

**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 2020

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**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020**

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

<b>ASSETS</b>	<b>Notes</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Current Assets</b>		<b>2,987,747</b>	<b>2,922,953</b>
Cash and cash equivalents		898,690	1,017,048
Financial investments		1,301,246	1,165,611
Trade receivables		314,560	257,502
Other receivables			
Other receivables from related parties		9	9
Other receivables from third parties		1,134	965
Costs and estimated earnings in excess of billings on uncompleted contracts	5	45,746	69,193
Prepaid expenses		61,767	68,140
Inventories		287,626	272,111
Other current assets		53,630	49,029
		<u>2,964,408</u>	<u>2,899,608</u>
Assets held for sale		23,339	23,345
<b>Non-Current Assets</b>		<b>4,810,339</b>	<b>5,394,946</b>
Financial investments		1,550,902	1,777,018
Trade receivables		17,286	17,404
Investment properties	6	1,826,269	2,079,016
Property, plant and equipment		1,338,457	1,440,096
Intangible assets			
Other intangible assets		59,526	64,316
Prepaid expenses		10,036	9,774
Deferred tax assets		7,617	7,040
Other non-current assets		246	282
		<u>7,798,086</u>	<u>8,317,899</u>
<b>TOTAL ASSETS</b>		<b>7,798,086</b>	<b>8,317,899</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 31 MARCH 2020

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Current Liabilities</b>		<b>979,499</b>	<b>971,702</b>
Short-term borrowings		26,385	33,208
Current portion of long-term borrowings		18,722	19,123
Trade payables		176,505	176,371
Payables to employees		20,046	22,138
Other payables			
Payables to related parties		23	26
Payables to third parties		18,887	18,655
Billings in excess of costs and estimated earnings on uncompleted contracts	5	268,322	199,346
Deferred income		307,774	354,688
Taxation on income		27,561	30,306
Provisions			
Provisions for employee benefits		11,787	11,751
Other provisions		45,486	39,206
Other current liabilities		58,001	66,884
<b>Non-Current Liabilities</b>		<b>625,707</b>	<b>709,111</b>
Long-term borrowings		140,896	156,192
Other payables		23,355	24,164
Deferred income		658	796
Provisions for employee benefits		13,403	13,477
Deferred tax liabilities		447,395	514,482
<b>EQUITY</b>		<b>6,192,880</b>	<b>6,637,086</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>6,123,389</b>	<b>6,567,519</b>
Share capital	10	2,639,338	2,639,338
Treasury shares	10	(106,590)	(80,004)
Revaluation surplus		113,786	116,276
Currency translation difference		(1,423,595)	(1,203,018)
Other reserves		(1,568)	(1,104)
Legal reserves and accumulated profit		4,902,018	5,096,031
<b>Non-Controlling Interests</b>		<b>69,491</b>	<b>69,567</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,798,086</b>	<b>8,317,899</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 31 MARCH 2020

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

	Notes	1 January - 31 March 2020	1 January - 31 March 2019
<b>CONTINUING OPERATIONS</b>			
Revenue	4	468,990	552,718
Cost of revenues (-)	4	(314,039)	(410,758)
<b>GROSS PROFIT</b>		<b>154,951</b>	<b>141,960</b>
Administrative expenses (-)	4	(17,039)	(20,948)
Marketing, selling and distribution expenses (-)	4	(6,199)	(6,317)
Other operating income	4	12,407	4,085
Other operating expenses (-)	4	(6,854)	(6,697)
<b>PROFIT FROM OPERATIONS</b>		<b>137,266</b>	<b>112,083</b>
Income from investing activities	4	66,151	86,431
Expenses from investing activities (-)	4	(325,276)	(13,446)
<b>OPERATING PROFIT BEFORE FINANCE EXPENSES</b>		<b>(121,859)</b>	<b>185,068</b>
Financial income	4	16,119	12,087
Financial expenses (-)	4	(12,753)	(15,306)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(118,493)</b>	<b>181,849</b>
Current tax expense (-)	4	(21,753)	(21,085)
Deferred tax expense (-)	4	25,764	(5,091)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(114,482)</b>	<b>155,673</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>(114,482)</b>	<b>155,673</b>
<b>Attributable to:</b>			
Non-controlling interests		487	(18)
Equity holders of the parent		(114,969)	155,691
		<b>(114,482)</b>	<b>155,673</b>
<b>Earning per share from continuing operations</b>			
- ordinary share certificate (full USD)		(0.02)	0.03
<b>Weighted average number of shares</b>			
<b>(Weighted average number of shares of 1 Full TL each)</b>		4,900,000,000	4,900,000,000

