

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

Condensed Consolidated Interim Financial
Statements as at and for the Three-Months
Period Ended
31 March 2023

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

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

ASSETS	Note	31 March 2023	31 December 2022
Current Assets		3,513,231	3,536,158
Cash and cash equivalents		1,059,241	1,026,291
Financial investments	13	1,470,711	1,478,120
Trade receivables		278,753	312,974
Other receivables			
Other receivables from related parties		-	-
Other receivables from third parties		7,399	7,146
Inventories		336,705	372,327
Prepaid expenses		264,011	232,137
Costs and estimated earnings in excess of billings on uncompleted contracts	5	27,204	28,255
Other current assets		54,193	62,375
		<u>3,498,217</u>	<u>3,519,625</u>
Assets held for sale		15,014	16,533
Non-Current Assets		5,012,432	5,044,379
Financial investments	13	2,176,320	2,092,693
Investment properties	6	1,929,060	2,028,224
Property, plant and equipment		804,687	819,799
Right of use assets		59,066	59,524
Intangible assets			
Other intangible assets		15,933	16,487
Deferred tax assets		22,455	21,563
Prepaid expenses		4,813	6,021
Other non-current assets		98	68
TOTAL ASSETS		<u>8,525,663</u>	<u>8,580,537</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 31 MARCH 2023

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

		31 March 2023	31 December 2022
LIABILITIES	Note		
Current Liabilities		1,324,078	1,481,853
Short-term borrowings		48,664	56,347
Current portion of long-term borrowings		4,525	4,908
Trade payables		335,255	451,180
Payables to employees		26,688	17,427
Other payables			
Payables to related parties		6	7
Payables to third parties		18,180	18,546
Billings in excess of costs and estimated earnings on uncompleted contracts	5	397,068	423,591
Deferred income		347,717	358,784
Taxation on income		58,052	59,001
Provisions			
Provisions for employee benefits		9,343	9,621
Other provisions		41,848	42,676
Other current liabilities		36,732	39,765
Non-Current Liabilities		516,351	552,246
Long-term borrowings		118,229	127,189
Other payables		22,742	24,674
Deferred income		2,144	4,528
Provisions for employee benefits		21,214	19,218
Deferred tax liabilities		352,022	376,637
EQUITY		6,685,234	6,546,438
Equity Attributable to Equity Holders of the Parent		6,608,258	6,471,053
Share capital	10	2,751,959	2,751,959
Treasury Shares	10	(126,701)	(127,194)
Revaluation surplus		195,438	195,343
Currency translation difference		(1,421,008)	(1,381,980)
Other reserves		(7,561)	(5,933)
Legal reserves and accumulated profit		5,216,131	5,038,858
Non-Controlling Interests		76,976	75,385
TOTAL LIABILITIES AND EQUITY		8,525,663	8,580,537

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 31 MARCH 2023

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

	Note	1 January- 31 March 2023	1 January- 31 March 2022
CONTINUING OPERATIONS			
Revenue	4	927,570	822,848
Cost of revenues (-)	4	(746,350)	(628,454)
GROSS PROFIT		181,220	194,394
Administrative expenses (-)	4	(68,753)	(22,094)
Marketing, selling and distribution expenses (-)	4	(6,314)	(6,807)
Other operating income	4	21,930	6,431
Other operating expenses (-)	4	(9,289)	(10,259)
PROFIT FROM OPERATIONS		118,794	161,665
Income from investing activities	4,11	233,530	69,455
Expenses from investing activities (-)	4,11	(103,788)	(264,304)
OPERATING PROFIT BEFORE FINANCE EXPENSES		248,536	(33,184)
Financial income	4	10,729	34,785
Financial expenses (-)	4	(25,268)	(9,343)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		233,997	(7,742)
Current tax expense (-)		(29,055)	(41,637)
Deferred tax income / (expense)		6,349	13,495
NET PROFIT (LOSS) FOR THE PERIOD		211,291	(35,884)
Attributable to:			
Non-controlling interest		9,008	(619)
Equity holders of the parent		202,283	(35,265)
		211,291	(35,884)
Earning / (Loss) per share from continuing operations			
- ordinary share certificate (full USD)		0.03	(0.01)
Weighted average number of shares (1 dollar weighted average shares)			
		5,862,743,582	5,862,743,582

