase in value of financial investments	-	151,156
Increase in the fair value of investment properties	39,242	58,723
Foreign exchange income from investing activities	25,689	44,385
Income from sale of securities	9,536	21,481
Dividend income	11,717	9,408
Gains from sales of property, plant and equipment	1,334	938
	<u>203,160</u>	<u>405,438</u>



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

	1 January - 31 December 2018	1 January - 31 December 2017
<b>Expenses from investing activities</b>		
Decrease in the fair value of investment properties	(20,508)	(60,504)
Losses from valuation of investment securities	(314,763)	(44,164)
Foreign exchange losses from investing activities	(45,859)	(35,595)
Goodwill impairment	(22,077)	(33,091)
Losses from sale of securities	(709)	(409)
Loss from sales of property, plant and equipment	(77)	69
	<u>(403,993)</u>	<u>(173,694)</u>

**28. FINANCIAL INCOME**

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	34,155	15,586
Interest income	11,206	7,495
Forward transactions income	8,663	286
Other	241	(126)
	<u>54,265</u>	<u>23,241</u>

**29. FINANCIAL EXPENSES**

	1 January - 31 December 2018	1 January - 31 December 2017
Bank commission expenses	5,313	5,113
Foreign exchange losses	39,989	4,816
Forward transactions losses	144	4,027
Interest expenses	6,043	3,542
Commission expenses of letters of guarantee	494	508
Other	-	166
	<u>51,983</u>	<u>18,172</u>

**30. ASSETS HELD FOR SALE****Lands and buildings held for sale**

As of 31 December 2018, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Enka Kazakhstan Branch in consideration of their doubtful receivables and are amounting to USD 23,376 (31 December 2017 – USD 23,636).

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**31. TAXATION ON INCOME****Corporate Tax**

The Company and its subsidiary in Turkey, are subject to the tax legislation and practices in force in Turkey. The corporation tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporation tax rate is 22% as of 31 December 2018 (2017: 20%). However, in accordance with Article 91 of the "Law on Amendments to Certain Tax Laws and Other Laws" numbered 7061 and published in the Official Gazette dated 5 December 2017 and numbered 30261 and the provisional article 10 added to the Tax Law No.5520. It is foreseen that the corporation tax that should be paid over the profits of the 2018, 2019 and 2020 taxation periods is calculated as 22% and the taxation will be continued with 20% during this period, the Council of Ministers was given the authority to reduce the rate of 22% to 20%.

As of 31 December 2018, provisional tax is payable at the rate of 20% (2017: 20%) on the income generated for the three-month periods pursuant to tax legislation and the amounts paid in this manner are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

Tax legislation in Turkey does not allow to fill consolidated tax returns of the Company and its subsidiary. Therefore, the tax liability reflected in the financial statements is calculated separately for each company.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of the tax year, and tax accounts can be revised.

Turkey the joint-stock companies, corporation tax and non-responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax.

Dividend payments by resident corporations to resident joint-stock company in Turkey again in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

Dividend income (excluding profits from investment funds 'participation certificates and investment trusts' shares) obtained from participating in the capital of another corporation which is fully taxpayable is exempt from corporation tax. In addition, 75% of the profits arising from the sale of founders' shares, redeemable shares and preferential rights of real estates (immovables) owned by the same duration as the participation shares included in the assets of the institutions for at least two full years are exempt from corporate taxation as of December 31, 2018. However, with the amendment made by Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% in tax declarations to be prepared from 2018.

In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made.

**Income Withholding Tax**

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. Income tax withholding 24 April 2003 - 22 July 2006 is 10% among all companies. This rate since 22 July 2006, by the Council of Ministers No. 2006/10731 of 15% is applied. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

**Deferred Tax:**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its consolidated financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.



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

Deferred tax assets and liabilities are calculated by using valid tax rates in related countries.

