

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

Condensed Consolidated Interim Financial  
Statements As at and for the Nine-Months  
Period Ended  
30 September 2021

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

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

<b>ASSETS</b>	<b>Note</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Current Assets</b>		<b>4,662,560</b>	<b>3,629,554</b>
Cash and cash equivalents		1,720,841	1,350,709
Financial investments		2,074,204	1,476,006
Trade receivables		349,178	333,112
Other receivables			
Other receivables from related parties		73	-
Other receivables from third parties		2,716	2,837
Inventories		263,633	267,728
Prepaid expenses		143,490	111,843
Costs and estimated earnings in excess of billings			
on uncompleted contracts	5	36,114	15,621
Other current assets		51,056	48,389
		<u>4,641,305</u>	<u>3,606,245</u>
Assets held for sale		21,255	23,309
<b>Non-Current Assets</b>		<b>4,314,777</b>	<b>4,824,069</b>
Financial investments		1,147,870	1,579,176
Trade receivables		11,193	17,175
Investment properties	6	1,943,866	1,912,105
Property, plant and equipment		1,129,040	1,233,030
Intangible assets			
Other intangible assets		59,746	62,400
Deferred tax assets		12,675	8,503
Prepaid expenses		10,304	11,431
Other non-current assets		83	249
<b>TOTAL ASSETS</b>		<b><u>8,977,337</u></b>	<b><u>8,453,623</u></b>

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 SEPTEMBER 2021

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

<b>LIABILITIES</b>	<b>Note</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Current Liabilities</b>		<b>1,448,245</b>	<b>1,075,033</b>
Short-term borrowings		17,988	55,011
Current portion of long-term borrowings		8,984	19,488
Trade payables		316,638	167,739
Payables to employees		18,385	24,051
Other payables			
Payables to related parties		14	18
Payables to third parties		18,758	19,969
Billings in excess of costs and estimated earnings on uncompleted contracts	5	400,647	313,553
Deferred income		533,009	358,331
Taxation on income		17,287	19,478
Provisions			
Provisions for employee benefits		7,332	9,135
Other provisions		44,010	49,570
Other current liabilities		65,193	38,690
<b>Non-Current Liabilities</b>		<b>603,672</b>	<b>608,461</b>
Long-term borrowings		105,159	114,302
Other payables		18,979	19,151
Deferred income		3,330	1,381
Provisions for employee benefits		12,373	13,356
Deferred tax liabilities		463,831	460,271
<b>EQUITY</b>		<b>6,925,420</b>	<b>6,770,129</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>6,850,774</b>	<b>6,693,541</b>
Share capital	10	2,727,682	2,727,682
Treasury Shares	10	(129,468)	(129,468)
Revaluation surplus		109,465	111,729
Currency translation difference		(1,369,038)	(1,350,943)
Other reserves		(912)	(1,009)
Legal reserves and accumulated profit		5,513,045	5,335,550
<b>Non-Controlling Interests</b>		<b>74,646</b>	<b>76,588</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,977,337</b>	<b>8,453,623</b>

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 SEPTEMBER 2021

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

	Note	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
<b>CONTINUING OPERATIONS</b>					
Revenue	4	1,993,924	1,241,869	945,581	383,785
Cost of revenues (-)	4	(1,379,539)	(923,436)	(686,934)	(294,088)
<b>GROSS PROFIT</b>		<b>614,385</b>	<b>318,433</b>	<b>258,647</b>	<b>89,697</b>
Administrative expenses (-)	4	(54,887)	(56,303)	(16,564)	(22,184)
Marketing, selling and distribution expenses (-)	4	(23,732)	(17,605)	(7,949)	(6,743)
Other operating income	4	20,089	29,846	4,078	12,590
Other operating expenses (-)	4	(32,075)	(46,947)	(3,947)	(31,201)
<b>PROFIT FROM OPERATIONS</b>		<b>523,780</b>	<b>227,424</b>	<b>234,265</b>	<b>42,159</b>
Income from investing activities	4,11	208,338	273,688	(20,587)	97,000
Expenses from investing activities (-)	4,11	(92,669)	(105,217)	(62,744)	(19,812)
<b>OPERATING PROFIT BEFORE FINANCE EXPENSES</b>		<b>639,449</b>	<b>395,895</b>	<b>150,934</b>	<b>119,347</b>
Financial income	4	29,521	47,223	(6,488)	26,235
Financial expenses (-)	4	(21,300)	(12,272)	5,188	(4,860)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>647,670</b>	<b>430,846</b>	<b>149,634</b>	<b>140,722</b>
Current tax expense (-)		(87,099)	(58,460)	(20,293)	(17,302)
Deferred tax income / (expense)		(27,739)	409	(3,822)	(10,521)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>532,832</b>	<b>372,795</b>	<b>125,519</b>	<b>112,899</b>
<b>Attributable to:</b>					
Non-controlling interest		(2,464)	(1,060)	(4,665)	(710)
Equity holders of the parent		535,296	373,855	130,184	113,609
		<b>532,832</b>	<b>372,795</b>	<b>125,519</b>	<b>112,899</b>
<b>Earning / (Loss) per share from continuing operations</b>					
- ordinary share certificate (full USD)		0.10	0.07	0.02	0.02
<b>Weighted average number of shares (1 dollar weighted average shares)</b>					
		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 SEPTEMBER 2021