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 31 MARCH 2023**

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

	1 January- 31 March 2023	1 January- 31 March 2022
NET PROFIT FOR THE PERIOD	211,291	(35,884)
Other Comprehensive Income / (Expense):		
Items that will not be reclassified subsequently to profit or loss	142	(1,103)
Changes in currency translation difference in revaluation fund of property	142	(1,103)
Items that may be reclassified subsequently to profit or loss	(64,537)	(155,746)
Changes in currency translation difference	(64,511)	(155,847)
Gains (Losses) on financial assets measured at fair value through other comprehensive income	(26)	101
OTHER COMPREHENSIVE INCOME / (LOSS)	(64,395)	(156,849)
TOTAL COMPREHENSIVE INCOME	146,896	(192,733)
Attributable to:		
Non-controlling interest	10,184	(2,065)
Equity holders of the parent	136,712	(190,668)
	146,896	(192,733)

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 31 MARCH 2023

(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 2022	2,727,682	(129,468)	110,445	(1,429,824)	(700)	5,396,559	6,674,694	66,890	6,741,584
Total other comprehensive income	-	-	(1,103)	(72,469)	101	(81,932)	(155,403)	(1,446)	(156,849)
Profit for the period	-	-	-	-	-	(35,265)	(35,265)	(619)	(35,884)
Total comprehensive income	-	-	(1,103)	(72,469)	101	(117,197)	(190,668)	(2,065)	(192,733)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(35)	-	-	35	-	-	-
Dividends paid	-	-	-	-	-	(82,836)	(82,836)	-	(82,836)
Balance at 31 March 2022	2,727,682	(129,468)	109,307	(1,502,293)	(599)	5,196,561	6,401,190	64,825	6,466,015
Balance at 1 January 2023	2,751,959	(127,194)	195,343	(1,381,980)	(5,933)	5,038,858	6,471,053	75,385	6,546,438
Total other comprehensive income	-	-	154	(39,028)	(1,628)	(25,069)	(65,571)	1,176	(64,395)
Profit for the period	-	-	-	-	-	202,283	202,283	9,008	211,291
Total comprehensive income	-	-	154	(39,028)	(1,628)	177,214	136,712	10,184	146,896
Increase (Decrease) through Treasury Share Transactions	-	493	-	-	-	-	493	-	493
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(59)	-	-	59	-	-	-
Share capital increase	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(8,593)	(8,593)
Balance at 31 March 2023	2,751,959	(126,701)	195,438	(1,421,008)	(7,561)	5,216,131	6,608,258	76,976	6,685,234

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 31 MARCH 2023

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

	1 January- 31 March 2023	1 January- 31 March 2022
Cash flows from operating activities		
Profit for the period	211,291	(35,884)
Adjustments to reconcile net income to net cash used in operating activities:		
- Adjustments related to depreciation and amortisation	18,862	22,927
- Adjustments related to provision for employment	2,200	420
- Adjustments related to allowance for doubtful receivables	5	65
- Adjustments related to provision for litigations	457	1,201
- (Income) / loss from fair value of forward transactions	(1,264)	(2,390)
- Adjustments to related to interest expense	1,182	544
- Adjustments to related to interest income	(19,000)	(24,106)
- Adjustments to related to dividend income	(4,697)	(4,279)
- Adjustments to related to provision for inventory impairment, net	2	(241)
- Adjustments to related to gain on sale or disposal of property, plant and equipment, net	(468)	(752)
- Adjustments to related to fair value increase in investment properties	(157)	102
- Adjustments to related to valuation of investment securities	(175,619)	230,065
- Interest accrual	391	71
- Tax expense	22,706	28,142
	55,891	215,885
Movements in working capital		
Change in trade and other receivables	34,137	26,719
Change cost and estimated earnings in excess of billings on uncompleted contracts	1,052	4,027
Change in inventory	35,620	(53,156)
Change in other current assets and other non current assets	(21,249)	(12,469)
Change in trade and other payables	(115,925)	(7,601)
Change in billings in excess of cost and estimated earnings on uncompleted contracts	(26,523)	(60,811)
Change provision for liabilities and other liabilities	(11,450)	(57,707)
	(104,338)	(160,998)
Income taxes paid	(30,004)	(26,617)
Employee termination benefits paid	(1,374)	(303)
Net cash generated from operating activities	(79,825)	27,967
Cash flows from investing activities		
Purchases of financial investments	(428,156)	(917,497)
Sale of financial investments	527,557	613,672
Proceeds on disposal or sale of property, plant and equipment	1,769	2,351
Purchases of property, plant and equipment, intangible assets and investment properties	(10,316)	(19,391)
Interest received	13,399	20,247
Dividend received	4,697	4,279
Net cash used in investing activities	108,950	(296,339)
Cash flows from financing activities		
Addition to borrowings	48,564	15,688
Repayments of borrowings	(57,305)	(3,953)
Sale of treasury shares	493	-
Interest received	5,210	3,788
Interest paid	(1,074)	(525)
Dividend paid to non-controlling interests	(8,593)	-
Dividend paid	-	(82,836)
Net cash used in financing activities	(12,705)	(67,838)
Translation reserve	16,530	(17,635)
Net increase / (decrease) in cash and cash equivalents	32,950	(353,845)
Cash and cash equivalents at beginning of the period	1,026,291	2,060,707
Cash and cash equivalents at end of the period	1,059,241	1,706,862

