

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

Condensed Consolidated Interim Financial
Statements as at and for the Six-Months Period
Ended with Independent Auditor's Review
Report
30 June 2021



KPMG Bağımsız Denetim ve
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Independent Auditor's Report on Review of Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Enka İnşaat ve Sanayi Anonim Şirketi ("the Company") and its subsidiaries and joint operations (collectively referred to as "the Group") as at 30 June 2021, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial information in accordance with International Accounting Standards 34 "*Interim Financial Reporting*" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" ("ISRE 2410"). A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Gökhan Atılğan, SMMM
Partner

13 August 2021
İstanbul, Turkey

TABLE OF CONTENTS	PAGE
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION.....	1-2
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS.....	3
CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME.....	4
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY.....	5
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS.....	6
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	7-28
NOTE 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP.....	7
NOTE 2 BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8-14
NOTE 3 CHANGES IN OPERATIONAL SEASON.....	14
NOTE 4 SEGMENTAL INFORMATION	15-19
NOTE 5 CONSTRUCTION CONTRACTS.....	20
NOTE 6 INVESTMENT PROPERTY.....	20
NOTE 7 PROPERTY, PLANT AND EQUIPMENT.....	20
NOTE 8 COMMITMENTS.....	21
NOTE 9 RELATED PARTY BALANCES AND TRANSACTIONS.....	22
NOTE 10 SHARE CAPITAL AND RESERVES.....	22
NOTE 11 INVESTMENT INCOME / EXPENSES.....	23
NOTE 12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	23-26
NOTE 13 FINANCIAL INSTRUMENTS - FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK.....	27-28
NOTE 14 SUBSEQUENT EVENTS	28

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

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

		Reviewed 30 June 2021	Audited 31 December 2020
ASSETS	Note		
Current Assets		4,337,297	3,629,554
Cash and cash equivalents		1,607,104	1,350,709
Financial investments		1,878,290	1,476,006
Trade receivables		336,672	333,112
Other receivables			
Other receivables from third parties		2,757	2,837
Inventories		287,774	267,728
Prepaid expenses		128,899	111,843
Costs and estimated earnings in excess of billings on uncompleted contracts	5	21,375	15,621
Other current assets		52,361	48,389
		<u>4,315,232</u>	<u>3,606,245</u>
Assets held for sale		22,065	23,309
Non-Current Assets		4,470,098	4,824,069
Financial investments		1,290,879	1,579,176
Trade receivables		14,002	17,175
Investment properties	6	1,947,197	1,912,105
Property, plant and equipment		1,133,891	1,233,030
Intangible assets			
Other intangible assets		60,893	62,400
Deferred tax assets		12,232	8,503
Prepaid expenses		10,920	11,431
Other non-current assets		84	249
TOTAL ASSETS		<u>8,807,395</u>	<u>8,453,623</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

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

		Reviewed 30 June 2021	Audited 31 December 2020
LIABILITIES	Note		
Current Liabilities		1,384,159	1,075,033
Short-term borrowings		24,199	55,011
Current portion of long-term borrowings		16,677	19,488
Trade payables		281,156	167,739
Payables to employees		17,697	24,051
Other payables			
Payables to related parties		14	18
Payables to third parties		20,072	19,969
Billings in excess of costs and estimated earnings			
on uncompleted contracts	5	361,297	313,553
Deferred income		528,288	358,331
Taxation on income		24,825	19,478
Provisions			
Provisions for employee benefits		7,038	9,135
Other provisions		41,175	49,570
Other current liabilities		61,721	38,690
Non-Current Liabilities		603,817	608,461
Long-term borrowings		105,493	114,302
Other payables		18,854	19,151
Deferred income		4,701	1,381
Provisions for employee benefits		11,873	13,356
Deferred tax liabilities		462,896	460,271
EQUITY		6,819,419	6,770,129
Equity Attributable to Equity Holders of the Parent		6,738,575	6,693,541
Share capital	10	2,727,682	2,727,682
Treasury Shares	10	(129,468)	(129,468)
Revaluation surplus		109,628	111,729
Currency translation difference		(1,360,352)	(1,350,943)
Other reserves		(936)	(1,009)
Legal reserves and accumulated profit		5,392,021	5,335,550
Non-Controlling Interests		80,844	76,588
TOTAL LIABILITIES AND EQUITY		8,807,395	8,453,623