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

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
<b>NET PROFIT FOR THE PERIOD</b>	<b>532,832</b>	<b>372,795</b>	<b>125,519</b>	<b>112,899</b>
<b>Other Comprehensive Income / (Expense):</b>				
Items that will not be reclassified subsequently to profit or loss	(1,847)	(4,834)	(175)	(2,216)
Changes in currency translation difference in revaluation fund of property	(1,847)	(4,834)	(175)	(2,216)
Items that may be reclassified subsequently to profit or loss	(131,267)	(460,132)	(19,344)	(208,472)
Changes in currency translation difference	(131,364)	(459,765)	(19,368)	(208,483)
Gains (Losses) on financial assets measured at fair value through other comprehensive income	97	(367)	24	11
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>	<b>(133,114)</b>	<b>(464,966)</b>	<b>(19,519)</b>	<b>(210,688)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>399,718</b>	<b>(92,171)</b>	<b>106,000</b>	<b>(97,789)</b>
<b>Attributable to:</b>				
Non-controlling interest	(1,384)	1,031	(6,198)	1,794
Equity holders of the parent	401,102	(93,202)	112,198	(99,583)
	<b>399,718</b>	<b>(92,171)</b>	<b>106,000</b>	<b>(97,789)</b>

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 SEPTEMBER 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
<b>Balance at 1 January 2020</b>	<b>2,639,338</b>	<b>(80,004)</b>	<b>116,276</b>	<b>(1,203,018)</b>	<b>(1,104)</b>	<b>5,096,031</b>	<b>6,567,519</b>	<b>69,567</b>	<b>6,637,086</b>
Total other comprehensive income	-	-	(4,841)	(240,515)	(367)	(221,334)	(467,057)	2,091	(464,966)
Profit for the period	-	-	-	-	-	373,855	373,855	(1,060)	372,795
Total comprehensive income	-	-	(4,841)	(240,515)	(367)	152,521	(93,202)	1,031	(92,171)
Increase (Decrease) through Treasury Share Transactions	-	(39,275)	-	-	-	-	(39,275)	-	(39,275)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	34	-	-	(34)	-	-	-
Share capital increase	88,344	-	-	-	-	(88,344)	-	-	-
Dividends paid	-	-	-	-	-	(137,308)	(137,308)	(481)	(137,789)
<b>Balance at 30 September 2020</b>	<b>2,727,682</b>	<b>(119,279)</b>	<b>111,469</b>	<b>(1,443,533)</b>	<b>(1,471)</b>	<b>5,022,866</b>	<b>6,297,734</b>	<b>70,117</b>	<b>6,367,851</b>
<b>Balance at 1 January 2021</b>	<b>2,727,682</b>	<b>(129,468)</b>	<b>111,729</b>	<b>(1,350,943)</b>	<b>(1,009)</b>	<b>5,335,550</b>	<b>6,693,541</b>	<b>76,588</b>	<b>6,770,129</b>
Total other comprehensive income	-	-	(2,297)	(18,095)	97	(113,899)	(134,194)	1,080	(133,114)
Profit for the period	-	-	-	-	-	535,296	535,296	(2,464)	532,832
Total comprehensive income	-	-	(2,297)	(18,095)	97	421,397	401,102	(1,384)	399,718
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	33	-	-	(33)	-	-	-
Dividends paid	-	-	-	-	-	(243,869)	(243,869)	(558)	(244,427)
<b>Balance at 30 September 2021</b>	<b>2,727,682</b>	<b>(129,468)</b>	<b>109,465</b>	<b>(1,369,038)</b>	<b>(912)</b>	<b>5,513,045</b>	<b>6,850,774</b>	<b>74,646</b>	<b>6,925,420</b>