	1 January - 31 December 2018	1 January - 31 December 2017
Consolidated statement of profit or loss		
Current corporate tax	(99,692)	(118,025)
Deferred tax expense	(29,168)	(43,186)
	<u>(128,860)</u>	<u>(161,211)</u>

**Tax legislations in other countries**

As of 31 December 2018 and 2017 effective corporation tax rate in other countries are as follows:

	31 December 2018	31 December 2017
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:

	2018	2017
1 January	60,188	51,979
Current year tax expense	99,692	118,025
Taxes paid	<u>(106,754)</u>	<u>(109,816)</u>
31 December	<u>53,126</u>	<u>60,188</u>

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 2018 and 2017 is provided below:

	1 January - 31 December 2018		1 January - 31 December 2017	
Profit before tax	462,860		875,207	
Tax per statutory tax rate 22%	101,829	22%	175,041	20%
Jobsites exempt from income tax	(25,328)	(%5.0)	(14,672)	(%0.5)
Effect of different functional currencies and others	52,359	11.3%	842	0.1%
	<u>128,860</u>	<u>28.3%</u>	<u>161,211</u>	<u>19.6%</u>
Taxation charge				

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

As of 31 December 2018 and 2017, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	31 December 2018	31 December 2017
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(435,618)	(439,718)
GE Inventory in the context of "PSA" (*)	(47,378)	(47,975)
Adjustments on financial instruments and derivatives	(18,430)	(19,518)
	<u>(501,426)</u>	<u>(507,211)</u>
Gross deferred income tax liabilities		
Adjustment of revenue levelization	3,099	30,324
Allowance for retirement pay liability	1,852	2,154
Allowance for doubtful receivables	952	1,207
Allowance for inventories	-	543
Others	16,878	8,562
	<u>22,781</u>	<u>42,790</u>
Gross deferred income tax assets		
Net deferred tax liability	<u>(478,645)</u>	<u>(464,421)</u>

(\*) 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 2018	31 December 2017
Deferred tax assets	5,415	2,759
Deferred tax liabilities	<u>(484,060)</u>	<u>(467,180)</u>
Net deferred liabilities	<u>(478,645)</u>	<u>(464,421)</u>

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2018 related with Group's shares in its subsidiaries, branches and associates is USD 2,420,397 (31 December 2017 - USD 1,556,891).



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**31. TAXATION ON INCOME (cont’d)**

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

	2018	2017
Balance at 1 January	464,421	419,902
Deferred income tax expense recognized in consolidated statement of profit or loss	29,168	43,186
Deferred income tax expense recognized in equity	5,819	(1,454)
Currency translation difference	(20,763)	2,787
31 December	478,645	464,421

As of 31 December 2018 and 2017, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 December 2018			31 December 2017		
	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	1,213	(5,728)	(4,515)	(5,787)	1,185	(4,602)
Revaluation loss of defined benefit plans	453	(91)	362	(1,345)	269	(1,076)
Changes in fair value of derivative assets	(1,924)	-	(1,924)	-	-	-
Changes in currency translation differences	(221,192)	-	(221,192)	103,011	-	103,011
	(221,450)	(5,819)	(227,269)	95,879	1,454	97,333

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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 2018.

	31 December 2018	31 December 2017
Earning per share		
- ordinary share certificate (full USD)	0.07	0.14
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 TL each)	4,950,000,000	4,980,000,000
- ordinary share certificate	4,980,000,000	4,989,200,000
- treasury shares	(30,000,000)	(9,200,000)
- founder shares		

(\*) Since 2018 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 (49.72%) (31 December 2017 – 49.52%) and Tara and Gülçelik families (28.14%) (31 December 2017 – 28.01%). 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 2018		31 December 2017	
	Receivables	Payables	Receivables	Payables
Shareholders	-	29	-	34
Enka Spor Kulübü	20	-	21	-
	20	29	21	34

As of 31 December 2018, the Group gained USD 6.62 rent income from related parties (31 December 2017 - USD 7.13). As of 31 December 2018 the Group does not have any sales to related parties (2017 - None).



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**33. RELATED PARTY BALANCES AND TRANSACTIONS (cont’d)****Top management’s remuneration**

The total wages paid for the members of Board of Directors of the Group is amounting to USD 3,318 (31 December 2017 - USD 2,817), the social security payments and retirement pay provisions are USD 400 (31 December 2017 – USD 453) and USD 374 (31 December 2017– USD 234) respectively. Total wages paid for the general manager, general coordinators and vice general managers of the Group (except BOD members), is amounting to USD 13,221 (31 December 2017 – USD 15,156), the social security payment and retirement pay provisions are USD 1,087 (31 December 2017 – USD 1,109) and USD 2,532 (31 December 2017 – USD 1,598) 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 2018 and 2017.

