

**AE ARMA ELEKTROPANÇ ELEKTROMEKANİK
SANAYİ MÜHENDİSLİK
TAAHHÜT VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Translated into English from the report originally issued in Turkish)

NO: SBD/ 45-01/01

**(CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of
AE Arma Elektropanç Elektromekanik Sanayi Mühendislik Taahhüt ve Ticaret A.Ş.

Audit of the Consolidated Financial Statements**Opinion**

We have audited the consolidated financial statements of AE Arma Elektropanç Elektromekanik Sanayi Mühendislik Taahhüt ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred as, the "Group"), which comprise the consolidated balance sheet as at 31 December 2017, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards of 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 the International Ethics Standards Boards for Accountants' Code of Ethics for Professional Accountants (IEASBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IEASBA 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 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.



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Key Audit Matter	How the matter was addressed in the audit
<p>Revenue Recognition on construction contracts</p> <p>Revenue arising from construction contracts represents 96% of the Group's total revenue. The measurement and timing of the revenue arising from construction contracts is recognized by reference to the "percentage of completion" in the period in which are incurred. The measurement of the contract revenue and estimation of the contract costs have been affected by a variety of uncertainties that depend on the outcome of the 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 the management. For detailed information, please refer to Note 15.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - We have ensured that the revenue recognition method applied was appropriate based on the terms and conditions of the contracts. - We obtained an understanding of the processes and tested the operating effectiveness of the relevant controls, which impact the revenue recognition. - We discussed with the Group finance and operational teams for uncompleted projects, visited uncompleted projects and the corresponding statements have been verified with the supporting documentation. - Recalculated the revenue based on the stage of completion of the projects. - We assessed the management's ability to deliver contracts within budgeted margins by analyzing the historical accuracy of forecasting margins, sufficiency of immediate losses and the relationship of cost versus billing status on contracts.

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 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 Group or to cease operations, or has no realistic alternative but not to do so.

Those charged with governance are responsible for overseeing the Group financial reporting process.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain a 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 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 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 and audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the the audit. We also:

- Identify and assess the risk 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 prove a basis for our opinion.
- 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 and 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 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 date of 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 the 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 the 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 the 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 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 be not communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Responsibilities Arising From Regulatory Requirements

1. In accordance with subparagraph 4, Article 402 of the Turkish Commercial Code ("TCC"), no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2017 is not in compliance with the "TCC" and provisions of the Company's articles of association in relation to financial reporting.
2. Pursuant to subparagraph 4, Article 402 of the "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.
3. Pursuant to Article 398 of the Turkish Commercial Code "TCC" no. 6102, the auditors' report on early detection of risk system and the authorized committee is submitted to the Company's General Assembly on 12 March 2018.

The name of the responsible auditor who supervised and concluded this audit is Servet Eyüpgiller.

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Servet EYÜPGİLLER, CPA
Responsible Auditor

Istanbul, 12 March 2018



AE ARMA ELEKTROPAŇ ELEKTROMEKANİK SANAYİ MÜHENDİSLİK TAAHHÜT VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	<u>Notes</u>	<u>Current year</u> <u>31.12.2017</u>	<u>Previous year</u> <u>31.12.2016</u>
ASSETS			
Current Assets		1,010,879,447	743,608,683
Cash and Cash Equivalents	6	68,917,106	9,906,284
Financial Assets	7	-	40,070
Trade Receivables			
- Due from Related Parties		-	-
- Other Trade Receivables	10	191,636,522	238,833,062
Other Receivables			
- Due from Related Parties		-	-
- Other Receivables	11	4,027,998	6,517,044
Costs and Estimated Earnings in Excess of Billings on Uncompl	15	649,007,691	421,711,474
Inventories	13	323,542	733,393
Prepaid Expenses	25	75,387,469	49,898,387
Assets related with current taxes		4,839,104	2,935,912
Other Current Assets	26	16,740,015	13,033,058
Non-Current Assets		32,193,865	25,072,795
Other Receivables			
- Other Receivables	11	5,552,405	255,338
Investment in associates	16	13,087	13,087
Property, Plant and Equipment	18	12,435,235	14,192,893
Intangible Fixed Assets			
- Other non current assets	19	1,781,170	1,922,842
Deferred Tax Assets	36	9,716,694	7,742,171
Other Non-Current Assets	26	2,695,274	946,464
TOTAL ASSETS		1,043,073,312	768,681,479

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

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AE ARMA ELEKTROPANÇ ELEKTROMEKANİK SANAYİ MÜHENDİSLİK TAAHHÜT VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	<u>Notes</u>	<u>Current year</u> <u>31.12.2017</u>	<u>Previous year</u> <u>31.12.2016</u>
LIABILITIES			
Short-Term Liabilities		780,882,709	606,422,057
Financial Liabilities			
- Bank Borrowings	8	132,704,943	72,092,705
- Debt securities in issue	8	20,084,568	35,692,296
Other Financial Liabilities	9	2,398,211	1,687,555
Trade Payables			
- Due to Related Parties		-	-
- Other Payables	10	472,274,447	329,678,821
Employee Benefit Payables	24	16,655,479	14,472,634
Other Payables			
- Due to Related Parties		-	-
- Other Payables	11	94,494	31,243
Deferred Revenue	21	98,612,902	124,790,067
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	15	26,840,158	20,364,000
Taxes on Income		1,428,661	659,405
Other Current Liabilities	26	9,788,846	6,953,331
Long-Term Liabilities		148,729,108	27,704,049
Financial Liabilities			
- Bank Borrowings	8	21,646,297	2,446,326
- Debt securities in issue	8	60,000,000	-
Other Financial Liabilities	9	4,112,608	5,170,525
Deferred Revenue	21	46,804,273	8,003,844
Employee Benefits	24	6,331,048	5,174,305
Deferred Tax Liabilities	36	9,834,882	6,909,049
EQUITY CAPITAL		113,461,495	134,555,373
Equity Attributable to Equity Holders of the Parent		90,999,164	98,533,343
Paid-in Share Capital	27	100,000,000	100,000,000
Inflation Adjustments	27	66,213	66,213
Other Comprehensive Income /(Expense) to be Reclassified to Profit or Loss			
- Actuarial gains and losses		(313,019)	(313,019)
Other Comprehensive Income /(Expense) to be Reclassified to Profit or Loss			
- Foreign Currency Translation Differences	27	(50,284,112)	(18,845,017)
Restricted Reserves	27	1,597,775	1,597,775
Retained Earnings	27	16,027,391	6,049,317
Profit/(Loss) for the Year		23,904,916	9,978,074
Non-controlling Interest		22,462,331	36,022,030
TOTAL EQUITY CAPITAL AND LIABILITIES		1,043,073,312	768,681,479

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

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AE ARMA ELEKTROPANÇ ELEKTROMEKANİK SANAYİ
MÜHENDİSLİK TAAHHÜT VE TİCARET A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED
31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current year <u>01.01.-31.12.2017</u>	Previous year <u>01.01.-31.12.2016</u>
<u>OPERATING INCOME</u>			
Sales	28	1,341,914,157	797,106,592
Cost of Sales (-)	28	(1,200,408,512)	(695,503,276)
GROSS PROFIT		141,505,645	101,603,316
Marketing Expenses (-)	29	(2,283,517)	(366,315)
General Administrative Expenses (-)	29	(44,079,869)	(36,055,329)
Incomes From Other Operations	31	9,477,663	3,607,624
Expenses From Other Operations (-)	31	(5,591,379)	(16,629,912)
OPERATING PROFIT		99,028,543	52,159,384
Income from Investing Activities	32	1,193,850	1,292,029
Losses from Investing Activities		(35,842)	-
OPERATING PROFIT BEFORE FINANCE EXPENSES		100,186,551	53,451,413
Financial Incomes	33	18,972,335	38,048,014
Financial Expenses (-)	34	(71,609,095)	(52,000,445)
PROFIT BEFORE PROVISION FOR TAXES		47,549,791	39,498,982
Tax Income/(Expense) From Operating Activities			
-Tax for the Year	36	(1,428,661)	(1,571,883)
-Deferred Tax Income/ (Expense)	36	(951,310)	(1,156,910)
NET PROFIT FOR THE PERIOD		45,169,820	36,770,189
Non-controlling Interest		21,264,904	26,792,115
Attributable to Equity Holders of the Parent		23,904,916	9,978,074
Earnings Per Share		0.239	0.100
Earnings Per Share From Operating Activities		0.239	0.100



AE ARMA ELEKTROPANÇ ELEKTROMEKANİK SANAYİ MÜHENDİSLİK TAAHHÜT VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Current year 01.01.-31.12.2017	Previous year 01.01.-31.12.2016
NET PROFIT FOR THE YEAR	45,169,820	36,770,189
Other Comprehensive (Expense) / Income:		
Gain / (loss) on revaluation of available for sale financial investments	-	-
Gain / (loss) on revaluation of available for non-current items	-	-
Gain / (loss) on revaluation of available for hedge funds	-	-
Currency translation reserve differences	(31,439,095)	(3,048,540)
Gain on revaluation of defined retirement benefit plans	-	-
OTHER COMPREHENSIVE (EXPENSE) / INCOME:	(31,439,095)	(3,048,540)
TOTAL COMPREHENSIVE (EXPENSE) / INCOME:	13,730,725	33,721,649
Attributable to:		
Non-controlling Interest	11,338,640	31,912,737
Equity holders of the parent	2,392,085	1,808,912

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

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AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

Notes	Paid-in Capital	Inflation Adjustment	Actuarial Gains	Share Premiums	Other Comprehensive Profit/(Loss) not to be reclassified on profit or loss			Retained Earnings			Equity holders of the parent	Non-controlling Interest	Total Equity Capital	
					Revaluation Income/ Losses	Other Gain/(Loss)	Currency Translation Differences	Remeasurement Gain/(Loss)	Restricted Reserves	Retained Earnings				Profit for the year
PREVIOUS YEAR														
27	92,227,344	66,213	(313,019)	-	-	-	(15,796,477)	-	1,410,147	14,987,865	(978,264)	91,603,809	9,229,915	100,833,724
Balances at 1 January 2016														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	9,978,074	9,978,074	26,792,115	36,770,189
	-	-	-	-	-	-	-	-	-	(978,264)	978,264	-	-	-
	-	-	-	-	-	-	(3,048,540)	-	-	-	-	(3,048,540)	-	(3,048,540)
	7,772,656	-	-	-	-	-	-	-	-	(7,772,656)	-	-	-	-
	-	-	-	-	-	-	-	-	187,628	(187,628)	-	-	-	-
27	100,000,000	66,213	(313,019)	-	-	-	(18,845,017)	-	1,597,775	6,049,317	9,978,074	98,533,343	36,022,030	134,555,373
Balances at 31 December 2016														
CURRENT YEAR														
27	100,000,000	66,213	(313,019)	-	-	-	(18,845,017)	-	1,597,775	6,049,317	9,978,074	98,533,343	36,022,030	134,555,373
Balances at 1 January 2017														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	23,904,916	23,904,916	21,264,904	45,169,820
	-	-	-	-	-	-	-	-	-	9,978,074	(9,978,074)	-	-	-
	-	-	-	-	-	-	(31,439,095)	-	-	-	-	(31,439,095)	(34,824,603)	(66,263,698)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	100,000,000	66,213	(313,019)	-	-	-	(50,284,112)	-	1,597,775	16,027,391	23,904,916	90,999,164	22,462,331	113,461,495
Balances at 31 December 2017														