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 SEPTEMBER 2021

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

	<b>1 January- 30 September 2021</b>	<b>1 January- 30 September 2020</b>
<b>Cash flows from operating activities</b>		
Profit for the period	532,832	372,795
Adjustments to reconcile net income to net cash used in operating activities:		
- Adjustments related to depreciation and amortisation	70,285	67,457
- Adjustments related to provision for employment	2,673	919
- Adjustments related to allowance for doubtful receivables	400	32
- Adjustments related to provision for litigations	5,742	3,748
- (Income) / loss from fair value of forward transactions	5,359	(1,522)
- Adjustments to related to interest expense	1,985	3,059
- Adjustments to related to interest income	(68,885)	(82,745)
- Adjustments to related to dividend income	(16,216)	(21,952)
- Adjustments to related to provision for inventory impairment, net	(949)	(5,462)
- Adjustments to related to gain on sale or disposal of property, plant and equipment, net	(8,947)	(6,841)
- Adjustments to related to valuation of investment securities	(8,740)	(13,768)
- Interest accrual	16	50
- Tax expense	114,838	58,051
	<u>630,393</u>	<u>373,821</u>
Movements in working capital		
Change in trade and other receivables	(10,860)	(3,435)
Change cost and estimated earnings in excess of billings on uncompleted contracts	(20,493)	47,709
Change in inventory	5,044	(28,561)
Change in other current assets and other non current assets	(29,980)	(39,265)
Change in trade and other payables	148,899	(8,393)
Change in billings in excess of cost and estimated earnings on uncompleted contracts	87,093	113,210
Change provision for liabilities and other liabilities	177,710	(50,993)
	<u>357,413</u>	<u>30,272</u>
Income taxes paid	(89,291)	(76,101)
Employee termination benefits paid	(2,820)	(747)
<b>Net cash generated from operating activities</b>	<b><u>895,695</u></b>	<b><u>327,245</u></b>
<b>Cash flows from investing activities</b>		
Purchases of financial investments	(612,499)	(626,976)
Sale of financial investments	454,346	552,736
Proceeds on disposal or sale of property, plant and equipment	38,344	19,641
Purchases of property, plant and equipment, intangible assets and investment properties	(138,973)	(88,147)
Interest received	62,235	81,017
Dividend received	16,216	21,952
<b>Net cash used in investing activities</b>	<b><u>(180,331)</u></b>	<b><u>(39,777)</u></b>
<b>Cash flows from financing activities</b>		
Addition to borrowings	10,153	32,287
Addition to long-term borrowings	(201)	63
Repayments of borrowings	(64,592)	(30,374)
Purchase of treasury shares	-	(39,275)
Interest received	6,633	1,677
Interest paid	(2,086)	(3,039)
Dividend paid to non-controlling interests	(558)	(481)
Dividend paid	(243,869)	(137,308)
<b>Net cash used in financing activities</b>	<b><u>(294,520)</u></b>	<b><u>(176,450)</u></b>
Translation reserve	(50,712)	(40,322)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>370,132</u></b>	<b><u>70,696</u></b>
Cash and cash equivalents at beginning of the period	1,349,709	1,016,048
<b>Cash and cash equivalents at end of the period</b>	<b><u>1,719,841</u></b>	<b><u>1,086,744</u></b>

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 SEPTEMBER 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.)

#### 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 September 2021, 8.87% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 30 September 2021, the average numbers of white and blue-collar personnel are respectively 4,750 and 14,349 (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 Afghanistan 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 SEPTEMBER 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 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 5 November 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 SEPTEMBER 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 September 2021, 31 December 2020 and 30 September 2020, the buying rates and average rates for one U.S. Dollar can be summarized as below:

	30 September 2021	31 December 2020	30 September 2020
U.S. Dollars/TL – as of balance sheet date	8.8433	7.3405	7.8080
U.S. Dollars/TL – yearly average	8.0908	7.0034	6.7142

#### 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 SEPTEMBER 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 September 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 SEPTEMBER 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 recognise 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. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

#### 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. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

#### 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.

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

#### Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (cont’d)

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.

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.

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

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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)

#### **Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes (cont’d)**

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.