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 2020**

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

<b>Notes</b>	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
<b>NET PROFIT FOR THE YEAR</b>	<b>(114,482)</b>	<b>155,673</b>
<b>Other Comprehensive Income:</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>	<i>(2,490)</i>	<i>379</i>
Changes in currency translation difference	(2,490)	379
<i>Items that may be reclassified subsequently to profit or loss</i>	<i>(300,648)</i>	<i>66,328</i>
Changes in currency translation difference	(300,187)	66,314
Gains (Losses) on financial assets measured at fair value through other comprehensive income	(461)	14
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>	<b>(303,138)</b>	<b>66,707</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(417,620)</b>	<b>222,380</b>
<b>Attributable to:</b>		
Non-controlling interests	(76)	(911)
Equity holders of the parent	(417,544)	223,291
	<b>(417,620)</b>	<b>222,380</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 31 MARCH 2020**

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

	Notes	Share capital	Treasury shares	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2019</b>		<b>2,639,338</b>	<b>(55,725)</b>	<b>169,342</b>	<b>(1,311,178)</b>	<b>(1,644)</b>	<b>4,662,657</b>	<b>6,102,790</b>	<b>78,428</b>	<b>6,181,218</b>
Total other comprehensive income		-	-	381	67,205	14		67,600	(893)	66,707
Profit for the year		-	-	-	-	-	155,691	155,691	(18)	155,673
Total comprehensive income		-	-	381	67,205	14	155,691	223,291	(911)	222,380
Purchase of treasury shares		-	(9,145)	-	-	-	-	(9,145)	-	(9,145)
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	-	(343)	-	-	343	-	-	-
<b>Balance at 31 March 2019</b>		<b>2,639,338</b>	<b>(64,870)</b>	<b>169,380</b>	<b>(1,243,973)</b>	<b>(1,630)</b>	<b>4,818,691</b>	<b>6,316,936</b>	<b>77,517</b>	<b>6,394,453</b>
<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		-	-	(2,490)	(220,577)	(464)	(79,044)	(302,575)	(563)	(303,138)
Profit for the year		-	-	-	-	-	(114,969)	(114,969)	487	(114,482)
Total comprehensive income		-	-	(2,490)	(220,577)	(464)	(194,013)	(417,544)	(76)	(417,620)
Purchase of treasury shares		-	(26,586)	-	-	-	-	(26,586)	-	(26,586)
<b>Balance at 31 March 2020</b>		<b>2,639,338</b>	<b>(106,590)</b>	<b>113,786</b>	<b>(1,423,595)</b>	<b>(1,568)</b>	<b>4,902,018</b>	<b>6,123,389</b>	<b>69,491</b>	<b>6,192,880</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 31 MARCH 2020