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2021

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

		Reviewed 1 January- 30 June 2021	Reviewed 1 January- 30 June 2020	Not Reviewed 1 April- 30 June 2021	Not Reviewed 1 April- 30 June 2020
	Note				
CONTINUING OPERATIONS					
Revenue	4	1,048,343	858,084	562,789	389,094
Cost of revenues (-)	4	(692,605)	(629,348)	(408,628)	(315,309)
GROSS PROFIT		355,738	228,736	154,161	73,785
Administrative expenses (-)	4	(38,324)	(34,119)	(15,194)	(17,080)
Marketing, selling and distribution expenses (-)	4	(15,782)	(10,862)	(6,915)	(4,663)
Other operating income	4	16,011	17,256	9,026	4,849
Other operating expenses (-)	4	(28,128)	(15,746)	(11,719)	(8,892)
PROFIT FROM OPERATIONS		289,515	185,265	129,359	47,999
Income from investing activities	4,11	228,925	176,688	160,031	110,537
Expenses from investing activities (-)	4,11	(29,925)	(85,405)	36,643	239,871
OPERATING PROFIT		488,515	276,548	326,033	398,407
BEFORE FINANCE EXPENSES		488,515	276,548	326,033	398,407
Financial income	4	36,009	20,988	1,676	4,869
Financial expenses (-)	4	(26,488)	(7,412)	(10,609)	5,341
PROFIT BEFORE TAX		498,036	290,124	317,100	408,617
FROM CONTINUING OPERATIONS		498,036	290,124	317,100	408,617
Current tax expense (-)		(66,806)	(41,158)	(48,038)	(19,405)
Deferred tax income / (expense)		(23,917)	10,930	(17,519)	(14,834)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		407,313	259,896	251,543	374,378
NET PROFIT (LOSS) FOR THE PERIOD		407,313	259,896	251,543	374,378
Attributable to:					
Non-controlling interest		2,201	(350)	1,352	(837)
Equity holders of the parent		405,112	260,246	250,191	375,215
		407,313	259,896	251,543	374,378
Earning / (Loss) per share from continuing operations					
- ordinary share certificate (full USD)		0.07	0.05	0.05	0.07
Weighted average number of shares					
(1 dollar weighted average shares)		5,461,886,335	5,461,886,335	5,461,886,335	5,461,886,335

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021**

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

	Reviewed 1 January- 30 June 2021	Reviewed 1 January- 30 June 2020	Not Reviewed 1 April- 30 June 2021	Not Reviewed 1 April- 30 June 2020
NET PROFIT FOR THE PERIOD	407,313	259,896	251,543	374,378
Other Comprehensive Income / (Expense):				
Items that will not be reclassified subsequently to profit or loss	(1,672)	(2,618)	(182)	(128)
Changes in currency translation difference in revaluation fund of property	(1,672)	(2,618)	(182)	(128)
Items that may be reclassified subsequently to profit or loss	(111,923)	(251,660)	21,847	48,988
Changes in currency translation difference	(111,996)	(251,282)	21,570	48,905
Gains (Losses) on financial assets measured at fair value through other comprehensive income	73	(378)	277	83
OTHER COMPREHENSIVE INCOME / (LOSS)	(113,595)	(254,278)	21,665	48,860
TOTAL COMPREHENSIVE INCOME	293,718	5,618	273,208	423,238
Attributable to:				
Non-controlling interest	4,814	(763)	7,182	(687)
Equity holders of the parent	288,904	6,381	266,026	423,925
	293,718	5,618	273,208	423,238

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

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

	Share capital	Treasury Shares	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non- controlling interests	Total equity
Balance at 1 January 2020	2,639,338	(80,004)	116,276	(1,203,018)	(1,104)	5,096,031	6,567,519	69,567	6,637,086
Total other comprehensive income	-	-	(2,623)	(125,453)	(381)	(125,408)	(253,865)	(413)	(254,278)
Profit for the period	-	-	-	-	-	260,246	260,246	(350)	259,896
Total comprehensive income	-	-	(2,623)	(125,453)	(381)	134,838	6,381	(763)	5,618
Increase (Decrease) through Treasury Share Transactions	-	(26,586)	-	-	-	-	(26,586)	-	(26,586)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	26	-	-	(26)	-	-	-
Share capital increase	88,344	-	-	-	-	(88,344)	-	-	-
Dividends paid	-	-	-	-	-	(137,308)	(137,308)	(481)	(137,789)
Balance at 30 June 2020	2,727,682	(106,590)	113,679	(1,328,471)	(1,485)	5,005,191	6,410,006	68,323	6,478,329
Balance at 1 January 2021	2,727,682	(129,468)	111,729	(1,350,943)	(1,009)	5,335,550	6,693,541	76,588	6,770,129
Total other comprehensive income	-	-	(2,123)	(9,409)	73	(104,749)	(116,208)	2,613	(113,595)
Profit for the period	-	-	-	-	-	405,112	405,112	2,201	407,313
Total comprehensive income	-	-	(2,123)	(9,409)	73	300,363	288,904	4,814	293,718
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	22	-	-	(22)	-	-	-
Dividends paid	-	-	-	-	-	(243,870)	(243,870)	(558)	(244,428)
Balance at 30 June 2021	2,727,682	(129,468)	109,628	(1,360,352)	(936)	5,392,021	6,738,575	80,844	6,819,419