#### *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.



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

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

#### 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.

#### 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 September 2021					Consolidated
	Construction contracts	Rental	Trade	Energy	Eliminations	
Revenues	1,159,600	225,275	174,191	434,858	-	1,993,924
Inter-segment revenues	9,765	-	28,771	-	(38,536)	-
Cost of revenues (-)	(793,796)	(73,229)	(130,142)	(382,372)	-	(1,379,539)
Inter-segment cost of revenues (-)	(9,765)	-	(28,771)	-	38,536	-
<b>Gross profit</b>	<b>365,804</b>	<b>152,046</b>	<b>44,049</b>	<b>52,486</b>	<b>-</b>	<b>614,385</b>
Administrative expenses (-)	(35,703)	(7,197)	(4,998)	(6,989)	-	(54,887)
Marketing expenses (-)	(11,926)	(3,622)	(6,878)	(1,306)	-	(23,732)
Other operating income	17,095	1,085	1,038	871	-	20,089
Other operating expenses (-)	(26,677)	(1,381)	(2,004)	(2,013)	-	(32,075)
<b>Profit from operations</b>	<b>308,593</b>	<b>140,931</b>	<b>31,207</b>	<b>43,049</b>	<b>-</b>	<b>523,780</b>
Investment income	203,512	1,480	-	3,346	-	208,338
Investment expenses (-)	(92,669)	-	-	-	-	(92,669)
<b>Profit from operations before financial income / (expenses)</b>	<b>419,436</b>	<b>142,411</b>	<b>31,207</b>	<b>46,395</b>	<b>-</b>	<b>639,449</b>
Financial income	6,715	2,429	4,903	15,750	(276)	29,521
Financial expenses (-)	(11,622)	(1,975)	(7,072)	(907)	276	(21,300)
<b>Profit / (loss) before tax</b>	<b>414,529</b>	<b>142,865</b>	<b>29,038</b>	<b>61,238</b>	<b>-</b>	<b>647,670</b>
Current tax expense (-)	(40,288)	(38,335)	(8,325)	(151)	-	(87,099)
Deferred taxation income/ (expenses)	(11,617)	(2,772)	861	(14,211)	-	(27,739)
<b>Profit / (loss) for the period from continuing operations</b>	<b>362,624</b>	<b>101,758</b>	<b>21,574</b>	<b>46,876</b>	<b>-</b>	<b>532,832</b>
	30 September 2021					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	5,905,321	2,016,959	237,846	817,211		8,977,337
<b>Total assets</b>	<b>5,905,321</b>	<b>2,016,959</b>	<b>237,846</b>	<b>817,211</b>		<b>8,977,337</b>
Segment liabilities	1,322,058	370,671	103,312	255,876		2,051,917
<b>Total liabilities</b>	<b>1,322,058</b>	<b>370,671</b>	<b>103,312</b>	<b>255,876</b>		<b>2,051,917</b>
	1 January - 30 September 2021					
	Construction contracts	Rental	Trade	Energy		Consolidated
<b>Other segment information</b>						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	94,096	21,160	681	22,842		138,779
Intangible assets	182	8	-	4		194
<b>Total capital expenditures</b>	<b>94,278</b>	<b>21,168</b>	<b>681</b>	<b>22,846</b>		<b>138,973</b>
Depreciation expense	37,413	847	1,418	26,660		66,338
Amortisation expense	3,842	28	34	43		3,947

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

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#### 4. SEGMENTAL INFORMATION (cont’d)

##### a) Business segments(cont’d)

	1 July - 30 September 2021					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	440,010	76,389	56,958	372,224	-	945,581
Inter-segment revenues	7,199	-	3,423	-	(10,622)	-
Cost of revenues (-)	(311,496)	(26,395)	(42,569)	(306,474)	-	(686,934)
Inter-segment cost of revenues (-)	(7,199)	-	(3,423)	-	10,622	-
<b>Gross profit</b>	<b>128,514</b>	<b>49,994</b>	<b>14,389</b>	<b>65,750</b>	<b>-</b>	<b>258,647</b>
Administrative expenses (-)	(12,095)	(500)	(1,252)	(2,717)	-	(16,564)
Marketing expenses (-)	(4,147)	(1,109)	(2,258)	(435)	-	(7,949)
Other operating income	3,779	913	(1,439)	825	-	4,078
Other operating expenses (-)	(2,252)	(587)	(14)	(1,094)	-	(3,947)
<b>Profit from operations</b>	<b>113,799</b>	<b>48,711</b>	<b>9,426</b>	<b>62,329</b>	<b>-</b>	<b>234,265</b>
Investment income	(22,011)	1,480	-	(56)	-	(20,587)
Investment expenses (-)	(62,744)	-	-	-	-	(62,744)
<b>Profit from operations before financial income / (expenses)</b>	<b>29,044</b>	<b>50,191</b>	<b>9,426</b>	<b>62,273</b>	<b>-</b>	<b>150,934</b>
Financial income	(12,608)	(502)	256	6,451	(85)	(6,488)
Financial expenses (-)	3,556	(512)	1,686	373	85	5,188
<b>Profit before tax</b>	<b>19,992</b>	<b>49,177</b>	<b>11,368</b>	<b>69,097</b>	<b>-</b>	<b>149,634</b>
Current tax expense (-)	(12,089)	(7,115)	(2,366)	1,277	-	(20,293)
Deferred taxation income/ (expenses)	4,295	(695)	21	(7,443)	-	(3,822)
<b>Profit for the period from continuing operations</b>	<b>12,198</b>	<b>41,367</b>	<b>9,023</b>	<b>62,931</b>	<b>-</b>	<b>125,519</b>