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 31 MARCH 2023

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

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

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (“Enka Holding”), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 March 2023, 8.88% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 31 March 2023, the average numbers of white and blue-collar personnel are respectively 4,973 and 16,955 (31 December 2022 – 5,131 and 16,363).

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, Georgia, Turkmenistan and Kazakhstan*: engaged in construction activities and also in investment and development of real estate properties and shopping malls in Moscow, Russia.
- iii. Engaged in construction activities in Gabon, Kenya, Djibouti, Mauritania and Libya in Africa; Saudi Arabia, Sri Lanka, India, Oman, Iraq, Afghanistan and Mongolia in Asia; Mexico in North America and Paraguay, Brasil in South America and Bahamas in Carribean.
- iv. *Europe*: engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Greece, Germany, Serbia, Kosovo, United Kingdom, Italy and North Macedonia.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of accounting

The consolidated financial statements of the Group have been prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) as issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) 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 TFRS.

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

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 9 May 2023. 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 TAS 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 31 MARCH 2023

(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 31 March 2023, 31 December 2022 and 31 March 2022, the buying rates and average rates for one U.S. Dollar can be summarized as below:

	31 March 2023	31 December 2022	31 March 2022
U.S. Dollars/TL – as of balance sheet date	19.1532	18.6983	14.6371
U.S. Dollars/TL – yearly average	18.8549	16.5659	13.9388

Inflation accounting

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.

In the announcement dated 20 January 2022, made by POA, it was stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies in the financial statements of the companies applying TFRS for the year ended 31 December 2022. Since POA has not made a new announcement regarding the application of inflation accounting, no inflation adjustment has been made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 March 2023.

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 31 MARCH 2023

(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 31 March 2023. 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 31 MARCH 2023

(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.

TFRS 17 Insurance Contracts

On 16 February 2019, Public Oversight Accounting and Auditing Standards Authority (POA) issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2024.

The Group does not expect that application of TFRS 17 will have significant impact on its consolidated financial statements.

Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendment to TFRS 17)

In December 2021, International Accounting Standards Board (IASB) issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). Related changes were published by POA as Amendments to TFRS 17 on 31 December 2021.

The amendment is a transition option relating to comparative information about financial assets presented on initial application of TFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. TFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2024.

The Group does not expect that application of these amendments to TFRS 17 will have significant impact on its consolidated financial statements.

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

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

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

TFRS 4 has also been amended by POA within the amendments issued by IASB in order to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2024. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Group does not expect that application of these amendments to TFRS 4 will have significant impact on its consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to TAS 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 which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 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.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Related amendment was published by POA as “TFRS 2023” on 3 January 2023.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments

The Group does not expect that application of these amendments to TAS 1 will have significant impact on its consolidated financial statements.