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

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AE ARMA ELEKTROPANÇ ELEKTROMEKANİK SANAYİ MÜHENDİSLİK TAAHHÜT VE TİCARET A.Ş.
AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Current year 01.01.-31.12.2017	Previous year 01.01.-31.12.2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		16,911,705	20,568,132
Net profit from the continuing operations		45,169,820	36,770,189
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	18,19	3,425,660	2,377,366
Income from sale of fixed assets		920,697	(6,165,464)
Unearned Credit Finance Income/ Expense, net		180,413	(1,260,745)
Retirement pay provision	24	2,219,289	1,815,148
Tax expense	36	2,379,971	2,728,793
Other non-cash adjustments		21,264,904	26,792,115
Adjustments for provisions		1,747,448	11,541,152
Other adjustment to Reconciliation of Profit for the Year		(8,960,597)	(3,876,805)
Operating cash flows before movements in working capital:		68,347,605	70,721,749
Increase (-) / Decrease (+) on trade and other receivables (-)	10,11	47,196,540	(149,341,337)
Increase (-) / Decrease (+) on related party trade and other receivables	10,11	(4,555,469)	6,924,969
Increase (-) / Decrease (+) on inventories	13	409,851	2,121,877
Increase (-) / Decrease (+) estimated earnings on uncompleted contracts	15	(227,296,217)	(132,500,539)
Increase (-) / Decrease (+) on prepaid expenses	25	(25,489,082)	(13,155,429)
Increase (-) / Decrease (+) on other current assets	26	(3,706,957)	207,093
Increase (+) / Decrease (-) on trade and other payables	10,11	142,658,877	204,639,784
Increase (+) / Decrease (-) on deferred revenue	21	12,623,264	16,384,499
Increase (+) / Decrease (-) on billings in excess of costs	15	6,476,158	3,843,831
Increase (+) / Decrease (-) on employee benefit payables	24	2,182,845	8,626,997
Increase (+) / Decrease (-) on other liabilities	26	932,323	3,693,853
Cash provided by operating activities		19,779,737	22,167,347
Employee termination benefits paid (-)	24	(1,062,546)	(906,919)
Tax payments (-)	36	(1,805,486)	(692,296)
Net cash provided by (used in) operating activities		16,911,705	20,568,132
Net cash provided by investing activities			
Purchase/Sales financial assets	7	40,070	(40,070)
Purchase of property, plant and equipment (-)	18	(2,335,970)	(7,484,372)
Sales of property, plant and equipment	18	75,231	24,325
Purchase of intangible assets (-)	19	(186,288)	(746,129)
Other cash changes		(1,748,810)	1,317,147
Net cash provided / (used in) by investing activities		(4,155,767)	(6,929,099)
Net cash provided by financing activities			
Cashflow from financial liabilities	8,9	123,857,220	14,034,198
Other cash changes		(11,338,640)	(31,912,737)
Net cash provided by (used in) financing activities		112,518,580	(17,878,539)
NET (DECREASE)/INCREASE BEFORE THE TRANSLATION DIFFERENCE EFFECT		125,274,519	(4,239,506)
Effects of translation difference		(66,263,698)	(3,048,540)
Net (decrease)/increase in cash and cash equivalents		59,010,821	(7,288,046)
Cash and cash equivalents at the beginning of the year	6	9,906,284	17,194,330
Cash and cash equivalents at the end of year	6	68,917,106	9,906,284

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

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AE ARMA ELEKTROPANÇ ELEKTROMEKANİK SANAYİ MÜHENDİSLİK TAAHHÜT VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Convenience translation into English of the consolidated financial statements originally issued in Turkish)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1. ORGANIZATION AND ACTIVITIES

AE Arma Elektropanç Elektromekanik Sanayi Mühendislik Taahhüt ve Ticaret A.Ş. (the Company) was established in 2001. The Company and its subsidiaries are described as "Group".

The Group's Main Activities:

The Group's operations mainly comprise of contracting of electrical, electronic and mechanical system installations predominantly in functional structures and also buying and selling inside and outside of Turkey.

As of 31 December 2017 the Company's capital is TRY 100,000,000 (31.12.2016:TRY 100,000,000). There is no registered capital system.

Number of the average employed personnel by the Group as of 31 December 2017 is 2,294 (31.12.2016: 2,161)

The address of the headquarters and registered office of the Group is Fulya Mahallesi, Vefa Deresi Sokak, No 11 Şişli/İstanbul-Turkey

Trade Registry Information

Trade Registry : İstanbul Chamber of Commerce
Registry No : 463497
Mersis No : 0008-0332-6410-0018

The Group has branches in Russia, United Arab Emirates, Azerbaijan and Cyprus.

Moscow Branch : Grand Setun Plaza, Gorbunova Street No;2 /204, Office B-408, Moscow – RUSSIA
Abu Dhabi Branch : Al Otaiba Tower, Flat No: 1201 Electra Street, P.O.Box: 111246 Abu Dhabi – U.A.E
Baku Branch : Uzeyir Hajibeyov Street 46/50 Baku – AZERBAIJAN
Cyprus Branch : Şehit Osman Yusuf Street No.1 Yenişehir Nicosia- Cyprus

The subsidiaries included in the consolidation scope of AE Arma Elektropanç Elektromekanik Sanayi Mühendislik Taahhüt ve Ticaret A.Ş. as of 31 December 2017 are as follows:

<u>Name of Subsidiary</u>	<u>Field of Activity</u>	<u>Share (%)</u>	<u>Country</u>
AE Arma Elektropanç Mechanical Contracting Qatar W.L.L	Electronic and mechanical system contracting	48.00%	Qatar
Arma Electropanç Electromechanical CO. L.L.C.	Electronic and mechanical system contracting	49.00%	U.A.E.
OOO AE Arma-Elektropanç Electromechanical	Electronic and mechanical system contracting	100.00%	Russia
AE Arma Electropanç Electromechanical Contracting Lebanon S.A.R.L. UC	Electronic and mechanical system contracting	45.00%	Lebanon
AE Arma-Elektropanç Building Services Limited	Electronic and mechanical system contracting	25.00%	England



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1. ORGANIZATION AND ACTIVITIES (continued)

Subsidiaries which are subjected to Full Consolidation Method:

31.12.2017

<u>Name of Subsidiary</u>	<u>Field of Activity</u>	<u>Share (%)</u>	<u>Country</u>
AE Arma Elektropanç Mechanical Contracting Qatar W.L.L	Electrical and mechanical system contracting	48.00%	Qatar
Arma Elektropanç Electromechanical CO. L.L.C.	Electronic and mechanical system contracting	49.00%	U.A.E.
OOO AE Arma-Elektropanç Electromechanical	Electronic and mechanical system contracting	100.00%	Russia
AE Arma-Elektropanç Building Services Limited	Electronic and mechanical system contracting	25.00%	England

31.12.2016

<u>Name of Subsidiary</u>	<u>Field of Activity</u>	<u>Share (%)</u>	<u>Country</u>
AE Arma Elektropanç Mechanical Contracting Qatar W.L.L	Electrical and mechanical system contracting	48.00%	Qatar
Arma Elektropanç Electromechanical CO. L.L.C.	Electronic and mechanical system contracting	49.00%	Dubai
OOO AE Arma-Elektropanç Electromechanical	Electronic and mechanical system contracting	100.00%	Russia
AE Arma-Elektropanç Building Services Limited	Electronic and mechanical system contracting	25.00%	England



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1. ORGANIZATION AND ACTIVITIES (continued)

Equity Participation which is subjected to Equity Method:

31.12.2017

<u>Name of Subsidiary</u>	<u>Field of Activity</u>	<u>Share (%)</u>	<u>Country</u>
AE Arma Electropanc Electromechanical Contracting Lebanon S.A.R.L. UC	Electronic and mechanical system contracting	45.00%	Lebanon

31.12.2016

<u>Name of Subsidiary</u>	<u>Field of Activity</u>	<u>Share (%)</u>	<u>Country</u>
AE Arma Electropanc Electromechanical Contracting Lebanon S.A.R.L. UC	Electronic and mechanical system contracting	45.00%	Lebanon

Confirmation of Financial Statements

The consolidated financial statements were authorized for issue on 12 March 2018 by the management of the Group. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

2.BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). The consolidated financial statements are prepared based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values.

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and Tax Legislation. Subsidiaries, associates, joint ventures and branches that are registered in foreign countries maintain their books of account and prepare their statutory statements in the currency of their registered countries and in accordance with the prevailing accounting principles in their registered countries.

The accompanying consolidated financial statements have been prepared in accordance with the Communiqué Series II, 14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which was published on Official Gazette numbered 28676. International Accounting Standards and additions and interpretations regarding these standards ("IAS") as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA") are predicated on in accordance with article 5th of the Communiqué.

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

There are no differences between the consolidated financial statements prepared in accordance with the accounting policies promulgated by CMB and consolidated IFRS financial statements.

There is no substantial seasonal and periodical changes that will affect the Group's operation.

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2.BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Comparative information, changes in accounting policies and restatement of prior period financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is re-classed and significant changes are disclosed if necessary.

Going Concern Concept

Consolidated financial statements are prepared according to going concern concept is a business that functions without the threat of liquidation for the foreseeable future, usually regarded as at least within 12 months. It implies for the business the basic declaration of intention to keep running its activities at least for the next year, which is a basic assumption to prepare financial statements Hence, the declaration of going concern means that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Presentation and Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign Subsidiaries' and branches assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "cumulative translation differences" under the equity.

The consolidated financial statements of each corporation of the Group are presented with the currency (functional currency) valid in the main economic environment they operate. Financial conditions and the activity results of each corporation are explained in Turkish Lira (TRY) which is the functional currency of the Company and the presentation currency for consolidated financial statements.

The consolidated financial statements are presented in Turkish Lira ("TRY").

Currency Type	31 December 2017		31 December 2016	
	Year End	Period Average	Year End	Period Average
US Dollars (USD)	3.7719	3.6362	3.7719	3.6362
Euro (EUR)	4.5155	4.1375	4.5155	4.1375
Russian Rouble (RUB)	0.0655	0.0626	0.0655	0.0626
U.A.E. Dirhem (AED)	1.0306	0.9935	1.0306	0.9935
Azerbaijan Manat (AZN)	2.2186	2.1083	2.2186	2.1083
Qatar Riyali (QAR)	1.0362	0.9989	1.0362	0.9989
English Pound (GBP)	5.0803	4.7117	5.0803	4.7117



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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of the presentation (continued)

Presentation and Functional Currency (continued)

Effective from January 1, 2005 concurrent with the removal of six zero digits, the new currency unit of Turkey was introduced as New Turkish Lira (NTRY). The Government resolved to remove the "New" phrase in the local currency unit effective from January 1, 2009.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, for companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards has been discontinued effective 1 January 2005. Pursuant effectuation, "Financial Reporting Standards in Hyperinflationary Economies" ("IAS 29") was no longer applied henceforward.

Offsetting

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

Consolidation Principles

Subsidiaries

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.

1) Arma Electropanc Electromechanical CO. L.L.C./Dubai

The Company was established in 2006 in Dubai-United Arab Emirates. The main company has 49% share of this subsidiary and controls 51% indirectly.(31.12.2016: 51 %)

The company operates in electrical and mechanical contracting.

2) AE Arma Elektropanc Mechanical Contracting Qatar W.L.L

The Company was established in 2011 in Doha-Qatar. The main company has 48% share of this subsidiary and controls 51 % indirectly.(31.12.2016: 51 %)

The company operates in electrical and mechanical contracting.

3) AE Arma-Elektropanc Building Services Limited/ England

The Company was established in 2015 in London, England. The main company has 25% share of this subsidiary and controls 51 % indirectly.(31.12.2016: 25 %).

The company operates in electrical and mechanical contracting.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of the presentation (continued)

Consolidation Principles (continued)

Subsidiaries (continued)

4) OOO AE Arma Elektropanc Elektromechanical/ Russia

The Company was established in 2005 in Moscow, Russia. The main company has 100% share of this subsidiary. (31.12.2016: 51 %).

The company operates in electrical and mechanical contracting.