	1 July - 30 September 2021				
	Construction contracts	Rental	Trade	Energy	Consolidated
<b>Other segment information</b>					
<u>Capital expenditures</u>					
Investment Property					
Property, plant and equipment & investment property	24,353	3,335	7	15,114	42,809
Intangible assets	35	1	-	4	40
<b>Total capital expenditures</b>	<b>24,388</b>	<b>3,336</b>	<b>7</b>	<b>15,118</b>	<b>42,849</b>
Depreciation expense	12,596	303	486	8,720	22,105
Amortisation	1,321	8	11	14	1,354

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2020					Consolidated
	Construction contracts	Rental	Trade	Energy	Eliminations	
Revenues	935,868	217,083	88,653	265	-	1,241,869
Inter-segment revenues	18,779	-	4,884	-	(23,663)	-
Cost of revenues (-)	(736,994)	(67,246)	(73,652)	(45,544)	-	(923,436)
Inter-segment cost of revenues (-)	(18,779)	-	(4,884)	-	23,663	-
<b>Gross profit</b>	<b>198,874</b>	<b>149,837</b>	<b>15,001</b>	<b>(45,279)</b>	<b>-</b>	<b>318,433</b>
Administrative expenses (-)	(38,212)	(10,949)	(3,765)	(3,377)	-	(56,303)
Marketing expenses (-)	(9,990)	(3,582)	(4,033)	-	-	(17,605)
Other operating income	28,627	308	871	40	-	29,846
Other operating expenses (-)	(33,662)	(905)	(2,565)	(9,815)	-	(46,947)
<b>Profit from operations</b>	<b>145,637</b>	<b>134,709</b>	<b>5,509</b>	<b>(58,431)</b>	<b>-</b>	<b>227,424</b>
Investment income	273,688	-	-	-	-	273,688
Investment expenses (-)	(105,217)	-	-	-	-	(105,217)
<b>Profit from operations before financial income / (expenses)</b>	<b>314,108</b>	<b>134,709</b>	<b>5,509</b>	<b>(58,431)</b>	<b>-</b>	<b>395,895</b>
Financial income	38,820	2,729	3,347	2,663	(336)	47,223
Financial expenses (-)	(3,285)	(6,254)	(1,291)	(1,778)	336	(12,272)
<b>Profit before tax</b>	<b>349,643</b>	<b>131,184</b>	<b>7,565</b>	<b>(57,546)</b>	<b>-</b>	<b>430,846</b>
Current tax expense (-)	(33,463)	(20,505)	(2,488)	(2,004)	-	(58,460)
Deferred taxation income/ (expenses)	1,968	(7,806)	241	6,006	-	409
<b>Profit for the period from continuing operations</b>	<b>318,148</b>	<b>102,873</b>	<b>5,318</b>	<b>(53,544)</b>	<b>-</b>	<b>372,795</b>
	31 December 2020					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	5,395,748	1,950,602	225,938	881,335		8,453,623
<b>Total assets</b>	<b>5,395,748</b>	<b>1,950,602</b>	<b>225,938</b>	<b>881,335</b>		<b>8,453,623</b>
Segment liabilities	1,026,206	377,706	96,223	183,359		1,683,494
<b>Total liabilities</b>	<b>1,026,206</b>	<b>377,706</b>	<b>96,223</b>	<b>183,359</b>		<b>1,683,494</b>
	1 January - 30 September 2020					
	Construction contracts	Rental	Trade	Energy		Consolidated
<b>Other segment information</b>						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	42,606	40,289	1,046	1,365		85,306
Intangible assets	2,637	104	100	-		2,841
<b>Total capital expenditures</b>	<b>45,243</b>	<b>40,393</b>	<b>1,146</b>	<b>1,365</b>		<b>88,147</b>
Depreciation expense	30,056	1,227	1,948	30,858		64,089
Amortisation expense	3,174	122	22	50		3,368