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

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

Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as "TFRS 2023" on 3 January 2023. Amendments to TFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Group does not expect that application of these amendments to Amendments to TFRS 16 Leases will have significant impact on its consolidated financial statements.

Amendments are effective on 1 January 2023

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2023:

- 1- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes
- 2- Definition of Accounting Estimates (Amendments to TAS 8)
- 3- Disclosure of Accounting Policies (Amendments to TAS 1)

These newly adopted amendments to standards have not been a significant impact on the consolidated financial statements of the Group.

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 2022.

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.

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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 - 31 March 2023					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	478,078	81,013	43,650	324,829	-	927,570
Inter-segment revenues	29,856	325	1,609	-	(31,790)	-
Cost of revenues (-)	(367,908)	(28,436)	(32,332)	(317,674)	-	(746,350)
Inter-segment cost of revenues (-)	(29,856)	(325)	(1,609)	-	31,790	-
Gross profit	110,170	52,577	11,318	7,155	-	181,220
Administrative expenses (-)	(56,118)	(4,536)	(4,460)	(3,639)	-	(68,753)
Marketing expenses (-)	(3,498)	(1,209)	(1,607)	-	-	(6,314)
Other operating income	6,013	6,573	3,348	5,996	-	21,930
Other operating expenses (-)	(6,608)	(625)	(500)	(1,556)	-	(9,289)
Profit from operations	49,959	52,780	8,099	7,956	-	118,794
Investment income	232,637	143	741	9	-	233,530
Investment expenses (-)	(103,726)	(8)	-	(54)	-	(103,788)
Profit from operations before financial income / (expenses)	178,870	52,915	8,840	7,911	-	248,536
Financial income	3,087	1,030	948	5,698	(34)	10,729
Financial expenses (-)	(10,799)	(9,996)	(4,320)	(187)	34	(25,268)
Profit / (loss) before tax	171,158	43,949	5,468	13,422	-	233,997
Current tax expense (-)	(12,558)	(10,151)	(1,282)	(5,064)	-	(29,055)
Deferred taxation income/ (expenses)	7,633	(1,845)	(164)	725	-	6,349
Profit / (loss) for the period from continuing operations	166,233	31,953	4,022	9,083	-	211,291
31 March 2023						
	Construction contracts	Rental	Trade	Energy	Consolidated	
Segment assets	5,724,746	2,009,961	280,768	510,188	8,525,663	
Total assets	5,724,746	2,009,961	280,768	510,188	8,525,663	
Segment liabilities	1,181,680	423,075	133,593	102,081	1,840,429	
Total liabilities	1,181,680	423,075	133,593	102,081	1,840,429	
1 January - 31 March 2023						
Other segment information	Construction contracts	Rental	Trade	Energy	Consolidated	
Capital expenditures						
Property, plant and equipment & investment property	5,679	166	206	4,020	10,071	
Intangible assets	44	34	149	18	245	
Total capital expenditures	5,723	200	355	4,038	10,316	
Depreciation expense	12,518	594	531	4,310	17,953	
Amortisation expense	869	5	26	9	909	

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4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