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2021

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

	Reviewed 1 January- 30 June 2021	Reviewed 1 January- 30 June 2020
Cash flows from operating activities		
Profit for the period	407,313	259,896
Adjustments to reconcile net income to net cash used in operating activities:		
- Adjustments related to depreciation and amortisation	46,827	42,854
- Adjustments related to provision for employment	336	775
- Adjustments related to allowance for doubtful receivables	87	45
- Adjustments related to provision for litigations	4,749	1,642
- (Income) / loss from fair value of forward transactions	7,631	(1,962)
- Adjustments to related to interest expense	1,473	2,095
- Adjustments to related to interest income	(43,466)	(55,734)
- Adjustments to related to dividend income	(11,947)	(18,129)
- Adjustments to related to provision for inventory impairment, net	(727)	(583)
- Adjustments to related to gain on sale or disposal of property, plant and equipment, net	(7,477)	(5,286)
- Adjustments to related to valuation of investment securities	(112,223)	13,888
- Interest accrual	48	32
- Tax expense	90,723	30,228
	<u>383,347</u>	<u>269,761</u>
Movements in working capital		
Change in trade and other receivables	(119)	(56,197)
Change cost and estimated earnings in excess of billings on uncompleted contracts	(5,754)	56,758
Change in inventory	(19,319)	(28,942)
Change in other current assets and other non current assets	(19,026)	(3,918)
Change in trade and other payables	113,417	35,660
Change in billings in excess of cost and estimated earnings on uncompleted contracts	47,743	96,561
Change provision for liabilities and other liabilities	<u>166,957</u>	<u>(72,636)</u>
	<u>283,899</u>	<u>27,286</u>
Income taxes paid	(61,460)	(41,850)
Employee termination benefits paid	(855)	(414)
Net cash generated from operating activities	<u>604,931</u>	<u>254,783</u>
Cash flows from investing activities		
Purchases of financial investments	(226,866)	(540,786)
Sale of financial investments	225,101	469,547
Proceeds on disposal or sale of property, plant and equipment	28,080	14,872
Purchases of property, plant and equipment, intangible assets and investment properties	(96,124)	(33,246)
Interest received	41,803	54,037
Dividend received	11,947	18,129
Net cash used in investing activities	<u>(16,059)</u>	<u>(17,447)</u>
Cash flows from financing activities		
Addition to borrowings	7,485	18,822
Repayments of borrowings	(48,801)	(28,854)
Purchase of treasury shares	-	(26,586)
Interest received	1,615	1,665
Interest paid	(1,473)	(2,171)
Dividend paid to non-controlling interests	(558)	(481)
Dividend paid	(243,870)	(137,308)
Net cash used in financing activities	<u>(285,602)</u>	<u>(174,913)</u>
Translation reserve	(46,875)	(26,139)
Net increase / (decrease) in cash and cash equivalents	<u>256,395</u>	<u>36,284</u>
Cash and cash equivalents at beginning of the period	1,349,709	1,016,048
Cash and cash equivalents at end of the period	<u>1,606,104</u>	<u>1,052,332</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

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

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (“Enka Holding”), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 30 June 2021, 8.91% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 30 June 2021, the average numbers of white and blue-collar personnel are respectively 4,781 and 14,523 (31 December 2020 – 4,810 and 15,243).

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

The Group operates in geographical areas below:

- i. *Turkey*: engaged in diverse types of construction activities including construction of industrial and social buildings, motorways and construction and operation of natural gas fired electrical energy generation facilities. Additionally, the Group is operating in trading activities.
- ii. *Russian Federation, Turkmenistan, Georgia and Kazakhstan*: engaged in construction activities and also in investment and development of real estate properties and shopping malls in Moscow, Russia.
- iii. Engaged in construction activities in Gabon, Kenya, Djibouti, Mauritania and Libya in Africa; Saudi Arabia, Sri Lanka, India, Oman, Iraq and Afganistan in Asia; Mexico in North America and Paraguay in South America and Bahamas in Carribean.
- iv. *Europe*: engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Greece, Germany, Kosovo and Serbia.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of accounting

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Uniform Chart of Accounts published by the Ministry of Treasury and Finance. The consolidated financial statements are presented in U.S. Dollars (“USD”) and all values are rounded to the nearest thousand (‘000) except when otherwise indicated.