The subsidiaries included in consolidation and their shareholding percentages at 31.12.2017 are as follows:

<u>Name of Company</u>	<u>Share (%)</u>	<u>Capital (TRY)</u>	<u>Share (TRY)</u>
AE Arma Elektropanc Mechanical Contr. Qatar W.L.L	48.00%	159,688	76,650
Arma Electropanc Electromechanical CO. L.L.C.	49.00%	397,213	194,634
OOO AE Arma-Elektropanc Elektromechanical	100.00%	2,806	2,806
AE Arma-Elektropanc Building Services Limited	25.00%	430	108

Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

Subsidiaries are companies over which the parent company controls the financial and operating policies for the benefit of the parent company, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Note 1 sets out all subsidiaries included in the scope of consolidation and it shows their ownership and effective interests (%) as of 31 December 2017 and 31 December 2016.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The result of operations of subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.



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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of the presentation (continued)

Consolidation Principles (continued)

The statements of financial position and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries are eliminated against the related equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated during the consolidation. The cost of, and the dividends arising from, shares held by the Company in its Subsidiaries are eliminated from equity and income for the period, respectively.

The non-controlling shareholders' share in the net assets and results of subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and statements of income. The non-controlling interests consist of shares from the initial business combinations and the non-controlling shares from the changes in equity after the business combinations date. When the losses applicable to the non-controlling portion exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling are charged against the non-controlling interest.

Full Consolidation Method

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 consolidated subsidiaries are eliminated.

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

On acquisition, assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the non-controlling's proportion of their fair values of the assets and liabilities recognized. The balance sheet and income statement of the subsidiary is consolidated on a line by line basis, and the carrying value of the investment held by the Group is eliminated against related equity and reserves accounts.

All significant inter-Group transactions and balances between group enterprises are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.



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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of the presentation (continued)

Consolidation Principles (continued)

Equity Method

A Group's share in an associate is the aggregate of the company's in that associate by the parent and its subsidiaries. To apply equity method, the share of other associates and joint ventures of the associates are ignored.

When an associate has subsidiaries, associates, or joint ventures, the profits or losses and net assets taken into account in applying the equity method are those recognised in the associate's financial statements, after any adjustments necessary to give effect of uniform accounting policies.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses. After the interest in an associate is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

<u>Name of Company</u>	<u>Share %</u>	<u>Capital (TRY)</u>	<u>Share (TRY)</u>
AE Arma Electropanc Electromechanical Contracting Lebanon S.A.R.L. UC	45.00%	9,627	4,32

2.2. 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. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 Financial Instruments

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



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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2. Standards and interpretations issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 issued in May 2014 replaces existing IFRS and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies expect to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, International Accounting Standards Board (IASB) issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or nonmonetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that application of IFRIC 22 will have significant impact on its consolidated financial statements.

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

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

IAS 40 – Transfers of Investment Property

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



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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2. Standards and interpretations issued but not yet effective (continued)

Annual Improvements to IFRSs 2014-2016 Cycle

Improvements to IFRSs

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

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

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

IAS 28 "Investments in Associates and Joint Ventures"

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

Amendments to IAS 28- Long-term interests in Associates and Joint Ventures

On 12 October 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. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 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.

Standards and interpretations issued by International Accounting Standards Board (IASB) but yet not issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA")

New standards, interpretations and amendments in International Financial Reporting Standards (IFRS) are issued by IASB, however these new standards, interpretations and amendments are not issued/complied by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").



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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2. Standards and interpretations issued but not yet effective (continued)

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.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. 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.

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2. Standards and interpretations issued but not yet effective (continued)

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. IFRS 17 has an effective date of 1 January 2021. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. This standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. Insurance obligations will be accounted for using current values – instead of historical cost. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

2.3. Change in Accounting Policies

Changes in accounting policies or accounting errors noted are applied retroactively and the financial statements of the previous periods are restated. Amendments on accounting policies are not applied.

2.4. Change in accounting estimates and errors

If changes in accounting estimates are for only one period, changes are applied on the current year but if the changes in accounting estimates are for the following periods, changes are applied both on the current and the following periods prospectively.

2.5. Summary of Significant Accounting Policies

The significant accounting policies are followed in the preparation of the accompanying financial statements are summarized below:

Revenue

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are calculated after the sales returns and sales discounts are deducted. Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the significant risks and rewards of ownership of the goods to the buyer,
- 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,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Group parties to the transaction is considered to make reliable estimates after it has agreed upon the following:

- (a) Will be presented by the parties and each party's enforceable rights regarding the service,
- (b) Service charge,
- (c) Payment terms and conditions.

However, the amount already included in revenue when an uncertainty arises about the availability of charged, which can not be collected or to be likely to be charged on the amount of revenue originally recognized as an expense rather than correcting the consolidated financial statements.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies

Interest Income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Service income and other revenues are recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable.

Segmental information

Due to management proposal, The Group's activities were separated four main groups as geographical regions as Turkey-Cyprus-Algeria, Russia, Russia Branch, Abu Dhabi, Dubai, Azerbaijan and Qatar. The relevant regions of the Group are organized as Turkey Financial information's according to segments and geographical regions are presented in (Note 5)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments whose 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. Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include amounts of cash and deposits at banks. (Note 6)

Financial Assets

Initial recognition and classification

Financial assets in the scope of IAS 39 are classified as both loans and receivables and available-for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognized on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period.

Income is recognized on an effective interest basis for held-to-maturity investments, available- for-sale financial assets and loans and receivables.

• **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measures as described below:

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that repayable on demand and form an integral part of the Group's cash management are included as component of cash and cash equivalents for the purpose of statement of cash flow.

• **Available-for-sale financial assets**

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Trade Receivables and Payables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables that deferred financial income is netted-off against and which are calculated by discounting the amounts that will be collected of trade receivables are recorded at the original invoice value in the subsequent periods using the effective yield method. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. (Note 10)

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income. (Note 10)



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

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 labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the consolidated income statement 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. (Note 15)

Retention Receivables from Contractors

The Group's interim progress billings from its employee are subject to retention deductions, which vary, based on the individual agreements. These balances are collected from the employees upon successful completion of the contract at the end of the warranty period.

Other Receivables and Debts

The accounts cannot be shown in trade receivable and trade payable shown as Other Receivables and Debts such as deposits and guaranties given/ received, dues to/from tax authority, nontrade liabilities/ receivables to/from related parties. (Note 11)

Inventories

Held for resale in the ordinary course of business, which is being produced to be sold or used in the production process or service delivery assets shown in the pen in the form of substances and materials. Stock up on advances given are classified as other current assets.

Inventories are valued at the lower of cost and net realizable value. The cost of inventories; all purchase costs, conversion costs and other costs incurred to bring inventories to their present condition and contain. Costs of conversion of inventories, such as direct labor costs, includes costs directly related to production. These costs are also incurred in the first article and material to product conversion of fixed and variable production overheads that include a systematic allocation of.



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Inventories (continued)

Net realizable value is the estimated selling price in the ordinary course of business, the estimated costs of completion and estimated costs necessary to realize the sale is obtained by deducting the sum. Stocks of financial statements, as a result of the use or sale can not be traced with a cost higher than the amount expected to be obtained. Amount of costs to be obtained as a result of use or sale if it is higher, the stock is divided Impairment.(Note 13)

The Group accounts merchandise - purchase cost on weighted average basis.

Other Assets and Liabilities

Other Current/Noncurrent Assets

Prepaid expenses, Prepaid taxes and funds, Advances given for business purposes, advances given to personnel, VAT carried forward, VAT deductible, other VAT, sundry assets are reported in Other Current/Noncurrent Assets (Note 26).

Other Current/Noncurrent Liabilities

Incomes related to following months and years, expense accruals, other sundry payables and liabilities are reported in Other Current/Noncurrent Liabilities (Note 26).

Property, Plant and Equipment

Property, plant, equipment are carried at cost, restated in equivalent purchasing power at 31 December 2017 less accumulated depreciation. Depreciation is provided on the restated amounts of property, plant, equipment on a straight-line monthly basis over the useful lives. The depreciation periods for property, plant, equipment, which approximate the economic useful life of such assets, are as follows: (Note 18)

The depreciation periods for property, plant, equipment, which approximate the economic useful life of such assets, are as follows:

	(Years)
Property, plant and equipment	4-10
Motor vehicles	4-5
Furniture, fixtures and office equipment	2-15
Leasehold Improvements	5

Intangible Fixed Assets

Intangible fixed assets consist of rights, computer programs and ERP System that are carried at cost, restated in equivalent purchasing power at 31 December 2017 accumulated depreciation. Depreciation is provided on the restated amounts on a straight-line monthly basis over the useful lives of 3-5 years. (Note 19) Amortisation of intangible fixed assets is stated at the general administrative expenses account of the financial statements. (Note 29)



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Financial Leases

a) The Group as the lease

Financial Leasing

Leasing of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leasing. Finance leased is capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Financial costs of leasing are distributed over the lease period with a fixed interest rate. The property, plant and equipment acquired under financial leases are depreciated over the useful lives of the assets. If there is a decrease in the value of the property, plant and equipment under financial leasing, the Group provides impairment. The foreign exchange and interest expenses related with financial leasing have been recorded in the income statement. Lease payments have been deducted from leasing debts.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the statement of income on a straight-line basis over the period of the lease.

b) The Group as the lesser

Operating leases

Assets leased out under operating leases, excluding land and investment properties, are included in property, plant and equipment in the consolidated statements of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognized in the consolidated statement of income on a straight-line basis over the lease term.

Business Combinations

Purchase of property, using the purchase method is accounted for. The consideration transferred in a business combination is its fair value is measured at cost being transferred, the acquirer acquisition-date fair values of the assets transferred by the acquirer to former owners of the debts incurred by the acquired entity and are calculated as the sum of the equity interests issued by the acquirer. Acquisition-related costs are generally recognized as an expense. The identifiable assets acquired and the liabilities assumed are recognized at their fair values at the acquisition date. In this way are not recognized as provided below:

- Deferred income tax assets or liabilities or assets related to employee benefits or liabilities, respectively, IAS 12 Income Taxes and IAS 19 Employee Benefits in accordance with the standards recognized and measured;



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Business Combinations (continued)

- The acquired entity's share-based payment arrangements of the acquiree or share-based payment arrangements of the Group signed a share-based payment arrangements intended to replace liabilities or equity instruments related to the acquisition date are accounted for in accordance with IFRS 2 Share-based Payment Arrangements, and

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are classified as held for sale in accordance with current assets (or disposal groups) that are recognized in accordance with the requirements of IFRS at 5.

Goodwill is the consideration transferred for the acquisition, non-controlling interests in the acquire, and if you have, if any, of the acquirer in a business combination achieved in stages, previously of the total fair value of the equity interest in the acquire, on the purchase date of the acquiree's identifiable assets, and net liabilities assumed exceeds the amount calculated as described. After reassessment, the acquiree's identifiable assets and assumed on acquisition of net identifiable liabilities, transferred to the purchase price, and the non-controlling interest in the acquiree, if any, in the acquiree prior to the acquisition exceeds the sum of the fair value of the shares, the amount directly as a gain on bargain purchase in profit / loss recognized.

The consideration transferred by the Group in a business combination, contingent consideration included cases, the contingent consideration is measured at its acquisition-date fair value and the consideration transferred in a business combination are included. Arising during the measurement period as a result of the additional information you need to fix the fair value of the contingent consideration, the amendment retroactively adjusted for goodwill. The measurement period following the date of the merger, the period adjustments are adjustments that the provisional amounts recognized in the acquirer in a business combination. This period cannot be more than 1 year from date of purchase.