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 July - 30 September 2020					Consolidated
	Construction contracts	Rental	Trade	Energy	Eliminations	
Revenues	275,407	70,073	38,229	76	-	383,785
Inter-segment revenues	6,578	-	2,235	-	(8,813)	-
Cost of revenues (-)	(224,440)	(23,855)	(31,409)	(14,384)	-	(294,088)
Inter-segment cost of revenues (-)	(6,578)	-	(2,235)	-	8,813	-
<b>Gross profit</b>	<b>50,967</b>	<b>46,218</b>	<b>6,820</b>	<b>(14,308)</b>	<b>-</b>	<b>89,697</b>
Administrative expenses (-)	(13,129)	(6,851)	(943)	(1,261)	-	(22,184)
Marketing expenses (-)	(3,928)	(1,332)	(1,483)	-	-	(6,743)
Other operating income	12,113	160	283	34	-	12,590
Other operating expenses (-)	(21,379)	(730)	(1,573)	(7,519)	-	(31,201)
<b>Profit from operations</b>	<b>24,644</b>	<b>37,465</b>	<b>3,104</b>	<b>(23,054)</b>	<b>-</b>	<b>42,159</b>
Investment income	97,017	-	-	(17)	-	97,000
Investment expenses (-)	(19,861)	-	-	49	-	(19,812)
<b>Profit from operations before financial income / (expenses)</b>	<b>101,800</b>	<b>37,465</b>	<b>3,104</b>	<b>(23,022)</b>	<b>-</b>	<b>119,347</b>
Financial income	32,211	1,331	746	(7,929)	(124)	26,235
Financial expenses (-)	(224)	(3,690)	168	(1,238)	124	(4,860)
<b>Profit before tax</b>	<b>133,787</b>	<b>35,106</b>	<b>4,018</b>	<b>(32,189)</b>	<b>-</b>	<b>140,722</b>
Current tax expense (-)	(8,986)	(6,137)	(1,298)	(881)	-	(17,302)
Deferred taxation income/ (expenses)	(10,142)	(2,412)	115	1,918	-	(10,521)
<b>Profit for the period from continuing operations</b>	<b>114,659</b>	<b>26,557</b>	<b>2,835</b>	<b>(31,152)</b>	<b>-</b>	<b>112,899</b>
	1 July - 30 September 2020					
<b>Other segment information</b>	Construction contracts	Rental	Trade	Energy	Consolidated	
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	19,259	33,761	262	751	54,033	
Intangible assets	740	78	50	-	868	
<b>Total capital expenditures</b>	<b>19,999</b>	<b>33,839</b>	<b>312</b>	<b>751</b>	<b>54,901</b>	
Depreciation expense	15,506	293	663	7,144	23,606	
Amortisation expense	889	86	10	12	997	

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#### 4. SEGMENTAL INFORMATION (cont’d)

##### b) Geographical segments

1 January - 30 September 2021						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	903,276	571,454	61,811	457,383	-	1,993,924
Inter-segment sales	38,536	-	-	-	(38,536)	-
Capital expenditures	32,730	47,975	1,053	57,215	-	138,973
30 September 2021						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,454,183	2,937,273	47,430	538,451	-	8,977,337
1 July - 30 September 2021						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	524,516	223,585	9,546	187,934	-	945,581
Inter-segment sales	10,622	-	-	-	(10,622)	-
Capital expenditures	17,660	14,820	1,029	9,340	-	42,849
1 January - 30 September 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	309,221	518,091	233,114	181,443	-	1,241,869
Inter-segment sales	23,663	-	-	-	(23,663)	-
Capital expenditures	24,465	57,233	1,175	5,274	-	88,147
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 July - 30 September 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	104,404	158,097	37,022	84,262	-	383,785
Inter-segment sales	8,813	-	-	-	(8,813)	-
Capital expenditures	8,433	43,625	6	2,837	-	54,901

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#### 5. CONSTRUCTION CONTRACTS

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

	30 September 2021	31 December 2020
Costs incurred on uncompleted contracts	2,175,670	1,916,870
Recognized profit less recognized losses to date, net	397,676	344,809
	<u>2,573,346</u>	<u>2,261,679</u>
Less: Progress billing	(2,937,879)	(2,559,611)
	<u>(364,533)</u>	<u>(297,932)</u>
	30 September 2021	31 December 2020
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	36,114	15,621
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(400,647)	(313,553)
	<u>(364,533)</u>	<u>(297,932)</u>

As of 30 September 2021, the amount of advances received of subsidiaries and companies shares in joint operations is USD 502.120 (31 December 2020: USD 288,742).