Enka İnşaat and its subsidiaries which are incorporated in Turkey, maintain their books of accounts in accordance with the Turkish Commercial Code and Tax Law and the foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries where they are registered. The Company prepares its statutory consolidated financial statements in Turkish Lira (“TL”) in accordance with Turkish Financial Reporting Standards (“TFRS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) according to the Article 5 of the Communiqué as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting”. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

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

There are no differences between the condensed consolidated interim financial statements prepared in accordance with TFRS and consolidated IFRS financial statements except for the use of TL as the presentation currency in accordance with IAS 21 “the effects of changes in foreign exchange rates”.

The condensed consolidated interim financial statements have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss, investment properties, land and buildings which are measured at fair values.

Approval of the financial statements:

The condensed consolidated interim financial statements are approved by the Company’s Board of Directors on 13 August 2021. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

Functional and presentation currency

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

The functional currencies of the Power companies’ operating in Turkey, was changed from U.S. Dollar to TL due to the changes in operations or activity in the economic environment as of 31 December 2019.

The functional currencies of foreign subsidiaries operating in Russia (Moscow Krasnye Holmy (MKH), Limited Liability Company Mosenka (Mosenka) and Limited Liability Company Enka TC (Enka TC) are Ruble. The functional currency of jointly managed subsidiaries established in Romania, Kosovo and Albania and Enka Pazarlama are the Euro. The functional currency of some subsidiaries incorporated in Turkey is TL. These companies reporting to Enka İnşaat in the currency of their respective currencies.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.1 Basis of presentation (cont’d)

Functional and presentation currency (cont’d)

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

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

As of 30 June 2021, 31 December 2020 and 30 June 2020, the buying rates and average rates for one U.S. Dollar can be summarized as below:

	30 June 2021	31 December 2020	30 June 2020
U.S. Dollars/TL – as of balance sheet date	8.7052	7.3405	6.8422
U.S. Dollars/TL – yearly average	7.8693	7.0034	6.4731

Inflation accounting

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their consolidated financial statements in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”). Accordingly, Turkish Accounting Standards 29, “Financial Reporting in Hyperinflationary Economies”, issued by the POA, has not been applied in the consolidated financial statements for the accounting year commencing 1 January 2005. Accordingly, the non-monetary assets and liabilities and equity items included in the balance sheet of the Company for the year ended 31 December 2020 and 2019 have been calculated by indexing the entries until 31 December 2004 until 31 December 2004 and the entries after these dates are carried at nominal values.

Comparative information and reclassification of prior year consolidated financial statements

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.1 Basis of presentation (cont’d)

Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the parent company, its joint operations and its subsidiaries as at 30 June 2021. The condensed consolidated interim financial statements of the joint operations and the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

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

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.

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.2 Changes in the accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements.

2.3 Changes in Accounting Estimates and Errors

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

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

2.4 Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

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

Reference to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements- specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On 23 January 2020, IASB issued *Classification of Liabilities as Current or Non-Current* which amends IAS 1 *Presentation of Financial Statements* to clarify its requirements for the presentation of liabilities in the statement of financial position.

The amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, according to the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

IASB has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures on 12 February 2021.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material previously:

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

The amendments are effective from 1 January 2023 but companies can apply it earlier. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to IAS 1 and IFRS Practice Statement 2).

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

Definition of Accounting Estimates (Amendments to IAS 8) (cont’d)

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to IAS 1 and IFRS Practice Statement 2).

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes.

The amendments to IAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

Annual Improvements to IFRS Standards 2018–2020

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. 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

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

IFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

IAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13.

Amendments are effective on 1 January 2021

1-) Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

2.5 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. When a significant accounting error is identified, it is corrected retrospectively and the prior year consolidated financial statements are restated.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

3. CHANGES IN OPERATIONAL SEASON

The Group's operations related to construction slow down during the winter season and differ significantly from other operational areas.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