The fair value of the contingent consideration that qualify as measurement period adjustments The subsequent accounting for changes, depends on how the contingent consideration is classified. Contingent consideration is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is the nature of financial instruments and IAS 39, Financial Instruments: Recognition and Measurement In the presence of the scope of the standard, the contingent consideration is measured at fair value and gains or losses arising from changes in profit or loss or in other comprehensive income accounted for. Those who are not within the scope of IAS 39 and IAS 37 are accounted for in accordance with IFRS or other appropriate provisions.

Acquired in a business combination achieved in stages, the Group's previously held equity interest to fair value at the acquisition date (i.e. the date when the Group obtains control) is measured again, and if the resulting gain / loss in profit / loss accounted for. Prior to the date of acquisition recognized in other comprehensive income amounts arising from interests in the acquiree, under the assumption that interest were disposed of the profit / loss is transferred.

The initial accounting for a business combination is incomplete by the end of the reporting period when the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, are adjusted during the measurement period, or may have an effect on the amounts recognized at the acquisition date and the date on events and situations that arise, resulting in additional assets or liabilities are recognized to reflect new information.

Business combinations prior to January 1, 2010, accounted for in accordance with the previous version of IFRS 3. Betterment.



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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 capitalized to the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred.

If there are assets which are difficult to make ready to sale, debt costs regarding purchasing, producing the asset adding to asset cost until it's ready to sale. (Note 8)

Earnings per share

Earnings per share as indicated on the income statement are ascertained by dividing net profit to weighted average number of shares. In Turkey, companies can increase their share capital by making; a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issue without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year, as if the event had occurred at the beginning of the earliest period reported. (Note 37)

Foreign Currency Transactions and Translation

The financial statements of the branches and subsidiaries operating in foreign countries were prepared in accordance with the applicable laws and regulations effective in such countries and issued by reflecting the required corrections and classifications for the purpose of proper presentation pursuant to International Financial Reporting Standards. The assets and liabilities of the foreign partnerships concerned were converted to Turkish Lira by using the exchange rate, income and expense average exchange rate at the date of consolidated balance sheet. Exchange differences arising from the use of closing and average rate are followed under the foreign currency translation differences item within the equity.



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Post Balance Sheet Events

Post balance sheet events, with the balance sheet date between the date of approval for the publication of consolidated financial statements, the Company refers to events that occur in favor or against. Correction is carried out, according to the situation described two types:

- Adjusting events after the balance sheet, balance sheet as of the date the evidence concerning the relevant facts showing that there are situations where the conditions,
- To indicate that the developments related events occur after the balance sheet date (adjusting events after the balance sheet)

The Grup's consolidated financial statements, adjusting events after balance sheet date that do not require significant events after the balance sheet was taken and shown in the notes (Note 41).

Provisions, Contingent Assets and Contingent Liabilities

Provisions

Have a present legal or constructive obligation arising from past events and resources embodying economic benefits to settle the obligation is probable and the Company to exit in case of liability is estimated in a safe manner should be recognized in the consolidated financial statements. Provisions for fulfilling the obligation of expenses in the most realistic estimates made by management of the Company calculated and discounted to present value where the effect is significant.

Contingent Liabilities

This Company entered the obligations arising from past events and whose existence is not entirely under the control of one or more uncertain future events by realization of non-existence of nature, which can be confirmed and evaluated as contingent liabilities, obligations are not included in the consolidated financial statements. Because, to settle the obligation, do not have the possibility of an outflow of resources embodying economic benefits or the amount of liability measured with sufficient reliability. Company of resources embodying economic benefits will likely come out very far, unless the consolidated financial statements show that the conditional obligations (Note 22).



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Contingent Assets

Company arising from past events and whose existence is not fully controlled by one or more assets that are to be confirmed by the occurrence uncertain, contingent asset is considered. Inflow of resources embodying economic benefits is uncertain and contingent assets in the consolidated financial statements.

Or all of the economic benefits required to settle a provision are expected to be a third party, which will be charged on the amount of cases, it is virtually certain that reimbursement will be received and if the amount can be measured reliably, are accounted for and reported as an asset.

Related Parties

The Company's related parties, ownership, contractual right, family relation or similar means, directly or indirectly against the side of the cover is capable of controlling or significantly affect the institutions. The accompanying consolidated financial statements of the Company's shareholders and the companies owned by shareholders, their key management personnel and other companies known to be associated with related parties, defined as.

Presence of one of the following criteria, shall be deemed a party associated with the Company:

- i) Mentioned directly, or indirectly by means of one or more of:
 - The Company controls, is controlled by the Company or
 - The Company is under common control with (parents, subsidiaries and fellow subsidiaries, including the same);
 - That gives it significant influence over the Company has an interest, or has joint control over the Company;
- ii) The party is an associate of the Company;
- iii) The party is a joint venture of the Company as a joint enterprise;
- iv) The party is a member of key management personnel of the Company or its parent;
- v) The party (i) or (iv) said articles being of any individual member of a family;
- vi) The party controlled, joint controlled or an important influence, or (iv) or (v) said articles of any individual, either directly or indirectly, an operating key has the right to vote, or
- vii) The party is a party of a business enterprise or its employees associated with the post-employment benefit plans must be provided.

Related party transactions between related parties, resources, services, or transfer of obligations, regardless of whether a price is charged. (Note 38)



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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Taxes Calculated on the Basis of The Company's Earnings

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

Current Tax Payable

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. (Note 36)

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities calculated for taxable temporary difference correlated with related parties, investments on affiliates and shares on joint ventures. This kind arising from deductible temporary differences associated with investments and deferred tax assets are sufficient taxable profits in the near future benefit from these differences it is probable that the deductible temporary differences, and the disappearance of the future they are expected.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax calculates over legalized tax rates as of balance sheet date and expected to be valid at the period assets would be realized and liabilities would be met. During the calculation of the deferred tax assets and liabilities of the Group as at the balance sheet date the carrying amount of assets to meet its obligations to recover or estimated tax consequences are taken into account.

The same country being subject to tax legislation be offset against current tax liabilities and assets for current tax is a legally enforceable right exists to a deferred income tax assets and liabilities are offset from each other.

Current tax and Deferred Tax

Current tax and deferred tax on the period correlated with items booking as debit or credit (in which case the deferred tax relating to items recognized directly in equity) on equity books as income or expense on the income statement. Business combinations, goodwill or the purchaser of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition fair value of the acquirer's interest taken into account in determining the tax effect.



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AE ARMA ELEKTROPANÇ ELEKTROMEKANİK SANAYİ MÜHENDİSLİK TAAHHÜT VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Summary of Significant Accounting Policies (continued)

Employee Termination Benefits

Under Turkish labour law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. Such payments are calculated on the basis of 30 days' pay limited to a maximum of TRY 5,001 at 1 January 2018 per year of employment at the rate of pay applicable at the date of retirement. According to IFRS 19 ("Employee Benefits") the calculation of reserve for termination indemnity is based on future termination indemnity payments are discounted to the balance sheet date by the net of the relevant discount rate and the assumed inflation rate. (Note 24)

Reporting of Cash Flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities. Cash flows from operating activities reflect cash flows generated from sales of the Group. Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group. 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.

Dividends

Ordinary shares are classified as capital equity. Dividend liabilities as distribution of profit are stated in financial statements in the related period as liability.

2.6. Significant Accounting Estimates

The preparation of consolidated financial statements requires management to affect the reported amounts of assets and liabilities in the balance sheet at the date of the possible liabilities and commitments and the amounts of revenue and expenses during the reporting period required to make certain assumptions and estimates. These estimates and assumptions that the Company based on management's best knowledge of current events and transactions despite the actual results may vary. Estimates are revised regularly and any necessary corrections are made and reflected in the consolidated income statement in the periods.

- a) Note 15– Construction contract receivables/payables
- b) Note 36 – Tax assets and liabilities
- c) Note 24 – Provisions for employee benefits
- d) Note 10 – Doubtful trade receivables
- e) Note 23- Provisions for litigations



3. BUSINESS COMBINATIONS

None. (31. 12.2016: None.)

4. JOINT ARRANGEMENTS

None. (31.12.2016: None.)

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5. SEGMENT INFORMATION

Segment Reporting: Income Statements

The Group operates in six main geographical segments, which are Turkey, Russia, United Arab Emirates (UAE), Azerbaijan Qatar and England.

	01.01-31.12.2017	01.01-31.12.2017	01.01-31.12.2017	01.01-31.12.2017	01.01-31.12.2017	01.01-31.12.2017	01.01-31.12.2017	01.01-31.12.2017	01.01-31.12.2017
	Turkey	Russia	UAE	Azerbaijan	Qatar	England	TRY Eliminations (TRY)	Consolidated	TRY
OPERATING INCOME	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY
Sales	297,444,566	384,423,284	791,887,324	-	-	65,832,197	(197,673,214)	1,341,914,157	
Cost of Sales (-)	(297,307,390)	(328,630,627)	(713,092,734)	-	-	(59,050,975)	197,673,214	(1,200,408,512)	
GROSS PROFIT	137,176	55,792,657	78,794,590	-	-	6,781,222	-	141,505,645	
Marketing Expenses (-)	(2,103,489)	-	(74,426)	(100,478)	-	(5,124)	-	(2,283,517)	
General Administrative Expenses (-)	(14,331,000)	(7,244,398)	(18,947,496)	(382,751)	(44,950)	(3,129,274)	-	(44,079,869)	
Other Operating Income	2,376,151	1,297,297	5,538,295	265,920	-	-	-	9,477,663	
Other Operating Expenses (-)	(1,477,464)	(1,641,949)	(2,325,294)	(146,672)	-	-	-	(5,591,379)	
OPERATING PROFIT/(LOSS)	(15,398,626)	48,203,607	62,985,669	(363,981)	(44,950)	3,646,824	-	99,028,543	
Income from investing activities	1,118,477	75,373	-	-	-	-	-	1,193,850	
Losses from investing activities	-	(35,842)	-	-	-	-	-	(35,842)	
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSES	(14,280,149)	48,243,138	62,985,669	(363,981)	(44,950)	3,646,824	-	100,186,551	
Financial Incomes	16,684,730	2,287,605	-	-	-	-	-	18,972,335	
Financial Expenses (-)	(24,325,116)	(7,161,059)	(23,275,458)	(294,943)	-	(4,928,386)	(11,624,133)	(71,609,095)	

PROFIT/(LOSS) BEFORE PROVISION FOR TAXES	(21,920,535)	43,369,684	39,710,211	(658,924)	(44,950)	(1,281,562)	(11,624,133)	47,549,791	
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Tax Income/(Expense) from Operating Activities									
-Tax for the Year	(397,197)	(1,031,464)	-	-	-	-	-	(1,428,661)	
-Deferred Tax Income/(Expense)	(1,434,903)	809,386	-	83,925	-	(409,718)	-	(951,310)	

NET PROFIT/(LOSS) FOR THE YEAR	(23,752,635)	43,147,606	39,710,211	(574,999)	(44,950)	(1,691,280)	(11,624,133)	45,169,820	
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Non-controlling Interest
Attributable to Equity Holders of the Parent

21,264,904
23,904,916



((Convenience translation into English of the consolidated financial statements originally issued in Turkish))

Segment Reporting: Income Statements (continued)

Non-controlling Interest Attributable to Equity Holders of the Parent

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-Total Liabilities



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6. CASH AND CASH EQUIVALENTS

	31.12.2017	31.12.2016
Cash	305,708	601,553
Banks		
- Demand deposits	68,545,978	9,304,731
- Time deposits	65,420	--
Total	68,917,106	9,906,284

As of 31 December 2017 and 31 December 2016, foreign exchange demand deposits are as follows:

	TL Equivalent 31.12.2017	TL Equivalent 31.12.2016
<u>Cash and Cash Equivalents</u>		
<u>Cash</u>		
USD	980	20,035
EUR	10	12
<u>Banks</u>		
USD	526,204	1,815,348
EUR	39,823	404

There are blocked bank accounts amounted to TRY 2,510,232 and they are reclassified to other short term receivables (31 December 2016: None).