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

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
<b>Cash flows from operating activities</b>		
Profit for the year	(114,482)	155,673
Adjustments to reconcile net income to net cash used in operating activities:		
- Adjustments related to depreciation and amortisation	24,828	24,592
- Adjustments related to provision for employment	320	420
- Adjustments related to allowance for doubtful receivables	16	98
- Adjustments related to provision for litigations	1,507	1,841
- Adjustments to related to deferred income from electricity sale	-	(16,650)
- Income / (loss) from fair value of forward transactions	(1,608)	1,223
- Adjustments to related to interest expense	1,081	1,415
- Adjustments to related to interest income	(31,654)	(30,753)
- Adjustments to related to dividend income	(2,766)	(3,012)
- Adjustments to related to provision for inventory impairment, net	(5,409)	(30)
- Adjustments to related to gain on sale or disposal of property, plant and equipment, net	(428)	(144)
- Adjustments to related to valuation of investment securities	301,910	(49,298)
- Interest accrual	28	225
- Tax expense	(4,011)	26,176
	<u>169,332</u>	<u>111,776</u>
Movements in working capital		
Change in trade and other receivables	(56,782)	125,824
Change cost and estimated earnings in excess of billings on uncompleted contracts	23,447	6,077
Change in inventory	(10,104)	2,053
Change in other current assets and other non current assets	1,383	17,372
Change in trade and other payables	134	(115,880)
Change in billings in excess of cost and estimated earnings on uncompleted contracts	68,976	36,063
Change provision for liabilities and other liabilities	(52,653)	40,206
	<u>(25,599)</u>	<u>111,715</u>
Income taxes paid	(24,497)	(12,308)
Employee termination benefits paid	(154)	(313)
<b>Net cash generated from operating activities</b>	<b><u>119,082</u></b>	<b><u>210,870</u></b>
<b>Cash flows from investing activities</b>		
Cash receipts from sales of equity or debt instruments of other entities	(483,846)	(303,963)
Sale of financial investments	272,417	187,721
Proceeds on sale of property, plant and equipment	1,774	1,406
Purchases of property, plant and equipment, intangible assets and investment properties	(20,782)	(14,966)
Interest received	29,052	26,388
Dividend received	2,766	3,012
<b>Net cash used in investing activities</b>	<b><u>(198,619)</u></b>	<b><u>(100,402)</u></b>
<b>Cash flows from financing activities</b>		
Addition to short-term borrowings	1,976	2,198
Addition to long-term borrowings	63	-
Repayments of borrowings	(8,889)	(9,119)
Purchase of treasury shares	(26,586)	(9,145)
Interest received	2,573	4,140
Interest paid	(954)	(635)
<b>Net cash from (used in) financing activities</b>	<b><u>(31,817)</u></b>	<b><u>(12,561)</u></b>
Translation reserve	(7,003)	(4,673)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>(118,357)</u></b>	<b><u>93,234</u></b>
Cash and cash equivalents at beginning of the year	1,016,048	625,713
<b>Cash and cash equivalents at end of the year</b>	<b><u>897,691</u></b>	<b><u>718,947</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 31 MARCH 2020

(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 2020, 11,83% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 31 March 2020, the average numbers of white and blue-collar personnel are respectively 4,806 and 16,529 (31 December 2019 – 4,534 and 13,438).

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 in Africa; Saudi Arabia, Sri Lanka, India, Oman, Iraq and Afghanistan in Asia; Mexico in North America and Paraguay in South America.
- iv. *Europe*: engaged in construction and trading activities in Romania, the Netherlands, Switzerland, 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 31 MARCH 2020

(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”). 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”) 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 condensed consolidated interim 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 29 May 2020. 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.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(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 (cont’d)

### 2.1 Basis of presentation (cont’d)

#### Functional and presentation currency (cont’d)

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, Albania and Serbia and Enka Pazarlama are the Euro. The functional currency of some subsidiaries incorporated in Turkey is TL. These companies reporting to Enka İnşaat in the currency of their respective currencies.

The assets and liabilities of the subsidiaries, 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 condensed consolidated interim 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 2020, 31 December 2019 and 31 March 2019, the buying rates and average rates for one U.S. Dollar can be summarized as below:

	31 March 2020	31 December 2019	31 March 2019
U.S. Dollars/TL – as of balance sheet date	6.5160	5.9402	5.6284
U.S. Dollars/TL – yearly average	6.0921	5.6712	5.3629

#### 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 period ended 31 March 2020 and 31 December 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 31 MARCH 2020

(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 (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 2020. 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.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

### 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

#### **As of 31 March 2020, the standards and interpretations issued but not yet effective and not early adopted**

#### *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.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(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 (cont’d)

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

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

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

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

The amendments include:

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

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, with the announcement published by the IASB in April 2020, it stated that this change included the postponement of the effective date for one year to 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.

#### Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022. The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to IFRS 3 - Definition of a Business

The application of the amendment to IFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

3-) Amendments to IAS 1 and IAS 8 - Definition of Material

The application of the amendment to IAS 1 and IAS 8 is not expected to have a significant effect on the consolidated financial statements of the Group.

4-) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The application of this amendment did not have 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 2019.