#### 6. INVESTMENT PROPERTIES

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

	1 January - 30 September 2021	1 January - 30 September 2020
Opening balance	1,912,105	2,079,016
Currency translation difference	12,109	(283,297)
Additions	19,652	39,883
Closing balance	<u>1,943,866</u>	<u>1,835,602</u>

#### 7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2021 the Group purchased property plant and equipment amounting to USD 119,127 (30 September 2020: USD 45,423). In addition, during the period ended 30 September 2021 net book value of USD 29,397 (30 September 2020: USD 12,800) property plant and equipment sold for USD 38,344 (30 September 2020: USD 19,641).

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

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#### 8. COMMITMENTS

##### Litigations

During the period ended 30 September 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 September 2021 and 31 December 2020 is as follows:

	30 September 2021		31 December 2020	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
Letters of guarantee, guarantee notes given, mortgage and pledges				
A. Total amount of guarantees provided by the Company on behalf of itself		1,033,039		785,613
-USD	270,004	270,004	148,337	148,337
-EUR	357,554	416,998	421,964	517,813
-TL	1,847,776	208,946	192,991	26,291
-Others (*)		137,091		93,172
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		84,371		71,480
-USD	85	85	105	105
-EUR	-	-	-	-
-TL	822	93	822	112
-Others (*)		84,193		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>1,117,410</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 September 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 SEPTEMBER 2021

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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 30 September 2021 and 31 December 2020 is as follows:

	30 September 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
	<u>100%</u>	<u>2,727,682</u>	<u>100%</u>	<u>2,727,682</u>
Purchase of treasury shares		(129,468)		(129,468)
		<u>2,598,214</u>		<u>2,598,214</u>

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 SEPTEMBER 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 September 2021	1 January- 30 September 2020
<b>Income from investing activities</b>		
Interest income from financial investments	62,235	81,017
Increase in value of financial investments	40,425	89,260
Foreign exchange income from investing activities	22,677	5,894
Income from sale of securities	57,837	68,683
Dividend income	16,216	21,952
Gains from sales of property, plant and equipment	8,948	6,882
	<u>208,338</u>	<u>273,688</u>
<b>Expenses from investing activities</b>		
Losses from valuation of investment securities	(31,685)	(75,492)
Foreign exchange losses from investing activities	(39,541)	(10,018)
Losses from sale of securities	(21,443)	(19,666)
Loss from sales of property, plant and equipment	-	(41)
	<u>(92,669)</u>	<u>(105,217)</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 September 2021 and 31 December 2020:

	30 September 2021	31 December 2020
A. Assets denominated in foreign currency	1.099.078	840.349
B. Liabilities denominated in foreign currency	(491.186)	(444.547)
Net foreign currency position (A+B)	<u>607.892</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 SEPTEMBER 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 September 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 September 2021						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	66,411	7,510	132,729	154,801	112,005	42,631	316,947
Financial investments	973,524	110,086	157,066	183,186	179,262	-	472,534
Trade and other receivables	56,490	6,388	49,208	57,392	46,390	6,355	116,525
Other current assets	109,208	12,349	61,435	71,652	27,139	45,385	156,525
<b>Current assets</b>	<b>1,205,633</b>	<b>136,333</b>	<b>400,438</b>	<b>467,031</b>	<b>364,796</b>	<b>94,371</b>	<b>1,062,531</b>
Financial investments	-	-	11,092	12,936	12,130	-	25,066
Trade and other receivables	-	-	8,192	9,555	-	-	9,555
Other non-current assets	14,060	1,590	52	60	273	3	1,926
<b>Non-current assets</b>	<b>14,060</b>	<b>1,590</b>	<b>19,336</b>	<b>22,551</b>	<b>12,403</b>	<b>3</b>	<b>36,547</b>
<b>Total assets</b>	<b>1,219,693</b>	<b>137,923</b>	<b>419,774</b>	<b>489,582</b>	<b>377,199</b>	<b>94,374</b>	<b>1,099,078</b>
Short-term borrowings	-	-	-	-	6,379	-	6,379
Trade and other payables	105,711	11,954	143,559	167,433	153,951	26,072	359,410
Other current liabilities and accrued expenses	178,844	20,224	14,637	17,071	47,152	17,635	102,082
<b>Current liabilities</b>	<b>284,555</b>	<b>32,178</b>	<b>158,196</b>	<b>184,504</b>	<b>207,482</b>	<b>43,707</b>	<b>467,871</b>
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	20,835	-	20,835
Other non-current liabilities	-	-	60	70	-	2,410	2,480
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>70</b>	<b>20,835</b>	<b>2,410</b>	<b>23,315</b>
<b>Total liabilities</b>	<b>284,555</b>	<b>32,178</b>	<b>158,256</b>	<b>184,574</b>	<b>228,317</b>	<b>46,117</b>	<b>491,186</b>
<b>Net foreign currency position</b>	<b>935,138</b>	<b>105,745</b>	<b>261,518</b>	<b>305,008</b>	<b>148,882</b>	<b>48,257</b>	<b>607,892</b>
<b>Net notional amount of derivatives</b>	<b>-</b>	<b>-</b>	<b>121,000</b>	<b>141,122</b>	<b>-</b>	<b>-</b>	<b>141,122</b>