As of 31.12.2017 and 31.12.2016 deposits in banks' credit risk analysis is described in detail in Note 39.

7. FINANCIAL ASSETS

As of 31 December 2017, the Group does not possess any financial assets. (31.12.2016: TRY 40,070.)

8. FINANCIAL LIABILITIES

<u>Short term borrowings</u>	<u>Weighted Average Interest Rate (%)</u>	<u>31.12.2017</u>	<u>Weighted Average Interest Rate (%)</u>	<u>31.12.2016</u>
Turkish lira bank borrowings (*)	10.1575	132,704,943	8.03	72,092,705
Debt securities in issue (**)		20,084,568		35,692,296
Total		152,789,511		107,785,001

<u>(*) Short term bank loans</u>	<u>Weighted Average Interest Rate (%)</u>	<u>31.12.2017</u>	<u>Weighted Average Interest Rate (%)</u>	<u>31.12.2016</u>
<u>Currency Type</u>	<u>TL Equivalent</u>	<u>TL Equivalent</u>	<u>TL Equivalent</u>	<u>TL Equivalent</u>
TRY Loans	16.24	121,228,328	12.23	38,890,679
USD Loans	5.64	8,096,294	3.83	31,783,665
AED Loans	4.00	536,010	4.00	1,418,361
RUB Loans	14.75	2,844,311		--
Total		132,704,943		72,092,705

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8. FINANCIAL LIABILITIES (continued)

<u>Long term borrowings</u>	<u>Weighted Average</u> <u>Interest Rate (%)</u>	<u>31.12.2017</u>	<u>Weighted Average</u> <u>Interest Rate (%)</u>	<u>31.12.2016</u>
Turkish lira bank borrowings (*)	18.68	21,646,297	14.64	2,446,326
Debt securities in issue (**)		60,000,000		--
Total		81,646,297		2,446,326

<u>(*) Long term bank loans</u>	<u>Weighted Average</u> <u>Interest Rate (%)</u>	<u>31.12.2017</u>	<u>Weighted Average</u> <u>Interest Rate (%)</u>	<u>31.12.2016</u>
<u>Currency Type</u>	<u>Interest Rate (%)</u>	<u>TL Equivalent</u>	<u>Interest Rate (%)</u>	<u>TL Equivalent</u>
TRY Loans	18.68	21,646,297	14.64	2,446,326
USD Loans		--		--
Total		21,646,297		2,446,326

(**) Issue Bond Interest Rate " Government Debt Securities "(Benchmark) + yearly additional yield ratio is totally 4.31-4.97% which is also 3-month interest coupon payment.

9. OTHER FINANCIAL LIABILITIES

Financial lease obligations

<u>Short term financial leases</u>	<u>Interest Rate (%)</u>	<u>31.12.2017</u>	<u>Interest Rate (%)</u>	<u>31.12.2016</u>
Finance lease payables (USD)	5.7	381,497	5.7	331,626
Finance lease payables (TRY)	--	14,951	--	12,673
Finance lease payables (EUR)	2.2	1,725,882	2.2	1,343,256
Finance lease payables (RUB)		275,881		--
Total		2,398,211		1,687,555

<u>Long term financial leases</u>	<u>Interest Rate (%)</u>	<u>31.12.2017</u>	<u>Interest Rate (%)</u>	<u>31.12.2016</u>
Finance lease payables (USD)	5.7	64,530	5.7	414,910
Finance lease payables (TRY)	--	17,151	--	32,088
Finance lease payables (EUR)	2.2	4,030,927	2.2	4,723,527
Total		4,112,608		5,170,525



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9. OTHER FINANCIAL LIABILITIES (continued)

Financial lease obligations (continued)

The amount of the minimum lease payments and the present value of the payments are as follows:

<u>31.12.2017</u>	<u>TRY</u> <u>< 1 year</u>	<u>TRY</u> <u>1 year – 4 years</u>	<u>TRY</u> <u>Total</u>
Minimum lease payments			
-USD denominated financial leases	411,569	67,530	479,099
-TRY denominated financial leases	18,691	19,552	38,243
-EUR denominated financial leases	1,974,324	4,263,851	6,238,175
-RUB denominated financial leases	275,881	-	275,881
Total	2,680,465	4,350,933	7,031,399
Present value of payments			
-USD denominated financial leases	381,497	64,530	446,027
-TRY denominated financial leases	14,951	17,151	32,103
-EUR denominated financial leases	1,725,882	4,030,927	5,756,808
-RUB denominated financial leases	275,881	-	275,881
Total	2,398,211	4,112,608	6,510,819
<u>31.12.2016</u>	<u>TRY</u> <u>< 1 year</u>	<u>TRY</u> <u>1 year – 4 years</u>	<u>TRY</u> <u>Total</u>
Minimum lease payments			
-USD denominated financial leases	384,040	445,761	829,801
-TRY denominated financial leases	18,661	38,234	56,895
-EUR denominated financial leases	1,616,092	5,119,015	6,735,107
Total	2,018,793	5,603,010	7,621,803
Present value of payments			
-USD denominated financial leases	331,626	414,910	746,536
-TRY denominated financial leases	12,673	32,088	44,761
-EUR denominated financial leases	1,343,256	4,723,527	6,066,783
Total	1,687,555	5,170,525	6,858,080

The Group capitalized its real estate amounted to TRY 1,952,225 as of 17 February 2016 and then did sell and lease back to Halk Finansal Kiralama A.Ş. as of 18 February 2016 for 5 years period with value of EUR 2,522,067.

The Group's financial liabilities due to financial leases are secured through the right of property on rented assets. Leased for each asset type, the net book value as of the balance sheet date:

<u>Carrying amount</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
ERP System	220,145	330,218

Liabilities related to finance lease, has been secured through the right of lessor on leased assets. Interest rates related to leasing transactions are fixed by contracts for the entire rental period. Annual average effective interest rate is approximately 5.7%.



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10. TRADE RECEIVABLES AND PAYABLES

Short Term Trade Receivables	31.12.2017	31.12.2016
Trade Receivables (*)	91,511,591	82,671,400
Notes receivable (**)	1,252,501	63,131,647
Income accruals	6,113,809	9,842,425
Retention receivables from contractors (****)	92,897,914	83,282,524
Unearned interest on receivables (-)	(139,293)	(94,934)
Doubtful receivables (***)	931,698	855,729
Allowance for doubtful receivables (-)	(931,698)	(855,729)
Total	191,636,522	238,833,062

(*) Maturity of trade receivables is as follows:

Trade Receivables	31.12.2017	31.12.2016
Maturity of receivables up to a month	22,961,757	35,264,136
Maturity of receivables up to three months	38,496,054	47,407,264
Maturity of receivables up to three-six months	30,053,780	--
Total	91,511,591	82,671,400

(**) Maturity of notes receivables is as follows:

Notes receivable	31.12.2017	31.12.2016
Maturity of notes receivables up to a month	--	58,573,006
Maturity of notes receivables up to three months	313,126	4,558,641
Maturity of notes receivables up to three-six months	939,375	--
Total	1,252,501	63,131,647

The average effective interest rate applied for term notes receivables in TRY is 11,00%. (31.12.2016:11,23%)

Allowance for doubtful receivables is determined by referring top as default experience.

(***) Doubtful trade receivables are as follows:

Allowance for doubtful receivables	31.12.2017	31.12.2016
Beginning of the year	(855,729)	(625,232)
Allowance during the year	(75,969)	(230,497)
Collections (-)	--	--
Year end balance	(931,698)	(855,729)

(****) The Group's interim progress billings from its employee are subject to retention deductions, called "Retention receivables from contractors" which vary, based on the individual agreements. These balances are collected from the employees upon successful completion of the contract at the end of the warranty period.

There are not any guarantees received for not due trade receivables.

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10. TRADE RECEIVABLES AND PAYABLES (continued)

As of 31.12.2017 and 31.12.2016 the aging analyses and credit risk are stated in Note 39.

Collection period of receivables related to construction contract varies according to the circumstances, these periods vary between 30 days and 180 days.

Short Term Trade Payables

	<u>31.12.2017</u>	<u>31.12.2016</u>
Trade Payables (*)	327,003,210	185,217,351
Notes Payable (**)	117,892,073	130,082,178
Other Payable	31,086,107	15,907,262
Less: Unearned interest on payables (-)	(3,706,944)	(1,527,971)
Total	<u>472,274,447</u>	<u>329,678,821</u>

(*) Trade payables details:

Trade Payables

	<u>31.12.2017</u>	<u>31.12.2016</u>
Maturity of trade payables up to a month	40,700,132	27,150,766
Maturity of trade payables up to three months	75,115,103	66,529,812
Maturity of trade payables up to three-six months	103,938,044	91,536,773
Maturity of trade payables up to six months and more	107,249,930	--
Total	<u>327,003,210</u>	<u>185,217,351</u>

(**) Notes payables details:

Notes Payables

	<u>31.12.2017</u>	<u>31.12.2016</u>
Maturity of notes payables up to a month	48,684,085	48,819,815
Maturity of notes payables up to three months	42,860,785	73,502,482
Maturity of notes payables up to three-six months	24,996,273	7,517,575
Maturity of notes payables up to six months and more	1,350,930	242,306
Total	<u>117,892,073</u>	<u>130,082,178</u>

The effective interest rate applied for short-term notes payables in TRY is 11,00% (31.12.2016:11,23%).

As of 31.12.2017 and 31.12.2016 the aging analyses of trade payables and liquidity risk are stated in Note 39.



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11. OTHER RECEIVABLES AND PAYABLES

<u>Short Term Other Receivables</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Other Receivables	13,414,821	16,902,593
Receivables from Personnel	682,823	378,018
Restricted Bank Accounts	2,510,232	--
Provision for Other Doubtful Receivables (*)	(12,579,878)	(10,763,567)
Total	4,027,998	6,517,044
<u>Short Term Other Payables</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Other Payables	94,494	31,243
Total	94,494	31,243
<u>Long Term Other Receivables</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Deposits and guarantees given	5,214,376	19,211
Retention Receivables from Contractors	338,029	236,127
Total	5,552,405	255,338
<u>(*) Allowance of doubtful other receivables</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Beginning of the year	(10,763,567)	(328,729)
Allowance during the year	(1,816,311)	(10,434,838)
Collections (-)	--	--
Year end balance	(12,579,878)	(10,763,567)

As of 31.12.2017 and 31.12.2016 the aging analyses of trade payables and liquidity risk are stated in Note 39.

12. RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None. (31.12.2016: None.)

13. INVENTORIES

	<u>31.12.2017</u>	<u>31.12.2016</u>
Merchandises	323,542	733,393
Provision for impairment value of inventories (-)	--	--
Total	323,542	733,393

The Group does not have inventories that are below the net realizable value. As of 31.12.2017, there is not any pledge on inventories (31.12.2016: None).

14. BIOLOGICAL ASSETS

None. (31.12.2016: None.)



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15. CONSTRUCTION CONTRACT RECEIVABLES AND PAYABLES

	<u>31.12.2017</u>	<u>31.12.2016</u>
Construction Contract Receivables	649,007,691	421,711,474
Total	649,007,691	421,711,474

Details of cost of long term construction and repair projects are as follows:

	<u>31.12.2017</u>	<u>31.12.2016</u>
Construction Contract Receivables details:	--	--
-Cost of domestic construction and repair projects	--	--
-Income accruals for domestic construction and repair projects(*)	43,543,997	58,151,250
-Cost of international construction and repair projects	--	--
-Income accruals for international construction and repair projects(*)	605,463,694	363,560,224
	649,007,691	421,711,474

(*) Reasonable assurance has been formed that the Group would fulfil necessary conditions to gain its income accruals. The value of income accruals have been reflected to financial statements based on their fair value according to accrual basis.