1 January - 31 March 2022						
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	380,569	73,163	38,770	330,346	-	822,848
Inter-segment revenues	7,049	-	784	-	(7,833)	-
Cost of revenues (-)	(280,236)	(24,615)	(29,935)	(293,668)	-	(628,454)
Inter-segment cost of revenues (-)	(7,049)	-	(784)	-	7,833	-
Gross profit	100,333	48,548	8,835	36,678	-	194,394
Administrative expenses (-)	(10,534)	(5,960)	(3,402)	(2,198)	-	(22,094)
Marketing expenses (-)	(2,639)	(1,118)	(1,360)	(1,690)	-	(6,807)
Other operating income	3,734	171	2,368	158	-	6,431
Other operating expenses (-)	(6,349)	(219)	(727)	(2,964)	-	(10,259)
Profit from operations	84,545	41,422	5,714	29,984	-	161,665
Investment income	69,366	11	-	78	-	69,455
Investment expenses (-)	(261,797)	(2,478)	-	(29)	-	(264,304)
Profit from operations before financial income / (expenses)	(107,886)	38,955	5,714	30,033	-	(33,184)
Financial income	9,945	4,049	774	20,078	(61)	34,785
Financial expenses (-)	(6,046)	(2,683)	(587)	(88)	61	(9,343)
Profit before tax	(103,987)	40,321	5,901	50,023	-	(7,742)
Current tax expense (-)	(7,391)	(8,146)	(399)	(25,701)	-	(41,637)
Deferred taxation income/ (expenses)	13,892	(662)	(538)	803	-	13,495
Profit for the period from continuing operations	(97,486)	31,513	4,964	25,125	-	(35,884)
31 December 2022						
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	5,743,684	2,111,489	240,332	485,032		8,580,537
Total assets	5,743,684	2,111,489	240,332	485,032		8,580,537
Segment liabilities	1,258,678	442,921	125,638	206,862		2,034,099
Total liabilities	1,258,678	442,921	125,638	206,862		2,034,099
1 January - 31 March 2022						
	Construction contracts	Rental	Trade	Energy		Consolidated
Other segment information						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	11,497	7,418	270	28		19,213
Intangible assets	81	23	71	3		178
Total capital expenditures	11,578	7,441	341	31		19,391
Depreciation expense	15,574	221	444	5,378		21,617
Amortisation expense	1,268	22	12	8		1,310

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4. SEGMENTAL INFORMATION (cont'd)

a) Geographical segments

1 January - 31 March 2023						
	Turkey	Russian Federation, Kazakhstan and Georgia	Europe	Other	Eliminations	Consolidated
Net sales	544,353	276,455	50,330	56,432	-	927,570
Inter-segment sales	31,465	325	-	-	(31,790)	-
Capital expenditures	9,326	208	704	78	-	10,316
31 March 2023						
	Turkey	Russian Federation, Kazakhstan and Georgia	Europe	Other	Eliminations	Consolidated
Segmental assets	5,090,131	2,793,494	372,989	269,049	-	8,525,663
1 January - 31 March 2022						
	Turkey	Russian Federation, Kazakhstan and Georgia	Europe	Other	Eliminations	Consolidated
Net sales	441,099	234,902	32,005	114,842	-	822,848
Inter-segment sales	7,833	-	-	-	(7,833)	-
Capital expenditures	5,474	8,624	3,003	2,290	-	19,391
31 December 2022						
	Turkey	Russian Federation, Kazakhstan and Georgia	Europe	Other	Eliminations	Consolidated
Segmental assets	4,969,278	2,884,150	465,952	261,157	-	8,580,537

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5. CONSTRUCTION CONTRACTS

The Group's construction contract details as of 31 March 2023 and 31 December 2022 is as follows:

	31 March 2023	31 December 2022
Costs incurred on uncompleted contracts	2,539,972	2,306,568
Recognized profit less recognized losses to date, net	823,717	741,934
	<u>3,363,689</u>	<u>3,048,502</u>
Less: Progress billing	(3,733,553)	(3,443,838)
	<u>(369,864)</u>	<u>(395,336)</u>
	31 March 2023	31 December 2022
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	27,204	28,255
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(397,068)	(423,591)
	<u>(369,864)</u>	<u>(395,336)</u>

As of 31 March 2023, the amount of advances received of subsidiaries and companies shares in joint operations is USD 287,610 (31 December 2022: USD 314,850).

6. INVESTMENT PROPERTIES

As of 31 March 2023 and 31 March 2022, movement of investment properties is as follows:

	1 January - 31 March 2023	1 January - 31 March 2022
Opening balance	2,028,224	2,030,204
Currency translation difference	(99,164)	(126,633)
Additions	-	7,033
Closing balance	<u>1,929,060</u>	<u>1,910,604</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 March 2023 the Group purchased property plant and equipment amounting to USD 10,071 (31 March 2022: USD 119,127). In addition, during the period ended 31 March 2023 net book value of USD 1,301 (31 March 2022: USD 29,397) property plant and equipment sold for USD 1,769 (31 March 2022: USD 38,344).