4. SEGMENTAL INFORMATION

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

a) Business segments

	1 January - 30 June 2021					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	719,590	148,886	117,233	62,634	-	1,048,343
Inter-segment revenues	2,566	-	25,348	-	(27,914)	-
Cost of revenues (-)	(482,300)	(46,834)	(87,573)	(75,898)	-	(692,605)
Inter-segment cost of revenues (-)	(2,566)	-	(25,348)	-	27,914	-
Gross profit	237,290	102,052	29,660	(13,264)	-	355,738
Administrative expenses (-)	(23,609)	(6,697)	(3,746)	(4,272)	-	(38,324)
Marketing expenses (-)	(7,778)	(2,513)	(4,620)	(871)	-	(15,782)
Other operating income	13,316	172	2,477	46	-	16,011
Other operating expenses (-)	(24,425)	(794)	(1,990)	(919)	-	(28,128)
Profit from operations	194,794	92,220	21,781	(19,280)	-	289,515
Investment income	225,523	-	-	3,402	-	228,925
Investment expenses (-)	(29,925)	-	-	-	-	(29,925)
Profit from operations before financial income / (expenses)	390,392	92,220	21,781	(15,878)	-	488,515
Financial income	19,323	2,931	4,647	9,299	(191)	36,009
Financial expenses (-)	(15,178)	(1,463)	(8,758)	(1,280)	191	(26,488)
Profit / (loss) before tax	394,537	93,688	17,670	(7,859)	-	498,036
Current tax expense (-)	(28,199)	(31,220)	(5,959)	(1,428)	-	(66,806)
Deferred taxation income/ (expenses)	(15,912)	(2,077)	840	(6,768)	-	(23,917)
Profit / (loss) for the period from continuing operations	350,426	60,391	12,551	(16,055)	-	407,313
	30 June 2021					
	Construction contracts	Rental	Trade	Energy	Consolidated	
Segment assets	5,788,973	1,964,948	262,342	791,132	8,807,395	
Total assets	5,788,973	1,964,948	262,342	791,132	8,807,395	
Segment liabilities	1,268,666	379,258	134,532	205,520	1,987,976	
Total liabilities	1,268,666	379,258	134,532	205,520	1,987,976	
	1 January - 30 June 2021					
Other segment information	Construction contracts	Rental	Trade	Energy	Consolidated	
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	69,743	17,825	674	7,728	95,970	
Intangible assets	147	7	-	-	154	
Total capital expenditures	69,890	17,832	674	7,728	96,124	
Depreciation expense	24,818	544	932	17,940	44,234	
Amortisation expense	2,521	20	23	29	2,593	

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

	1 April - 30 June 2021					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	345,090	75,644	79,518	62,537	-	562,789
Inter-segment revenues	1,491	-	11,902	-	(13,393)	-
Cost of revenues (-)	(264,109)	(22,760)	(59,041)	(62,718)	-	(408,628)
Inter-segment cost of revenues (-)	(1,491)	-	(11,902)	-	13,393	-
Gross profit	80,981	52,884	20,477	(181)	-	154,161
Administrative expenses (-)	(10,235)	(1,088)	(798)	(3,073)	-	(15,194)
Marketing expenses (-)	(2,267)	(1,367)	(2,785)	(496)	-	(6,915)
Other operating income	7,046	144	1,802	34	-	9,026
Other operating expenses (-)	(9,536)	(740)	(782)	(661)	-	(11,719)
Profit from operations	65,989	49,833	17,914	(4,377)	-	129,359
Investment income	157,277	(144)	-	2,898	-	160,031
Investment expenses (-)	36,643	-	-	-	-	36,643
Profit from operations before financial income / (expenses)	259,909	49,689	17,914	(1,479)	-	326,033
Financial income	(3,655)	2,790	78	2,554	(91)	1,676
Financial expenses (-)	(6,946)	(507)	(2,941)	(306)	91	(10,609)
Profit before tax	249,308	51,972	15,051	769	-	317,100
Current tax expense (-)	(19,659)	(23,645)	(4,210)	(524)	-	(48,038)
Deferred taxation income/ (expenses)	(7,252)	(1,647)	(117)	(8,503)	-	(17,519)
Profit for the period from continuing operations	222,397	26,680	10,724	(8,258)	-	251,543

	1 April - 30 June 2021				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Investment Property					
Property, plant and equipment & investment property	43,876	13,041	591	7,564	65,072
Intangible assets	19	5	-	-	24
Total capital expenditures	43,895	13,046	591	7,564	65,096
Depreciation expense	12,479	323	201	8,619	21,622
Amortisation	1,217	13	11	14	1,255

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

1 January - 30 June 2020						
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	660,461	147,010	50,424	189	-	858,084
Inter-segment revenues	12,201	-	2,649	-	(14,850)	-
Cost of revenues (-)	(512,554)	(43,391)	(42,243)	(31,160)	-	(629,348)
Inter-segment cost of revenues (-)	(12,201)	-	(2,649)	-	14,850	-
Gross profit	147,907	103,619	8,181	(30,971)	-	228,736
Administrative expenses (-)	(25,083)	(4,098)	(2,822)	(2,116)	-	(34,119)
Marketing expenses (-)	(6,062)	(2,250)	(2,550)	-	-	(10,862)
Other operating income	16,514	148	588	6	-	17,256
Other operating expenses (-)	(12,283)	(175)	(992)	(2,296)	-	(15,746)
Profit from operations	120,993	97,244	2,405	(35,377)	-	185,265
Investment income	176,671	-	-	17	-	176,688
Investment expenses (-)	(85,356)	-	-	(49)	-	(85,405)
Profit from operations before financial income / (expenses)	212,308	97,244	2,405	(35,409)	-	276,548
Financial income	6,609	1,398	2,601	10,592	(212)	20,988
Financial expenses (-)	(3,061)	(2,564)	(1,459)	(540)	212	(7,412)
Profit before tax	215,856	96,078	3,547	(25,357)	-	290,124
Current tax expense (-)	(24,477)	(14,368)	(1,190)	(1,123)	-	(41,158)
Deferred taxation income/ (expenses)	12,110	(5,394)	126	4,088	-	10,930
Profit for the period from continuing operations	203,489	76,316	2,483	(22,392)	-	259,896