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 2018	31 December 2017
Cash, cash equivalents and financial assets	3,251,693	3,479,276
Less: Total Financial Liabilities	251,809	311,510
Net Assets	2,999,884	3,167,766
Equity	6,181,218	6,283,813
Equity - Net Assets	3,181,334	3,116,047
Total Net Assets to Equity Ratio	48.53%	50.41%

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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 balancing assets and liabilities.

**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 2018 and 2017:

	31 December 2018	31 December 2017
A. Assets denominated in foreign currency	746,603	819,844
B. Liabilities denominated in foreign currency	(400,836)	(406,852)
Net foreign currency position (A+B)	345,767	412,992



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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 2018 and 2017 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

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

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

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

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

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

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



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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 2018 and 2017:

	31 December 2018		31 December 2017	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Devaluation of foreign currency	Valuation of foreign currency	Devaluation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	1,954	(1,954)	6,635	(6,635)
2- Portion hedged against TL risk (-)	(1,178)	1,178	-	-
<b>3- TL net effect (1+2)</b>	<b>776</b>	<b>(776)</b>	<b>6,635</b>	<b>(6,635)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	19,909	(19,909)	13,217	(13,217)
5- Portion hedged against Euro risk (-)	4,258	(4,258)	9,107	(9,107)
<b>6- Euro net effect (4+5)</b>	<b>24,167</b>	<b>(24,167)</b>	<b>22,324</b>	<b>(22,324)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	8,896	(8,896)	16,814	(16,814)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>8,896</b>	<b>(8,896)</b>	<b>16,814</b>	<b>(16,814)</b>
<b>Total (3+6+9)</b>	<b>33,839</b>	<b>(33,839)</b>	<b>45,773</b>	<b>(45,773)</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.

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

**Financial risk factors (cont’d)**

**Credit risk (cont’d)**

31 December 2018	The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	Receivables						Bank deposits	Derivative instruments	Other	Financial assets at fair value through profit or loss (**)
		Trade receivables		Other receivables							
		Related party	3rd party	Related party	3rd party	Bank deposits					
	- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	550,041	20	1,033	624,802	-	-	2,195,926		
A. Financial assets that are either past due or impaired		-	246,316	-	-	-	-	-	2,195,926		
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated		-	509,607	20	1,033	624,802	-	-			
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.		-	40,434	-	-	-	-	-			
D. The amount of financial assets that are impaired		-	-	-	-	-	-	-			
- Past due (Gross book value)		-	15,901	-	-	-	-	-			
- The amount of impairment (-)		-	(15,901)	-	-	-	-	-			
- The amount that have been secured with collaterals, other credit enhancements etc.		-	-	-	-	-	-	-			
- Not past due (Gross book value)		-	-	-	-	-	-	-			
- The amount of impairment (-)		-	-	-	-	-	-	-			
E. Off balance sheet credit risk amount		-	-	-	-	-	-	-			
		Trade receivables		Other receivables		Bank deposits		Derivative instruments		Other	
31 December 2018		29,602		-		-		-		-	
Overdue between 1 to 30 days		6,561		-		-		-		-	
Overdue between 1 to 3 months		4,117		-		-		-		-	
Overdue between 3 to 12 months		94		-		-		-		-	
Overdue between 1 to 5 years		60		-		-		-		-	
Overdue over 5 years		40,434		-		-		-		-	

(\*) As of 31 December 2018, trade receivables from TETAŞ amounting to USD 202,623 are guaranteed by Turkish Treasury.

(\*\*) Equity securities are excluded since they do not expose any credit risk.



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

Financial risk factors (cont'd)

Credit risk (cont'd)

31 December 2017	The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	Receivables					Derivative instruments	Financial assets at fair value through profit or loss (**)
		Trade receivables		Other receivables		Bank deposits		
		Related party	3rd party	Related party	3rd party			
- Total receivable that have been secured with collaterals, other credit enhancements etc.*		-	353,336	21	793	779,949	-	2,373,800
A. Financial assets that are either past due or impaired		-	120,254	-	-	-	-	-
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated		-	322,512	21	793	779,949	-	2,373,800
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.		-	30,824	-	-	-	-	-
D. The amount of financial assets that are impaired		-	-	-	-	-	-	-
- Past due (Gross book value)		-	22,660	-	-	-	-	-
- The amount of impairment (-)		-	(22,660)	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.		-	-	-	-	-	-	-
- Not past due (Gross book value)		-	-	-	-	-	-	-
- The amount of impairment (-)		-	-	-	-	-	-	-
E. Off balance sheet credit risk amount		-	-	-	-	-	-	-
31 December 2017		Trade receivables		Other receivables		Derivative instruments		Other
Overdue between 1 to 30 days		13,377		-		-		-
Overdue between 1 to 3 months		9,940		-		-		-
Overdue between 3 to 12 months		7,238		-		-		-
Overdue between 1 to 5 years		24		-		-		-
Overdue over 5 years		245		-		-		-
		30,824		-		-		-

(\*) As of 31 December 2017, trade receivables from TETAŞ amounting to USD 80,046 are guaranteed by Turkish Treasury.