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8. COMMITMENTS

Litigations

During the period ended 31 March 2023, 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 2022 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 31 March 2023 and 31 December 2022 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	31 March 2023		31 December 2022	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		848,086		870,087
-USD	236,513	236,513	235,647	235,647
-EUR	226,376	246,372	258,055	275,121
-TL	1,077,581	56,261	929,292	49,699
-Others (*)		308,940		309,620
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		79,799		92,105
-USD	4,221	4,221	4,354	4,354
-EUR	-	-	-	-
-TL	822	43	822	44
-Others (*)		75,535		87,707
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>927,885</u>		<u>962,192</u>

(*) U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR. As of 31 March 2023 the portion of other guarantess given to shareholders' equity is 0% (31 December 2022 - 0%).

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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 31 March 2023 and 31 December 2022 is as follows:

	31 March 2023		31 December 2022	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.80%	1,370,476	49.80%	1,370,476
Vildan Gülçelik	7.99%	219,931	7.99%	219,931
Sevda Gülçelik	6.43%	176,951	6.43%	176,951
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	161,540	5.87%	161,540
Other	29.91%	823,061	29.91%	823,061
	100%	2,751,959	100%	2,751,959
Purchase of treasury shares		(126,701)		(127,194)
		2,625,258		2,624,765

Based on the Group's Ordinary General Assembly held on 28 March 2023; regarding to the distribution of the year 2022 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share net in total TL 2,180,000 (2022 - TL 3,920,000); further it has been resolved to distribute TL 35,615 (2022 - TL 61,026) as cash dividend to founder shares. The Dividend decided to be distributed was distributed on 12 April 2023.

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11. INVESTMENT INCOME / EXPENSES

	1 January- 31 March 2023	1 January- 31 March 2022
Income from investing activities		
Interest income from financial investments	13,399	20,247
Increase in value of financial investments*	175,619	-
Foreign exchange income from investing activities	5,552	3,214
Income from sale of securities	33,795	40,927
Dividend income	4,697	4,279
Gains from sales of property, plant and equipment	468	788
	<u>233,530</u>	<u>69,455</u>
Expenses from investing activities		
	1 January- 31 March 2023	1 January- 31 March 2022
Losses from valuation of investment securities*	-	(230,065)
Foreign exchange losses from investing activities	(6,141)	(21,263)
Losses from sale of securities	(97,647)	(12,940)
Loss from sales of property, plant and equipment	-	(36)
	<u>(103,788)</u>	<u>(264,304)</u>

*"Increase in value of financial investments" classified under Income from Investing Activities is the valuation profit resulting from valuation of Financial Investments amounting to USD 3,647,031 in the Group's balance sheet within the scope of IFRS 9. The breakdown of this valuation profit by financial assets is as follows.

	31 March 2023	31 March 2022
Financial assets at fair value through profit or loss		
Private sector bonds	80,645	(25,473)
Foreign Government bonds	8,397	(7,834)
Equity securities	73,703	(194,165)
Turkish Government bonds	5,318	-
Mutual funds	7,556	(2,593)
	<u>175,619</u>	<u>(230,065)</u>

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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 31 March 2023 and 31 December 2022:

	31 March 2023	31 December 2022
A. Assets denominated in foreign currency	1,173,955	1,031,849
B. Liabilities denominated in foreign currency	(520,343)	(517,706)
Net foreign currency position (A+B)	653,612	514,143

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

Foreign currency risk (cont'd)

The Group's foreign currency position at 31 March 2023 and 31 December 2022 is as follows (non-monetary items are not included in the table as they don't have foreign currency risk):