31 December 2020					
	Construction contracts	Rental	Trade	Energy	Consolidated
Segment assets	5,395,748	1,950,602	225,938	881,335	8,453,623
Total assets	5,395,748	1,950,602	225,938	881,335	8,453,623
Segment liabilities	1,026,206	377,706	96,223	183,359	1,683,494
Total liabilities	1,026,206	377,706	96,223	183,359	1,683,494

1 January - 30 June 2020					
	Construction contracts	Rental	Trade	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	23,347	6,528	784	614	31,273
Intangible assets	1,897	26	50	-	1,973
Total capital expenditures	25,244	6,554	834	614	33,246
Depreciation expense	14,550	934	1,285	23,714	40,483
Amortisation expense	2,285	36	12	38	2,371

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

	1 April - 30 June 2020					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	301,640	63,173	24,208	73	-	389,094
Inter-segment revenues	7,224	-	213	-	(7,437)	-
Cost of revenues (-)	(264,473)	(17,189)	(20,511)	(13,136)	-	(315,309)
Inter-segment cost of revenues (-)	(7,224)	-	(213)	-	7,437	-
Gross profit	37,167	45,984	3,697	(13,063)	-	73,785
Administrative expenses (-)	(12,841)	(2,189)	(958)	(1,074)	(18)	(17,080)
Marketing expenses (-)	(2,505)	(1,024)	(1,134)	-	-	(4,663)
Other operating income	4,476	72	327	(26)	-	4,849
Other operating expenses (-)	(5,833)	(88)	(695)	(2,276)	-	(8,892)
Profit from operations	20,464	42,755	1,237	(16,439)	(18)	47,999
Investment income	110,784	(264)	-	17	-	110,537
Investment expenses (-)	239,920	-	-	(49)	-	239,871
Profit from operations before financial income / (expenses)	371,168	42,491	1,237	(16,471)	(18)	398,407
Financial income	1,622	(999)	877	3,471	(102)	4,869
Financial expenses (-)	1,030	4,626	(249)	(168)	102	5,341
Profit before tax	373,820	46,118	1,865	(13,168)	(18)	408,617
Current tax expense (-)	(10,946)	(7,383)	(885)	(191)	-	(19,405)
Deferred taxation income/ (expenses)	(14,768)	(1,990)	54	1,870	-	(14,834)
Profit for the period from continuing operations	348,106	36,745	1,034	(11,489)	(18)	374,378
	1 April - 30 June 2020					
Other segment information	Construction contracts	Rental	Trade	Energy	Consolidated	
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	12,441	230	618	14	13,303	
Intangible assets	1,014	12	36	-	1,062	
Total capital expenditures	13,455	242	654	14	14,365	
Depreciation expense	4,056	529	657	11,581	16,823	
Amortisation expense	1,154	24	7	18	1,203	

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

4. SEGMENTAL INFORMATION (cont'd)

b) Geographical segments

1 January - 30 June 2021						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	378,760	347,869	52,265	269,449	-	1,048,343
Inter-segment sales	27,914	-	-	-	(27,914)	-
Capital expenditures	15,070	33,155	24	47,875	-	96,124
30 June 2021						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,360,594	2,840,869	57,925	548,007	-	8,807,395
1 April - 30 June 2021						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	255,510	185,985	29,711	91,583	-	562,789
Inter-segment sales	13,393	-	-	-	(13,393)	-
Capital expenditures	9,957	24,025	-	31,114	-	65,096
1 January - 30 June 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	204,817	359,994	196,092	97,181	-	858,084
Inter-segment sales	14,850	-	-	-	(14,850)	-
Capital expenditures	16,032	13,608	1,169	2,437	-	33,246
31 December 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,207,382	2,712,799	148,064	385,378	-	8,453,623
1 April - 30 June 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	116,692	164,172	75,127	33,103	-	389,094
Inter-segment sales	7,437	-	-	-	(7,437)	-
Capital expenditures	10,157	1,017	1,161	2,030	-	14,365

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

5. CONSTRUCTION CONTRACTS

The Group's construction contract details as of 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021	31 December 2020
Costs incurred on uncompleted contracts	2,288,630	1,916,870
Recognized profit less recognized losses to date, net	430,618	344,809
	<u>2,719,248</u>	<u>2,261,679</u>
Less: Progress billing	(3,059,170)	(2,559,611)
	<u>(339,922)</u>	<u>(297,932)</u>
	30 June 2021	31 December 2020
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	21,375	15,621
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(361,297)	(313,553)
	<u>(339,922)</u>	<u>(297,932)</u>

As of 30 June 2021, the amount of advances received of subsidiaries and companies shares in joint operations is USD 486.821 (31 December 2020: USD 288,742).