(\*\*) Equity securities are excluded since they do not expose any credit risk.

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

Financial risk factors (cont'd)

Liquidity risk

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

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

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

Current liabilities

31 December 2018

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract</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	73,454	74,462	741	8,651	65,070
Trade payables	344,400	344,400	282,572	25,697	36,131
Other payables to related parties	29	29	29	-	-
Other payables related to employee benefits	19,751	19,751	13,957	203	5,591
Other payables	20,776	20,776	6	-	20,770

Non-current liabilities

31 December 2018

<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</u>	<u>5+ years</u>
		<u>(I+II+III)</u>	<u>(I)</u>	<u>years (II)</u>	<u>(III)</u>	
<b>Non-derivative financial liabilities</b>						
Financial liabilities and finance lease obligations	178,355	179,381	77,054	42,789	59,538	
Trade payables	-	-	-			
Other payables	25,009	25,009	24,139	345	525	



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**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)****Financial risk factors (cont'd)****Liquidity risk (cont'd)****Current liabilities****31 December 2017**

	<b><u>Carrying</u></b>	<b><u>Total cash outflow</u></b>		<b><u>1 to 3</u></b>	<b><u>3 to 12</u></b>
<b><u>Contractual maturity analysis</u></b>	<b><u>value</u></b>	<b><u>according to</u></b>	<b><u>Up to 1</u></b>	<b><u>months</u></b>	<b><u>months</u></b>
		<b><u>contract</u></b>	<b><u>month (I)</u></b>	<b><u>(II)</u></b>	<b><u>(III)</u></b>
		<b><u>(I+II+III)</u></b>			
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	77,703	78,962	17,968	19,474	41,520
Trade payables	153,562	153,562	91,881	25,279	36,402
Other payables to related parties	34	34	34	-	-
Other payables	19,513	19,513	7	-	19,506

**Non-current liabilities****31 December 2017**

	<b><u>Carrying</u></b>	<b><u>Total cash outflow</u></b>		<b><u>3 to 5</u></b>	<b><u>5+ years</u></b>
<b><u>Contractual maturity analysis</u></b>	<b><u>value</u></b>	<b><u>according to</u></b>	<b><u>1 -3 years</u></b>	<b><u>years</u></b>	<b><u>(III)</u></b>
		<b><u>(I+II+III)</u></b>	<b><u>(I)</u></b>	<b><u>(II)</u></b>	
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	233,807	235,628	95,045	43,166	97,417
Trade payables	59,002	59,005	59,005	-	-
Other payables	17,997	17,994	17,339	506	149

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**35. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK*****Fair value of financial assets and liabilities***

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

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

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

***Financial assets***

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

***Financial liabilities***

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of the trade payables after discount are considered to be approximate to their corresponding carrying values. It is considered that the fair values of the long term payables and long term financial borrowings are approximate to their respective carrying values as they are accounted for in foreign currencies.

***Fair value hierarchy***

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

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

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

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



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**35. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK (cont’d)***Fair value hierarchy (cont’d)***31 December 2018:**

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

**31 December 2017:**

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

**36. EVENTS AFTER THE REPORTING PERIOD**

On 16 January 2019, according to the press release of the Capital Markets Board of Turkey (the Board) dated 25 July 2016 in order to protect the interests of minority shareholders, Board of Directors has resolved to buyback the shares up to nominal value of Full TL 10,000,000, to determine the funds to be reserved as Full TL 75,000,000 for this purpose and to authorize Member of the Executive Committee İlhan Gücüyener for the transactions till the second announcement of the Board. After the reporting period of the Company the total nominal value of the buyback shares was Full TL 3,245,771.

In February 2019, following expiry of the Electricity Sale Agreements with Elektrik Üretim A.Ş., Adapazarı and Gebze Combined Cycle Power Plants, owned by the group, have suspended their generation.