	31 March 2023						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	410,012	21,407	87,261	94,966	118,546	24,517	259,436
Financial investments	1,980,550	103,406	129,148	140,552	173,445	-	417,403
Trade and other receivables	147,499	7,701	77,467	84,307	64,734	4,594	161,336
Other current assets	303,616	15,852	72,488	78,889	87,894	91,583	274,218
Current assets	2,841,677	148,366	366,364	398,714	444,619	120,694	1,112,393
Financial investments	-	-	33,870	36,861	11,150	-	48,011
Trade and other receivables	-	-	8,779	9,555	-	-	9,555
Other non-current assets	25,971	1,356	9	9	2,628	3	3,996
Non-current assets	25,971	1,356	42,658	46,425	13,778	3	61,562
Total assets	2,867,648	149,722	409,022	445,139	458,397	120,697	1,173,955
Short-term borrowings	1,703	89	33,520	36,480	565	-	37,134
Trade and other payables	232,231	12,125	88,677	96,507	219,500	18,583	346,715
Other current liabilities and accrued expenses	623,029	32,529	1,102	1,199	66,685	19,253	119,666
Current liabilities	856,963	44,743	123,299	134,186	286,750	37,836	503,515
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	15,067	-	15,067
Other non-current liabilities	-	-	-	-	-	1,761	1,761
Non-current liabilities	-	-	-	-	15,067	1,761	16,828
Total liabilities	856,963	44,743	123,299	134,186	301,817	39,597	520,343
Net foreign currency position	2,010,685	104,979	285,723	310,953	156,580	81,100	653,612
Net notional amount of derivatives	-	-	67,000	72,916	-	-	72,916

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

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

(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 2022						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	395,193	21,135	72,891	77,709	114,886	18,838	232,568
Financial investments	2,229,569	119,239	148,456	158,269	203,482	-	480,990
Trade and other receivables	196,646	10,517	42,884	45,719	46,497	5,492	108,225
Other current assets	105,423	5,638	12,635	13,470	84,525	44,910	148,543
Current assets	2,926,831	156,529	276,866	295,167	449,390	69,240	970,326
Financial investments	-	-	34,043	36,293	11,010	-	47,303
Trade and other receivables	-	-	8,962	9,555	-	-	9,555
Other non-current assets	24,790	1,326	99	106	3,230	3	4,665
Non-current assets	24,790	1,326	43,104	45,954	14,240	3	61,523
Total assets	2,951,621	157,855	319,970	341,121	463,630	69,243	1,031,849
Short-term borrowings	-	-	42,222	45,013	562	-	45,575
Trade and other payables	211,782	11,326	82,149	87,579	225,674	16,300	340,879
Other current liabilities and accrued expenses	372,067	19,898	345	368	76,403	15,862	112,531
Current liabilities	583,849	31,224	124,716	132,960	302,639	32,162	498,985
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	15,067	-	15,067
Other non-current liabilities	-	-	-	-	-	3,654	3,654
Non-current liabilities	-	-	-	-	15,067	3,654	18,721
Total liabilities	583,849	31,224	124,716	132,960	317,706	35,816	517,706
Net foreign currency position	2,367,772	126,631	195,254	208,161	145,924	33,427	514,143
Net notional amount of derivatives	-	-	100,000	106,610	-	-	106,610

(*) 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 31 MARCH 2023

(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 March 2023		31 December 2022	
	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)	10,498	(10,498)	12,663	(12,663)
2- Portion hedged against TL risk (-)	-	-	-	-
3- TL net effect (1+2)	10,498	(10,498)	12,663	(12,663)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	31,095	(31,095)	20,816	(20,816)
5- Portion hedged against Euro risk (-)	7,292	(7,292)	10,661	(10,661)
6- Euro net effect (4+5)	38,387	(38,387)	31,477	(31,477)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	15,658	(15,658)	14,592	(14,592)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	15,658	(15,658)	14,592	(14,592)
Total (3+6+9)	64,543	(64,543)	58,732	(58,732)

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

(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 31 MARCH 2023

(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)

31 March 2023

	Level 1	Level 2	Level 3
Private sector bonds	417,247	-	-
Equity securities	989,681	10,360	8,132
Foreign government bonds	1,748,603	-	-
Turkish government bonds	305,738	-	-
Mutual funds	110,897	31,350	25,023
Financial assets at fair value through profit or loss	3,572,166	41,710	33,155
Derivative instruments	-	2,257	-
Financial liabilities at fair value through profit or loss	-	2,257	-

31 December 2022

	Level 1	Level 2	Level 3
Private sector bonds	407,551	-	-
Equity securities	1,031,717	9,279	8,016
Foreign government bonds	1,639,396	-	-
Turkish government bonds	300,405	-	-
Mutual funds	118,672	30,754	25,023
Financial assets at fair value through profit or loss	3,497,741	40,033	33,039
Derivative instruments	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-

14. SUBSEQUENT EVENTS

None.