	<u>31.12.2017</u>	<u>31.12.2016</u>
Construction Contract Payables	26,840,158	20,364,000
Total	26,840,158	20,364,000

Short term advances received for the ongoing construction contracts as of 31.12.2017 add up to TRY 142,027,265 (31.12.2016: TRY 128,365,358).

16. INVESTMENTS ACCORDING TO EQUITY METHOD

	<u>31.12.2017</u>	<u>31.12.2016</u>
AE Arma Electropanc Electromechanical Contracting Lebanon S.A.R.L.UC (*)	13,087	13,087
Total	13,087	13,087

(*) Activities are not accounted by the equity method because the firm does not have any activities.

17. INVESTMENT PROPERTY

None. (31.12.2016: None.)



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18. PROPERTY, PLANT AND EQUIPMENT

Cost	1.1.2017	Additions	Disposals (-)	Currency translation differences	31.12.2017
Buildings	7,386,562		--	--	7,386,562
Leasehold Improvements	260,794		--	--	260,794
Property, plant and equipment	7,579,741	1,366,215	--	(333,474)	8,612,482
Vehicles	686,126	408,876	--	(11,910)	1,083,092
Furnitures and fittings	7,091,790	560,879	(416,633)	(250,106)	6,985,931
Total	23,005,013	2,335,970	(416,633)	(595,490)	24,328,861

Accumulated Depreciation (-)

Buildings	(135,420)	(147,731)	--	--	(283,151)
Leasehold Improvements	(235,518)	(8,262)	--	--	(243,780)
Property, plant and equipment	(3,663,559)	(1,764,553)	--	(209,845)	(5,637,957)
Vehicles	(392,856)	(77,388)	--	(25,181)	(495,425)
Furnitures and fittings	(4,384,768)	(1,099,766)	416,633	(165,412)	(5,233,313)
Total	(8,812,121)	(3,097,700)	416,633	(400,438)	(11,893,626)

Carrying Value	14,192,893				12,435,235
-----------------------	-------------------	--	--	--	-------------------

Cost	1.1.2016	Additions	Disposals (-)	Currency translation differences	31.12.2016
Buildings	--	7,386,562	--	--	7,386,562
Leasehold Improvements	212,018	48,776	--	--	260,794
Property, plant and equipment	3,296,030	3,592,660	--	691,051	7,579,741
Vehicles	214,101	459,718	(24,325)	36,632	686,126
Furnitures and fittings	5,324,569	1,430,993	--	336,228	7,091,790
Total	9,046,718	12,918,709	(24,325)	1,063,911	23,005,014

Accumulated Depreciation (-)

Buildings	--	(135,420)	--	--	(135,420)
Leasehold Improvements	(208,542)	(26,976)	--	--	(235,518)
Property, plant and equipment	(1,884,611)	(1,161,188)	--	(617,760)	(3,663,559)
Vehicles	(167,679)	(217,289)	24,325	(32,213)	(392,856)
Furnitures and fittings	(3,366,443)	(565,059)	--	(453,266)	(4,384,768)
Total	(5,627,275)	(2,105,932)	24,325	(1,103,239)	(8,812,121)

Carrying Value	3,419,443				14,192,893
-----------------------	------------------	--	--	--	-------------------

As of 31.12.2017, TRY 4,534,250 (31.12.2016: TRY 1,205,000) worth of insurance warranties are available on the assets. There are not any mortgages or pledges on property, plant and equipment. Total depreciation expense for the year amounted to TRY 3,097,700 (2016: TRY 2,105,932). This amount is fully included in general and administrative expenses (Note 29).



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19. INTANGIBLE FIXED ASSETS

<u>Intangible Fixed Assets</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Rights		
-Computer Programs	2,876,366	2,690,078
-ERP System	540,624	540,624
Accumulated Amortisation (-)	(1,635,820)	(1,307,860)
Total	1,781,170	1,922,842

Total Amortisation expense for the year amounted to TRY 327,960. (31.12.2016: TRY 271,434) This amount is included in general and administrative expenses (Note 29).

20. POSITIVE / NEGATIVE GOODWILL

None. (31.12.2016: None.)

21. DEFERRED INCOME

<u>Short Term Deferred Income</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Prepaid Expenses	97,570,889	123,748,054
Unearned Fixed Asset Sale Income	1,042,013	1,042,013
Total	98,612,902	124,790,067

<u>Short Term Order Advances Received</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Turkey Order Advances Received	7,895,345	29,515,391
Russian Branch Order Advances Received	34,292,566	32,788,177
Dubai Order Advances Received	52,183,979	45,184,853
Abu Dhabi Order Advances Received	475,667	11,547,438
Azerbaijan Order Advances Received	--	--
Russia OOO Order Advances Received	1,952,848	1,903,852
England Order Advances Received	770,484	2,808,343
Total	97,570,889	123,748,054

<u>Long Term Deferred Income</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Order Advanced Received	44,459,745	4,617,304
Unearned Fixed Asset Sale Income	2,344,528	3,386,540
Total	46,804,273	8,003,844

<u>Long Term Order Advances Received</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Turkey Order Advances Received	--	3,643,602
Dubai Order Advances Received	44,459,745	973,702
Total	44,459,745	4,617,304



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22.PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

None. (31.12.2016: None.)

Contingent Liabilities

	<u>USD</u>	<u>EUR</u>	<u>TL</u>	<u>31.12.2017</u> <u>TRY Total</u>
<u>Given for Projects</u>				
Letter of Guarantees Given	106,887,958	10,827,396	12,007,082	464,068,876
Guarantee Notes	--	--	--	--
Guarantee Checks	--	--	1,200,000	1,200,000
Total	106,887,958	10,827,396	13,207,082	465,268,876

	<u>USD</u>	<u>EUR</u>	<u>TL</u>	<u>31.12.2016</u> <u>TRY Total</u>
<u>Given for Projects</u>				
Letter of Guarantees Given	66,545,028	4,437,340	22,070,481	272,717,831
Guarantee Notes	--	--	--	--
Guarantee Checks	--	--	--	--
Total	66,545,028	4,437,340	22,070,481	272,717,831



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22.PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES (continued)

Contingent Liabilities (continued)

	31.12.2017			
<u>Guarantees given by the Group (Guarantee- Pledge- Mortgages)</u>	<u>Total TRY Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>TRY</u>
1.Total amount GPM given on behalf of its own legal personality	465,268,876	106,887,958	10,827,396	13,207,082
subsidaries	-	-	-	-
3.GPM given to third parties in order to operate ordinary course of business	-	-	-	-
4. Total amount of other GPM given	-	-	-	-
- Total amount of GPM given on behalf of the partner company	-	-	-	-
- Total amount of GPM given to related parties that are not covered by 2nd and 3rd articles	-	-	-	-
Total amount of GPM given to third parties that are not covered by 3rd article	-	-	-	-
Total	465,268,876	106,887,958	10,827,396	13,207,082

	31.12.2016			
<u>Guarantees given by the Group (Guarantee- Pledge- Mortgages)</u>	<u>Total TRY Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>TRY</u>
1.Total amount GPM given on behalf of its own legal personality	272,717,831	66,545,028	4,437,340	22,070,481
2. GPM given on behalf of the full consolidated subsidiaries	-	-	-	-
3.GPM given to third parties in order to operate ordinary course of business	-	-	-	-
4. Total amount of other GPM given	-	-	-	-
- Total amount of GPM given on behalf of the partner company	-	-	-	-
- Total amount of GPM given to related parties that are not covered by 2nd and 3rd articles	-	-	-	-
Total amount of GPM given to third parties that are not covered by 3rd article	-	-	-	-
Total	272,717,831	66,545,028	4,437,340	22,070,481

The ratio of other GPM given by Group, to equity is %0,00 (31.12.2016: %0, 00)



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23. COMMITMENTS

Legal Cases

As of 31 December 2017, the Group has set a provision of TRY 789,902 (31.12.2016: TRY 789,902) for the litigations against the Group.

24. EMPLOYEE BENEFITS

Short Term Employee Benefits

	<u>31.12.2017</u>	<u>31.12.2016</u>
Payables to Personnel	16,655,479	14,472,634
Total	16,655,479	14,472,634

Long-Term Employee Benefits

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or who retires after completing 25 years of service (20 years for women).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 ("Employee Benefits") stipulates the development of group's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

At balance sheet date and the expected salary increase rate of 5% per annum assuming a discount rate of 9 % about 3,81 % real discount rate is calculated based on the following assumptions to retire. (31 December 2016: 5%, 9% and 3,81 % respectively).

	<u>31.12.2017</u>	<u>31.12.2016</u>
Net discount rate (%)	3.81	3.81
Retirement Probability (%)	87.54	85.17

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of 31 December 2017 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

Retirement pay provision of the Group is estimated by TRY 5,001 which is current maximum salary limit as of 1 January 2018. (Retirement pay ceiling is increased to TRY 4,426 as of 1 January 2017)

Retirement pay liability is not subject to any kind of funding legally.



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24. EMPLOYEE BENEFITS (continued)

As of 31 December 2017 and 31 December 2016 Severance Pay Provision are calculated as follows:

	31.12.2017	31.12.2016
Beginning of the year	5,174,305	4,266,076
Provision during the year	2,219,289	1,815,148
Payments during the year (-)	(1,062,546)	(906,919)
Year End Balance	6,331,048	5,174,305

25. PREPAID EXPENSES

Prepaid Expenses	31.12.2017	31.12.2016
Prepaid Expenses	4,982,416	5,034,917
Order Advances Given	70,405,053	44,863,470
Total	75,387,469	49,898,387

26. OTHER CURRENT/NONCURRENT ASSETS AND LIABILITIES

Other Current Assets	31.12.2017	31.12.2016
Advances Given for Business Purposes	2,794,889	3,835,963
Advances Given to Personnel	392,350	255,656
Deferred VAT	13,552,776	8,941,439
Total	16,740,015	13,033,058

Other Non-Current Assets	31.12.2017	31.12.2016
Prepaid Expenses	719,278	--
Prepaid Taxes and Funds	1,975,996	946,464
Total	2,695,274	946,464

Other Current Liabilities	31.12.2017	31.12.2016
Taxes and Dues Payable	3,414,244	2,889,135
Social Security Premiums Payable	4,788,446	3,180,001
Other Payables	1,586,156	884,196
Total	9,788,846	6,953,331



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27. EQUITY

The Group's capital is TRY 100,000,000 and 100,000,000 shares (31.12.2016: TRY 100,000,000 and 100,000,000 shares).

<u>Shareholders</u>	<u>31.12.2017</u>		<u>31.12.2016</u>	
	Amount	Ratio %	Amount	Ratio %
Kemal Kızılhan	28,004,710	28.00%	28,004,710	28.00%
Ahmet Medih Ertan	28,004,710	28.00%	28,004,710	28.00%
Hasan İnce	27,990,580	28.00%	27,990,580	28.00%
Halil Demir Özkaya	8,000,000	8.00%	8,000,000	8.00%
Mehmet Asım Coşkun	6,000,000	6.00%	6,000,000	6.00%
Ersan Can	2,000,000	2.00%	2,000,000	2.00%
Total	100,000,000	100.00%	100,000,000	100.00%

There is no registered capital system.

Inflation Adjustments

All shareholders' equity in the financial statements must be shown at their nominal amounts. IAS/IFRS valuation made in accordance with the inflation adjustment differences arising on the pen where the statement. The accompanying consolidated financial statements, all of the capital adjustment to paid-in capital consists of the capital.