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

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

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

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

**Foreign currency risk (cont’d)**

	31 December 2020						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
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
<b>Current assets</b>	<b>619,396</b>	<b>84,380</b>	<b>316,263</b>	<b>388,119</b>	<b>226,582</b>	<b>101,337</b>	<b>800,418</b>
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
<b>Non-current assets</b>	<b>12,779</b>	<b>1,741</b>	<b>20,478</b>	<b>25,131</b>	<b>13,056</b>	<b>3</b>	<b>39,931</b>
<b>Total assets</b>	<b>632,175</b>	<b>86,121</b>	<b>336,741</b>	<b>413,250</b>	<b>239,638</b>	<b>101,340</b>	<b>840,349</b>
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
<b>Current liabilities</b>	<b>322,951</b>	<b>43,996</b>	<b>162,699</b>	<b>199,664</b>	<b>142,385</b>	<b>28,179</b>	<b>414,224</b>
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	27,578	-	27,578
Other non-current liabilities	-	-	48	59	-	2,686	2,745
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>59</b>	<b>27,578</b>	<b>2,686</b>	<b>30,323</b>
<b>Total liabilities</b>	<b>322,951</b>	<b>43,996</b>	<b>162,747</b>	<b>199,723</b>	<b>169,963</b>	<b>30,865</b>	<b>444,547</b>
<b>Net foreign currency position</b>	<b>309,224</b>	<b>42,125</b>	<b>173,994</b>	<b>213,527</b>	<b>69,675</b>	<b>70,475</b>	<b>395,802</b>
<b>Net notional amount of derivatives</b>	<b>-</b>	<b>-</b>	<b>87,000</b>	<b>106,766</b>	<b>-</b>	<b>-</b>	<b>106,766</b>

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

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

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

**Foreign currency risk (cont’d)**

	30 September 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)	10,575	(10,575)	4,213	(4,213)
2- Portion hedged against TL risk (-)	-	-	-	-
<b>3- TL net effect (1+2)</b>	<b>10,575</b>	<b>(10,575)</b>	<b>4,213</b>	<b>(4,213)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	30,501	(30,501)	21,353	(21,353)
5- Portion hedged against Euro risk (-)	14,112	(14,112)	10,677	(10,677)
<b>6- Euro net effect (4+5)</b>	<b>44,613</b>	<b>(44,613)</b>	<b>32,030</b>	<b>(32,030)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	14,888	(14,888)	6,968	(6,968)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>14,888</b>	<b>(14,888)</b>	<b>6,968</b>	<b>(6,968)</b>
<b>Total (3+6+9)</b>	<b>70,076</b>	<b>(70,076)</b>	<b>43,211</b>	<b>(43,211)</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 SEPTEMBER 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 September 2021**

	Level 1	Level 2	Level 3
Private sector bonds	1,026,562	-	-
Equity securities	1,586,840	3,749	7,681
Foreign government bonds	180,348	-	-
Turkish government bonds	129,707	-	-
Mutual funds	239,000	27,464	20,723
<b>Financial assets at fair value through profit or loss</b>	<b>3,162,457</b>	<b>31,213</b>	<b>28,404</b>
Derivative instruments	-	(1,724)	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>(1,724)</b>	<b>-</b>

**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
<b>Financial assets at fair value through profit or loss</b>	<b>3,008,072</b>	<b>28,984</b>	<b>18,126</b>
Derivative instruments	-	(2,114)	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>(2,114)</b>	<b>-</b>

**14. SUBSEQUENT EVENTS**

None.