6. INVESTMENT PROPERTIES

As of 30 June 2021 and 2020, movement of investment properties is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Opening balance	1,912,105	2,079,016
Currency translation difference	17,757	(148,382)
Additions	17,335	6,192
Closing balance	<u>1,947,197</u>	<u>1,936,826</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2021 the Group purchased property plant and equipment amounting to USD 78,635 (30 June 2020: USD 25,081). In addition, during the period ended 30 June 2021 net book value of USD 20,603 (30 June 2020: USD 9,586) property plant and equipment sold for USD 28,080 (30 June 2020: USD 14,872).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

8. COMMITMENTS

Litigations

During the period ended 30 June 2021, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed as of 31 December 2020 the consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

Commitments and contingencies

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 30 June 2021 and 31 December 2020 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	30 June 2021		31 December 2020	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		1,031,390		785,613
-USD	259,096	259,096	148,337	148,337
-EUR	396,870	472,517	421,964	517,813
-TL	1,390,986	159,788	192,991	26,291
-Others (*)		139,989		93,172
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		104,871		71,480
-USD	85	85	105	105
-EUR	-	-	-	-
-TL	822	94	822	112
-Others (*)		104,692		71,263
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)				-
D. Other guarantees given		-		-
i. Total amount of guarantees given on behalf of the parent company				-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C				-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C				-
		<u>1,136,261</u>		<u>857,093</u>

(*) U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR. As of 30 June 2021 the portion of other guarantess given to shareholders' equity is 0% (31 December 2020 - 0%).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

10. SHARE CAPITAL AND RESERVES

The shareholders of the Group and their percentage of ownership as of 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021		31 December 2020	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.80%	1,358,385	49.80%	1,358,385
Vildan Gülçelik	7.99%	217,990	7.99%	217,942
Sevda Gülçelik	6.43%	175,390	6.43%	175,390
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	160,115	5.87%	160,115
Other	29.91%	815,802	29.91%	815,850
	100%	2,727,682	100%	2,727,682
Purchase of treasury shares (*)		(129,468)		(129,468)
		2,598,214		2,598,214

Based on the Group’s Ordinary General Assembly held on 30 March 2021; regarding to the distribution of the year 2020 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share in total TL 2,000,000 (2020 - TL 1,600,000); further it has been resolved to distribute TL 41,903 (2020 - TL 40,489) as cash dividend to founder shares. The Dividend decided to be distributed was distributed on 13 April 2021.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

11. INVESTMENT INCOME / EXPENSES

	1 January- 30 June 2021	1 January- 30 June 2020
Income from investing activities		
Interest income from financial investments	41,803	54,037
Increase in value of financial investments	112,223	42,172
Foreign exchange income from investing activities	17,627	6,718
Income from sale of securities	37,848	50,306
Dividend income	11,947	18,129
Gains from sales of property, plant and equipment	7,477	5,326
	<u>228,925</u>	<u>176,688</u>
Expenses from investing activities		
Losses from valuation of investment securities	-	(56,060)
Foreign exchange losses from investing activities	(27,665)	(10,469)
Losses from sale of securities	(2,260)	(18,836)
Loss from sales of property, plant and equipment	-	(40)
	<u>(29,925)</u>	<u>(85,405)</u>

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Foreign currency risk**

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

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

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

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

The following table details the Group's foreign currency position as at 30 June 2021 and 31 December 2020:

	30 June 2021	31 December 2020
A. Assets denominated in foreign currency	930,918	840,349
B. Liabilities denominated in foreign currency	(479,084)	(444,547)
Net foreign currency position (A+B)	<u>451,834</u>	<u>395,802</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

Foreign currency risk (cont'd)

The Group's foreign currency position at 30 June 2021 and 31 December 2020 is as follows (non-monetary items are not included in the table as they don't have foreign currency risk):