	<u>31.12.2017</u>	<u>31.12.2016</u>
Inflation Adjustments	66,213	66,213
	66,213	66,213

Legal Reserves

Accumulated profits in statutory books can be distributed except for the following legal provision related to legal reserves. According to Turkish Commercial Code ("TCC"), legal reserves can be categorized as order I (first) legal reserves and order II (second) legal reserves. Order I (first) legal reserves are apportioned as 5% of statutory net profit to the extent that they reach to 20% of the company's paid-in capital. Order II (second) legal reserves equal to 10% of distributable profit exceeding 5% of paid-in capital. According to "TTC", legal reserves can only be used to set off losses as long as they do not exceed 50% of paid-in capital.

<u>Legal Reserves</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Legal Reserves	1,597,775	1,597,775
Total	1,597,775	1,597,775



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27. EQUITY(continued)

<u>Retained Earnings/(Loss)</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Retained Earnings	16,015,177	6,037,103
Extraordinary Reserves	12,214	12,214
Total	16,027,391	6,049,317

Profit Distribution

Listed companies distribute profit in accordance with the Communiqué No. II-19.1 issued by CMB which is effective from 1 February 2014. Companies distribute profit in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute profit in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

Resources Available for Distribution from Profit:

Details of the Group's Resources Available for Distribution from Profit as at 31 December 2017 and 31 December 2016 are as follows:

<u>Profit Distribution Items</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Extraordinary Reserves	12,214	12,214
Retained Earnings	16,015,177	14,591,123
Income for the year	318,150	5,168,828

Non-Controlling Interest

Shares attributable to third parties in the shareholders' equity (including approved and paid-in capital) of the consolidated subsidiaries, which are not fully owned, are separately accounted for as non-controlling interests in the consolidated financial statements by reducing from related shareholders' equity components.

Shares attributable to third parties in the net profit or loss for the periods of the consolidated subsidiaries, which are not fully owned, are separately accounted for as non-controlling interests, in the distribution of period profit / (loss) section of the consolidated statement of income.

Details of the Group's non-controlling interests as of 31 December 2017 and 31 December 2016 are as follows:

	<u>31.12.2017</u>	<u>31.12.2016</u>
Beginning of the year	36,022,030	9,229,915
Non controlling interest	21,264,904	26,792,115
Foreing Currency Translation Difference	(34,824,603)	--
Year End Balance	22,462,331	36,022,030



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27. EQUITY(continued)

Foreign Currency Translation Differences

Foreign Subsidiaries' and branches assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "cumulative translation differences" under the equity.

Total translation difference losses are TRY 50,284,112 as of 31 December 2017. (31.12.2016: TRY 18,845,017)

28. SALES AND COST OF SALES

<u>Sales Income (net)</u>	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Domestic Sales	118,333,024	109,901,538
Export Sales	1,165,295,740	687,205,054
Sale of goods	58,285,393	--
Total	1,341,914,157	797,106,592

<u>Cost of Sales (-)</u>	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Cost of goods sold	(47,996,302)	--
Cost of services rendered	(1,152,412,210)	(695,503,276)
	(1,200,408,512)	(695,503,276)

29. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Marketing Expenses (-)	2,283,517	366,315
General Administrative Expenses (-)	44,079,869	36,055,329
Total	46,363,386	36,421,644

The details of Operating Expenses given below:

<u>Marketing Expenses (-)</u>	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Transportation Expenses	1,727,746	49,563
Custom Expenses	100,291	16,905
Rent Expenses	100,478	189,630
Other Expenses	355,002	110,217
Total	2,283,517	366,315



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29. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

<u>General Administrative Expenses (-)</u>	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Personnel Costs	25,216,224	20,560,619
Depreciation Expenses	3,097,700	2,105,932
Amortisation Expenses	327,960	394,219
Provision Expenses for Severance Pay	2,219,289	1,815,148
Travel and Accomodation Expenses	719,620	745,849
Rent Expenses	1,689,541	1,450,634
Car Rental and Gasoline Expenses	1,489,387	1,222,318
Electricity, Water, Communication and Heat Expenses	967,011	340,216
Lawyer and Consultancy Expenses	2,183,724	2,125,888
Sponsorship Expenses	127,716	297,532
Advertisement Expenses	45,601	295,729
Repair and Maintenance Expenses	392,033	455,306
Insurance Expenses	680,550	133,539
Education Expenses	56,752	77,958
Stationary Expenses	210,096	182,581
Subscription Fees	162,557	111,823
Furniture Expenses	49,464	55,150
Replacement and Visa Expenses	415,833	80,068
Notary, Tax, Duties and Levies Expenses	732,646	381,340
Other Expenses	3,296,166	3,223,480
Total	44,079,869	36,055,329



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30. EXPENSES BY NATURE

	01.01-31.12.2017	01.01-31.12.2016
Personnel Costs	25,216,224	20,573,532
Depreciation Expenses	3,097,700	2,105,932
Amortisation Expenses	327,960	271,434
Provision Expenses for Severance Pay	2,219,289	1,815,148
Travel and Accomodation Expenses	719,620	745,849
Rent Expenses	1,790,019	1,640,264
Car Rental and Gasoline Expenses	1,489,387	1,222,318
Electricity, Water, Communication and Heat Expens	967,011	354,517
Lawyer and Consultancy Expenses	2,183,724	2,125,888
Sponsorship Expenses	127,716	297,532
Advertisement Expenses	45,601	295,729
Repair and Maintenance Expenses	392,033	457,533
Insurance Expenses	680,550	139,226
Education Expenses	56,752	77,958
Stationary Expenses	210,096	182,887
Subscription Fees	162,557	111,823
Furniture Expenses	49,464	55,150
Replacement and Visa Expenses	415,833	80,068
Notary, Tax, Duties and Levies Expenses	732,646	381,340
Transportation Expenses	1,727,746	49,563
Custom Expenses	100,291	16,905
Other Expenses	3,651,168	3,421,048
Total	46,363,386	36,421,644

31. OTHER OPERATING INCOME / EXPENSES

Other Operating Income	01.01-31.12.2017	01.01-31.12.2016
Insurance Income	--	72,910
Other Operational Income	2,320,531	141,664
Social Security Incentives	944,723	273,275
Scrap Sales Income	2,089,770	530,175
Rediscount income	3,614,908	1,561,814
Other Income	507,731	1,027,786
Total	9,477,663	3,607,624



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31. OTHER OPERATING INCOME / EXPENSES (continued)

<u>Other Operating Expenses (-)</u>	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Tax Expenses	1,356,764	261,513
Provision Expenses	1,747,448	11,541,152
Rediscount Expense	1,572,330	1,691,169
Tax Base Increase	--	1,853,007
Other Expenses	914,837	1,283,071
Total	5,591,379	16,629,912

32. INCOMES FROM INVESTING ACTIVITIES

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Income from sale of building	1,193,850	1,292,029
Total	1,193,850	1,292,029

33. FINANCIAL INCOMES

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Foreign Exchange Gains	18,970,651	37,893,237
Interest Income	1,684	154,777
Total	18,972,335	38,048,014

34. FINANCIAL EXPENSES

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Foreign Exchange Losses (-)	26,564,329	35,059,462
Interest Comission Expenses (-)	45,044,766	16,940,983
Total	71,609,095	52,000,445

35. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (31.12.2016: None.)

36. TAXATION AND DEFERRED TAXES

Tax Provision

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Provision for Corporate Tax (-)	(1,428,661)	(1,571,883)
Deferred Tax Income /(Expenses)	(951,310)	(1,156,910)
Total	(2,379,971)	(2,728,793)

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36. TAXATION AND DEFERRED TAXES (continued)

Tax Provision (continued)

Corporation tax is payable, at a rate of 20% on the total income of the companies registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. R&D allowance).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

Tax losses that are reported in the Corporation tax return may be carried forward and deducted from the corporation tax base for a maximum period of five years following the year in which the losses were incurred.

The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. The tax authorities may inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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%. For the periods after 2021 tax effects of the temporary differences are considered in accordance with materiality level.

Deferred Taxes:

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit.

Deferred tax is calculated using tax rates that have been enacted in the period in which assets acquired and/or liabilities carried out and included in the statement of income as income or expense.

The principal tax rates of the tax authorities are as follows:

Country	31.12.2017	31.12.2016
Russia	20%	20%
England	19%	20%
Azerbaijan	20%	20%
Qatar	10%	10%
United Arab Emirates	0%	0%



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36. TAXATION AND DEFERRED TAXES (continued)

	Cumulative deferred tax base		Deferred tax asset/liability	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Deferred Tax Assets				
Difference in Tangible and Intangible Assets	3,159,190	178,174	631,838	35,635
Severance Pay Provision	1,225,895	811,384	245,179	162,277
Discount Adjustments	1,406,590	1,444,898	281,318	288,980
Provision for Doubtful Receivables	11,976,715	10,313,561	2,575,343	2,062,712
Inventory write-off	3,289,945	1,491,351	657,989	298,270
Construction Contracts Adjustments, net	24,835,055	22,247,939	4,970,369	4,449,588
Foreign Currency Difference Adjustments	911,180	741,347	2,236	148,269
Provision for litigations	803,060	789,902	160,612	157,980
Interest expense accrual	959,050	692,297	191,810	138,459
	48,566,680	38,710,853	9,716,694	7,742,171
Deferred Tax Liabilities				
Cancellation of doubtful receivable provision	22,740	--	4,548	--
Difference in Tangible and Intangible Assets	411,125	365,200	82,225	73,040
Foreign Currency Difference Adjustments	289,105	130,648	57,821	26,130
Discount Adjustments	1,264,275	1,234,359	252,855	246,872
Income accruals adjustment	6,725,190	9,772,423	1,345,038	1,954,485
Construction Contracts Adjustments, net	40,461,975	23,042,615	8,092,395	4,608,523
Cancellation of Foreign Currency Difference	--	--	--	--
	49,174,410	34,545,245	9,834,882	6,909,049
Deferred Tax, net	(607,730)	4,165,608	(118,188)	833,122

Deferred tax expense for 2017 is TRY 951,030 (2016: TRY 1,156,910)

37. EARNINGS PER SHARE

	01.01-31.12.2017	01.01-31.12.2016
Profit for the year	23,904,916	9,978,074
Unit of Shares	100,000,000	100,000,000
Earnings Per Share	0.239	0.100
Earnings Per Share from operating activities	0.239	0.100



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38. RELATED PARTY DISCLOSURES

Details of related party transactions are as follows:

Purchases From Related Parties

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Elektropanç Elektrik San. Ve Tic. Ltd. Şti.	--	7,892,169
Elektropanç Elektronik San. Ve Tic. Ltd. Şti.	715,341	--
Arma Mühendislik San. Ve Tic. A.Ş.	--	1,031
Shareholders	--	1,483,691
	<u>715,341</u>	<u>9,376,891</u>

Rent Paid to Related Parties

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Elektropanç Elektronik San. Ve Tic. Ltd. Şti.	--	36,541
	<u>--</u>	<u>36,541</u>

There are no guarantees received or given in related parties. (31 December 2016: None.)

Payments related to benefits to key management personnel are stated below:

Benefits of Key Management Personnel

	<u>01.01-31.12.2017</u>	<u>01.01-31.12.2016</u>
Salaries and other short term benefits	4,065,398	3,218,210
Total	<u>4,065,398</u>	<u>3,218,210</u>

Group's senior management consists of general manager, board members and independent board members. Benefits provided to senior management are general manager's salary and payments under the honorarium.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Equity Risk Management

The aims of Group are to be beneficial for all shareholders and maintaining the best capital combination to reduce capital cost and sustainability of the capital.

The Group may change dividends that is paid to shareholders, give back the capital to shareholders, in order to save or rearrange capital combination, put new equities on the market and may sell assets to reduce debt proportion.

The Group uses Liabilities / Equity rate while they follow capital sufficiency. This rate is found by net liabilities divided by total equity. Net liabilities are counted by cash and cash equivalents minus total liabilities which appears in balance sheet.