## 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 and manufacturing.

##### a) Business segments

	1 January - 31 March 2020					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	358,821	83,837	26,216	116	-	468,990
Inter-segment revenues	4,977	-	2,436	-	(7,413)	-
Cost of revenues (-)	(248,081)	(26,202)	(21,732)	(18,024)	-	(314,039)
Inter-segment cost of revenues (-)	(4,977)	-	(2,436)	-	7,413	-
<b>Gross profit</b>	<b>110,740</b>	<b>57,635</b>	<b>4,484</b>	<b>(17,908)</b>	<b>-</b>	<b>154,951</b>
Administrative expenses (-)	(12,242)	(1,909)	(1,864)	(1,042)	18	(17,039)
Marketing, selling and distribution expenses (-)	(3,557)	(1,226)	(1,416)	-	-	(6,199)
Other operating income	12,038	76	261	32	-	12,407
Other operating expenses (-)	(6,450)	(87)	(297)	(20)	-	(6,854)
<b>Profit from operations</b>	<b>100,529</b>	<b>54,489</b>	<b>1,168</b>	<b>(18,938)</b>	<b>18</b>	<b>137,266</b>
Investment income	65,887	264	-	-	-	66,151
Investment expenses (-)	(325,276)	-	-	-	-	(325,276)
<b>Profit from operations</b>						
<b>Before financial income/(expenses)</b>	<b>(158,860)</b>	<b>54,753</b>	<b>1,168</b>	<b>(18,938)</b>	<b>18</b>	<b>(121,859)</b>
Financial income	4,987	2,397	1,724	7,121	(110)	16,119
Financial expenses (-)	(4,091)	(7,190)	(1,210)	(372)	110	(12,753)
<b>Profit before tax</b>	<b>(157,964)</b>	<b>49,960</b>	<b>1,682</b>	<b>(12,189)</b>	<b>18</b>	<b>(118,493)</b>
Current tax expense (-)	(13,531)	(6,985)	(305)	(932)	-	(21,753)
Deferred tax expense (-)	26,878	(3,404)	72	2,218	-	25,764
<b>Profit for the year from continuing operations</b>	<b>(144,617)</b>	<b>39,571</b>	<b>1,449</b>	<b>(10,903)</b>	<b>18</b>	<b>(114,482)</b>

	31 March 2020				
	Construction contracts	Rental	Trade	Energy	Consolidated
Segment assets	4,685,789	1,902,797	198,671	1,010,829	7,798,086
<b>Total assets</b>	<b>4,685,789</b>	<b>1,902,797</b>	<b>198,671</b>	<b>1,010,829</b>	<b>7,798,086</b>
Segment liabilities	920,259	369,128	77,360	238,459	1,605,206
<b>Total liabilities</b>	<b>920,259</b>	<b>369,128</b>	<b>77,360</b>	<b>238,459</b>	<b>1,605,206</b>

	1 January - 31 March 2020				
	Construction contracts	Rental	Trade	Energy	Consolidated
<b>Other segment information</b>					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	10,906	8,199	166	600	19,871
Intangible assets	883	14	14	-	911
<b>Total capital expenditures</b>	<b>11,789</b>	<b>8,213</b>	<b>180</b>	<b>600</b>	<b>20,782</b>
Depreciation expenses	10,494	405	628	12,133	23,660
Amortization expenses	1,131	12	5	20	1,168

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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.)