30 June 2021							
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	69,675	8,004	101,006	120,257	109,068	26,108	263,437
Financial investments	510,477	58,640	132,577	157,846	100,913	-	317,399
Trade and other receivables	50,334	5,782	73,444	87,443	52,979	8,049	154,253
Other current assets	133,315	15,314	57,392	68,331	23,197	50,951	157,793
Current assets	763,801	87,740	364,419	433,877	286,157	85,108	892,882
Financial investments	-	-	11,130	13,251	12,185	-	25,436
Trade and other receivables	-	-	8,973	10,683	-	-	10,683
Other non-current assets	13,901	1,597	51	60	257	3	1,917
Non-current assets	13,901	1,597	20,154	23,994	12,442	3	38,036
Total assets	777,702	89,337	384,573	457,871	298,599	85,111	930,918
Short-term borrowings	5,467	628	4,799	5,714	14,058	-	20,400
Trade and other payables	87,241	10,022	141,425	168,381	153,594	14,478	346,475
Other current liabilities and accrued expenses	235,357	27,036	3,955	4,708	40,998	16,233	88,975
Current liabilities	328,065	37,686	150,179	178,803	208,650	30,711	455,850
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	20,859	-	20,859
Other non-current liabilities	-	-	50	60	-	2,315	2,375
Non-current liabilities	-	-	50	60	20,859	2,315	23,234
Total liabilities	328,065	37,686	150,229	178,863	229,509	33,026	479,084
Net foreign currency position	449,637	51,651	234,344	279,008	69,090	52,085	451,834
Net notional amount of derivatives	-	-	127,000	151,206	-	-	151,206

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

Foreign currency risk (cont'd)

	31 December 2020						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	19,977	2,721	71,411	87,636	78,703	39,238	208,298
Financial investments	430,404	58,634	109,715	134,643	77,929	-	271,206
Trade and other receivables	83,238	11,340	87,649	107,563	31,899	14,027	164,829
Other current assets	85,777	11,685	47,488	58,277	38,051	48,072	156,085
Current assets	619,396	84,380	316,263	388,119	226,582	101,337	800,418
Financial investments	-	-	11,661	14,310	12,615	-	26,925
Trade and other receivables	-	-	8,705	10,683	-	-	10,683
Other non-current assets	12,779	1,741	112	138	441	3	2,323
Non-current assets	12,779	1,741	20,478	25,131	13,056	3	39,931
Total assets	632,175	86,121	336,741	413,250	239,638	101,340	840,349
Short-term borrowings	5,209	710	31,794	39,018	16,922	-	56,650
Trade and other payables	83,658	11,397	108,526	133,183	108,213	8,141	260,934
Other current liabilities and accrued expenses	234,084	31,889	22,379	27,463	17,250	20,038	96,640
Current liabilities	322,951	43,996	162,699	199,664	142,385	28,179	414,224
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	27,578	-	27,578
Other non-current liabilities	-	-	48	59	-	2,686	2,745
Non-current liabilities	-	-	48	59	27,578	2,686	30,323
Total liabilities	322,951	43,996	162,747	199,723	169,963	30,865	444,547
Net foreign currency position	309,224	42,125	173,994	213,527	69,675	70,475	395,802
Net notional amount of derivatives	-	-	87,000	106,766	-	-	106,766

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

Foreign currency risk (cont'd)

	30 June 2021		31 December 2020	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Devaluation of foreign currency	Valuation of foreign currency	Devaluation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	5,165	(5,165)	4,213	(4,213)
2- Portion hedged against TL risk (-)	-	-	-	-
3- TL net effect (1+2)	5,165	(5,165)	4,213	(4,213)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	27,901	(27,901)	21,353	(21,353)
5- Portion hedged against Euro risk (-)	15,121	(15,121)	10,677	(10,677)
6- Euro net effect (4+5)	43,022	(43,022)	32,030	(32,030)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	6,909	(6,909)	6,968	(6,968)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	6,909	(6,909)	6,968	(6,968)
Total (3+6+9)	55,096	(55,096)	43,211	(43,211)

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

Fair value of financial assets and liabilities

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

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

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

Financial assets

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

Financial liabilities

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

Fair value hierarchy

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

Fair value hierarchy (cont'd)

30 June 2021

	Level 1	Level 2	Level 3
Private sector bonds	1,138,430	-	-
Equity securities	1,511,931	3,776	7,315
Foreign government bonds	199,358	-	-
Turkish government bonds	48,129	-	-
Mutual funds	216,618	26,339	17,273
Financial assets at fair value through profit or loss	3,114,466	30,115	24,588
Derivative instruments	-	(4,555)	-
Financial liabilities at fair value through profit or loss	-	(4,555)	-

31 December 2020

	Level 1	Level 2	Level 3
Private sector bonds	1,443,141	-	-
Equity securities	1,217,183	3,900	7,167
Foreign government bonds	217,529	-	-
Turkish government bonds	35,667	-	-
Mutual funds	94,552	25,084	10,959
Financial assets at fair value through profit or loss	3,008,072	28,984	18,126
Derivative instruments	-	(2,114)	-
Financial liabilities at fair value through profit or loss	-	(2,114)	-

14. SUBSEQUENT EVENTS

None.