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liabilities/equity proportion calculation has been stated below:

	<u>31.12.2017</u>	<u>31.12.2016</u>
Total Liabilities	929,611,817	634,126,114
Less: Cash and Cash Equivalents	(68,917,106)	(9,906,284)
Net Liabilities	860,694,711	624,219,830
Total Equity	113,461,495	134,555,373
Liabilities/Equity Proportion	7.59	4.64

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. With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and trade receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group has no Credit risk analysis: (31.12.2016: None).

As of 31 December 2017 and 31 December 2016 credit risks exposed by types of financial instruments are as follows:



39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

Exposure to credit risk in consideration of financial instruments:

Current Year	Receivables						Cash and cash equivalents	
	Trade Receivables			Other Receivables			Bank Deposits	Cheques and notes received (less than three months)
	Related Parties	Third Parties	Third Parties	Related Parties	Third Parties	Third Parties		
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E) (1)	-	191,636,522	-	-	4,027,998	-	68,611,398	313,126
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-	-	-	-
A. Financial assets that are not either past due or impaired (2)	-	191,636,522	-	-	4,027,998	-	68,611,398	313,126
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	-	-	-	-	-	-	-
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.	-	-	-	-	-	-	-	-
D. The amount of financial assets that are impaired	-	-	-	-	-	-	-	-
- Past due (Gross book value)	-	931,698	-	-	12,579,878	-	-	-
- The amount of impairment (-)	-	(931,698)	-	-	(12,579,878)	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-	-	-

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

Exposure to credit risk in consideration of financial instruments:

	Receivables						Cash and cash equivalents	
Previous Year	Trade Receivables			Other Receivables			Bank Deposits	Cheques and notes received (less than three months)
	Related Parties	Third Parties	Related Parties	Third Parties	Related Parties	Third Parties		
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E) (1)	-	238,833,062	-	6,517,044	9,304,734	63,131,648		
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-							
A. Financial assets that are not either past due or impaired (2)	-	238,833,062	-	6,517,044	9,304,734	63,131,648		
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-							
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.	-							
D. The amount of financial assets that are impaired	-							
- Past due (Gross book value)	-	855,729		10,763,567				
- The amount of impairment (-)	-	(855,729)		(10,763,567)				
E. Off balance sheet credit risk amount	-							

- (1) The factors which help to improve the credit reliability, such as received collaterals, were disregarded.
(2) The Group management predicted that it would not be encountered any problem regarding Collection of Receivables except doubtful receivables because of considering their past experiences.



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

Past Due and Overdue Receivables:

Current Year	Receivables	
	Trade Receivables	Other Receivables
Overdue Between 1-30 days	-	-
Overdue Between 1-3 months	-	-
Overdue Between 3-12 months	-	-
Overdue Between 1-5 years	931,698	12,579,878
Overdue over 5 years	-	-
Overdue Receivables secured with collaterals	-	-
	Receivables	
Previous year	Trade Receivables	Other Receivables
Overdue Between 1-30 days	-	-
Overdue Between 1-3 months	-	-
Overdue Between 3-12 months	-	-
Overdue Between 1-5 years	855,729	10,763,567
Overdue over 5 years	-	-
Overdue Receivables secured with collaterals	-	-

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections. The Group manages short, medium and long term funding and liquidity management requirements by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual payments. The Group does not have any derivative liabilities.



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31.12.2017

Contractual maturity analysis	Book Value	Cash by contracts		Btw 3-12 months (II)	Btw. 1-5 years (III)	5> years (IV)
		total cash outs (=I+II+III+IV)	<3 months (I)			
Non-derivative financial liabilities	713,315,567	717,022,510	342,704,508	288,559,098	85,758,905	--
Bank Loans	154,351,240	154,351,240	54,756,925	77,948,017	21,646,297	-
Leasing Payables	6,510,819	6,510,819	200,586	2,197,625	4,112,608	--
Debts in issues	80,084,568	80,084,568	--	20,084,568	60,000,000	--
Trade Payables	472,274,447	475,981,390	287,746,996	188,234,394	--	--
Other Payables	94,494	94,494	--	94,494	--	--

31.12.2016

Contractual maturity analysis	Book Value	Cash by contracts		Btw 3-12 months (II)	Btw. 1-5 years (III)	5> years (IV)
		total cash outs (=I+II+III+IV)	<3 months (I)			
Non-derivative financial liabilities	446,799,470	448,327,441	216,002,875	224,707,715	7,616,851	--
Bank Loans	74,539,031	74,539,031	--	72,092,705	2,446,326	-
Leasing Payables	6,858,080	6,858,080	--	1,687,555	5,170,525	--
Debts in issues	35,692,296	35,692,296	--	35,692,296	--	--
Trade Payables	329,678,820	331,206,791	216,002,875	115,203,916	--	--
Other Payables	31,243	31,243	--	31,243	--	--

Market Risk

The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Company is subject to foreign currency risk because of international purchasing and foreign exchange denominated loans. That risk is tried to minimize by setting the sale price in terms of foreign exchange denominated as in the previous years.



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign Currency Risk

	31.12.2017			31.12.2016		
	TL Equivalent	US Dollars	Euro	TL Equivalent	US Dollars	Euro
1. Trade Receivables	14,022,363	2,929,064	658,671	10,091,880	2,867,663	--
2a. Monetary Financial Assets	567,017	139,766	8,821	1,835,722	521,509	115
2b. Non-Monetary Financial Assets	--	--	--	--	--	--
3. Current Assets (1+2)	14,589,380	3,068,830	667,492	11,927,602	3,389,172	115
4a. Non-Monetary Financial Assets	--	--	--	8,421,285	--	2,269,949
5. Non-current Assets (4)	--	--	--	8,421,285	--	2,269,949
6. Total Assets (3+5)	14,589,380	3,068,830	667,492	20,348,887	3,389,172	2,270,065
7. Trade Payables	24,636,730	2,699,570	3,201,024	18,688,731	1,463,485	3,649,272
8. Financial Liabilities	10,203,673	2,247,618	382,213	33,458,545	9,125,736	362,073
9. Current Liabilities (7+8)	34,840,403	4,947,188	3,583,236	52,147,276	10,589,221	4,011,345
10. Financial Liabilities	4,095,457	17,108	892,687	5,138,436	117,899	1,273,222
11. Non-current Liabilities (10)	4,095,457	17,108	892,687	5,138,436	117,899	1,273,222
12. Total Liabilities (9+11)	38,935,860	4,964,296	4,475,923	57,285,712	10,707,120	5,284,567
13. Net Foreign Currency asset/(liability) position (6-12)	(24,346,480)	(1,895,467)	(3,808,431)	(36,936,825)	(7,317,948)	(3,014,502)
14. Net Foreign Currency asset/(liability) position of the monetary items	(24,346,480)	(1,895,467)	(3,808,431)	(36,936,825)	(7,317,948)	(3,014,503)
15. Exports	56,752,312	--	--	8,686,453	--	--
16. Imports	933,162	--	--	52,268	--	--



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign Currency Risk (continued)

Sensitivity to Foreign Currency				
Current Year				
	Profit/(Loss)		Equity	
	Appreciation of Foreign Currency	Devaluation of Foreign Currency	Appreciation of Foreign Currency	Devaluation of Foreign Currency
In case of 10% change in USD against TRY:				
1- US Dollar net assets/liabilities	(714,951)	714,951	-	-
2- The amount of USD Hedging (-)	-	-	-	-
3- US Dollar Net Effect (1+2)	(714,951)	714,951	-	-
In case of 10% change in EUR against TRY:				
1- EUR net assets/liabilities	(1,719,697)	1,719,697	-	-
2- The amount of EUR Hedging (-)	-	-	-	-
3- EUR Net Effect (1+2)	(1,719,697)	1,719,697	-	-
TOTAL (3+6)	(2,434,648)	2,434,648		

Sensitivity to Foreign Currency				
Previous Year				
	Profit/(Loss)		Equity	
	Appreciation of Foreign Currency	Devaluation of Foreign Currency	Appreciation of Foreign Currency	Devaluation of Foreign Currency
In case of 10% change in USD against TRY:				
1- US Dollar net assets/liabilities	(2,575,332)	2,575,332	-	-
2- The amount of USD Hedging (-)	-	-	-	-
3- US Dollar Net Effect (1+2)	(2,575,332)	2,575,332	-	-
In case of 10% change in EUR against TRY:				
1- EUR net assets/liabilities	(1,118,350)	1,118,350	-	-
2- The amount of EUR Hedging (-)	-	-	-	-
3- EUR Net Effect (1+2)	(1,118,350)	1,118,350	-	-
TOTAL (3+6)	(3,693,682)	3,693,682		

The Group has not hedged its foreign exchange liabilities using derivative financial tools.



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest Rate Risk

The Group should handle the risk of interest rate occurred as a result of the variations in the prices of financial instruments being affected by the changes in the market interest rates. This risk is managed by holding in short term the assets being affected by the changes in the interest rates.

Interest Rate Risk Table			
		Current year	Previous year
Financial Instrument with fixed rate			
Financial Assets	Financial assets at fair value through profit/(loss)	-	-
	Cash and Banks	68,917,106	9,906,284
Financial Liabilities		160,862,059	81,397,111
Financial Instrument with floating rate			
Financial Assets		-	-
Financial Liabilities		80,084,568	35,692,296



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40. FINANCIAL INSTRUMENTS - FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK

31.12.2017	Financial Assets					at Fair Value		Note
	Financial assets at Amortized Cost	Loans and Receivables	Evaluated by Cost Value	Through Profit or Loss	Financial Liabilities at Amortized Cost	Carrying Value	Fair Value	
Financial Assets								
Cash and Cash Equivalents	68,917,106	-	-	-	-	68,917,106	68,917,106	6
Trade Receivables	-	191,636,522	-	-	-	191,636,522	191,636,522	10
Financial Liabilities								
Financial Liabilities	-	-	-	-	154,351,240	154,351,240	154,351,240	8
Trade Payables	-	-	-	-	472,274,447	472,274,447	472,274,447	10
Other Financial Liabilities	-	-	-	-	6,510,819	6,510,819	6,510,819	9
31.12.2016								
Financial Assets								
Cash and Cash Equivalents	9,906,284	-	-	-	-	9,906,284	9,906,284	6
Trade Receivables	-	238,833,062	-	-	-	238,833,062	238,833,062	10
Financial Liabilities								
Financial Liabilities	-	-	-	-	74,539,031	74,539,031	75,089,826	8
Trade Payables	-	-	-	-	329,678,821	329,678,821	329,678,821	10
Other Financial Liabilities	-	-	-	-	6,858,080	6,858,080	6,858,080	9



**40. FINANCIAL INSTRUMENTS - FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY
FOR HEDGING FINANCIAL RISK (continued)**

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

- Level 1: Market price valuation techniques for the determined financial instruments traded in markets
- Level 2: Other valuation techniques including direct or indirect observable inputs
- Level 3: Valuation techniques not containing observable market inputs.

The Group management considers fair value of financial instruments which are close to carrying value.

41. EVENTS AFTER REPORTING PERIOD

31 December 2017:

Group decided to close its subsidiary AE Arma Elektropanç Mechanical Contracting Qatar W.L.L. with the Board Decision numbered 2018/02 as of 9 March 2018.

Finance Ministry of United Arab Emirates started to apply VAT with 5% as of 1 January 2018.

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, the corporate tax paid over the profits of the 2018, 2019 and 2020 taxation periods is raised to 22%.

31 December 2016:

None.

**42. DISCLOSURE OF OTHER MATTERS THAT EFFECTING FINANCIAL STATEMENTS
SIGNIFICANTLY OR REQUIRED FOR BEING EXPLICIT, UNDERSTANDABLE AND
INTERPRETABLE**

31 December 2017:

None.

31 December 2016:

None.