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

##### a) Business segments(cont’d)

	1 January - 31 March 2019					Consolidated
	Construction contracts	Rental	Trade	Energy	Eliminations	
Revenues	230,807	82,431	28,456	211,024	-	552,718
Inter-segment revenues	5,650	-	2,661	4,889	(13,200)	-
Cost of revenues (-)	(177,778)	(32,352)	(23,281)	(177,347)	-	(410,758)
Inter-segment cost of revenues (-)	(5,650)	-	(2,661)	(4,889)	13,200	-
<b>Gross profit</b>	<b>53,029</b>	<b>50,079</b>	<b>5,175</b>	<b>33,677</b>	<b>-</b>	<b>141,960</b>
Administrative expenses (-)	(12,540)	(3,676)	(2,745)	(1,987)	-	(20,948)
Marketing, selling and distribution expenses (-)	(3,058)	(1,562)	(1,697)	-	-	(6,317)
Other operating income	2,943	359	61	722	-	4,085
Other operating expenses (-)	(5,961)	(257)	(460)	(19)	-	(6,697)
<b>Profit from operations</b>	<b>34,413</b>	<b>44,943</b>	<b>334</b>	<b>32,393</b>	<b>-</b>	<b>112,083</b>
Investment income	86,431	-	-	-	-	86,431
Investment expenses (-)	(13,446)	-	-	-	-	(13,446)
<b>Profit from operations</b>						
<b>Before financial income/(expenses)</b>	<b>107,398</b>	<b>44,943</b>	<b>334</b>	<b>32,393</b>	<b>-</b>	<b>185,068</b>
Financial income	4,484	2,146	1,436	4,021	-	12,087
Financial expenses (-)	(6,905)	(4,449)	(774)	(3,178)	-	(15,306)
<b>Profit before tax</b>	<b>104,977</b>	<b>42,640</b>	<b>996</b>	<b>33,236</b>	<b>-</b>	<b>181,849</b>
Current tax expense (-)	(3,753)	(9,975)	(90)	(7,267)	-	(21,085)
Deferred tax expense (-)	(1,559)	(907)	906	(3,531)	-	(5,091)
<b>Profit for the year from continuing operations</b>	<b>99,665</b>	<b>31,758</b>	<b>1,812</b>	<b>22,438</b>	<b>-</b>	<b>155,673</b>

	31 December 2019				
	Construction contracts	Rental	Trade	Energy	Consolidated
Segment assets	4,840,127	2,158,995	199,471	1,119,306	8,317,899
<b>Total assets</b>	<b>4,840,127</b>	<b>2,158,995</b>	<b>199,471</b>	<b>1,119,306</b>	<b>8,317,899</b>
Segment liabilities	936,573	405,857	77,549	260,834	1,680,813
<b>Total liabilities</b>	<b>936,573</b>	<b>405,857</b>	<b>77,549</b>	<b>260,834</b>	<b>1,680,813</b>

	1 January - 31 March 2019				
	Construction contracts	Rental	Trade	Energy	Consolidated
<b>Other segment information</b>					
<b>Capital expenditures</b>					
Property, plant and equipment & investment property	10,149	3,508	297	237	14,191
Intangible assets	640	28	1	106	775
<b>Total capital expenditures</b>	<b>10,789</b>	<b>3,536</b>	<b>298</b>	<b>343</b>	<b>14,966</b>
Depreciation expenses	9,745	571	314	13,199	23,829
Amortization expenses	703	33	6	21	763

In 2020, the revenue generated by the Group from energy activities decreased compared to 2019. The Group has temporarily suspended its activities in this business segment due to the ESA contract expired in 2019.

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

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

##### b) Geographical segments

1 January - 31 March 2020						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	88,125	195,822	120,965	64,078	-	468,990
Inter-segment sales	7,413	-	-	-	(7,413)	-
Capital expenditures	5,875	14,492	8	407	-	20,782

  

31 March 2020						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	4,643,100	2,573,062	198,652	383,272	-	7,798,086

  

1 January - 31 March 2019						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	309,396	139,305	48,747	55,270	-	552,718
Inter-segment sales	13,200	-	-	-	(13,200)	-
Capital expenditures	7,588	5,716	468	1,194	-	14,966

  

31 December 2019						
	Turkey	Russian Federation, Kazakhstan, Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,036,067	2,815,141	121,960	344,731	-	8,317,899



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#### 5. CONSTRUCTION CONTRACTS

The Group’s construction contracts details as of 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020	31 December 2019
Costs incurred on uncompleted contracts	1,954,874	1,893,248
Recognized profit less recognized losses to date, net	368,725	296,037
	<u>2,323,599</u>	<u>2,189,285</u>
Less: Progress billing	(2,546,175)	(2,319,438)
	<u>(222,576)</u>	<u>(130,153)</u>
	31 March 2020	31 December 2019
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	45,746	69,193
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(268,322)	(199,346)
	<u>(222,576)</u>	<u>(130,153)</u>

As of 31 March 2020, the amount of advances received of subsidiaries and companies shares in joint operations is USD 177,001 (31 December 2019: USD 302,956).

#### 6. INVESTMENT PROPERTIES

As of 31 March 2020 and 2019, movement of investment properties is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Opening balance	2,079,016	1,891,078
Currency translation difference	(258,854)	79,467
Additions	6,107	2,662
Closing balance	<u>1,826,269</u>	<u>1,973,207</u>

#### 7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 March 2020 the Group purchased property plant and equipment amounting to USD 13,764 (31 March 2019: USD 11,529). In addition, during the period ended 31 March 2020 net book value of USD 1,346 (31 March 2019: USD 1,262) property plant and equipment sold for USD 1,774 (31 March 2019: USD 1,406).

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

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#### 8. COMMITMENTS

##### Litigations

During the period ended 31 March 2020, 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 2019 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 2020 and 31 December 2019 is as follows:

	31 March 2020		31 December 2019	
	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		575,323		598,385
-USD	144,148	144,148	142,386	142,386
-EUR	283,584	314,006	276,132	309,155
-TL	186,216	28,578	187,676	31,594
-Others (*)		88,591		115,250
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		62,921		63,236
-USD	85	85	85	85
-EUR	424	469	424	474
-TL	822	126	822	138
-Others (*)		62,241		62,539
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>638,244</u>		<u>661,621</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 2020 the portion of other guarantess given to shareholders' equity is 0% (31 December 2019 - 0%).

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

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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 2020 and 31 December 2019 is as follows:

	31 March 2020		31 December 2019	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.72%	1,312,279	49.72%	1,312,279
Vildan Gülçelik	7.99%	210,883	7.99%	210,883
Sevda Gülçelik	6.43%	169,709	6.43%	169,709
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	154,929	5.87%	154,929
Other	29.99%	791,538	29.99%	791,538
	<u>100%</u>	<u>2,639,338</u>	<u>100%</u>	<u>2,639,338</u>
Purchase of treasury shares (*)		<u>(106,590)</u>		<u>(80,004)</u>
		<u>2,532,748</u>		<u>2,559,334</u>

Based on the Group’s Ordinary General Assembly held on 27 March 2020; regarding to the distribution of the year 2019 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share net in total TL 1,600,000 (2019 - TL 950,000); further it has been resolved to distribute TL 40,489 (2019 - TL 34,183) as cash dividend to founder shares. Net in total TL 700,000 from TL 1,600,000 has been distributed as an advance dividend on 13 November 2019 and the remaining amount net in total TL 900,000 is distributed on 14 April 2020.

(\*) Group’s buyback transactions have reached 24,600,000 shares at 31 March 2020.

#### 11. INVESTMENT INCOME OR LOSS

Loss from investing activities USD 301,911 (31 March 2019: None) is resulted from decrease in value of financial investments. Income from investing activities USD 29,052 (31 March 2019: USD 26,388) is the interest income from financial investments.

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

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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 2020 and 31 December 2019:

	<u>31 March 2020</u>	<u>31 December 2019</u>
A. Assets denominated in foreign currency	773,486	782,493
B. Liabilities denominated in foreign currency	<u>(377,981)</u>	<u>(444,683)</u>
Net foreign currency position (A+B)	<u>395,505</u>	<u>337,810</u>

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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 2020 and 31 December 2019 is as follows (non-monetary items are not included in the table as they don’t have foreign currency risk):

	31 March 2020						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	11,222	1,722	98,833	109,437	86,340	97,460	294,959
Financial investments	314,211	48,221	98,913	109,527	63,779	-	221,527
Trade and other receivables	56,657	8,695	50,696	56,136	34,880	8,280	107,991
Other current assets	73,001	11,203	25,614	28,362	19,240	40,010	98,815
<b>Current assets</b>	<b>455,091</b>	<b>69,841</b>	<b>274,056</b>	<b>303,462</b>	<b>204,239</b>	<b>145,750</b>	<b>723,292</b>
Financial investments	-	-	10,681	11,827	24,776	-	36,603
Trade and other receivables	-	-	5,441	6,025	-	-	6,025
Other non-current assets	10,686	1,640	29	32	5,889	5	7,566
<b>Non-current assets</b>	<b>10,686</b>	<b>1,640</b>	<b>16,151</b>	<b>17,884</b>	<b>30,665</b>	<b>5</b>	<b>50,194</b>
<b>Total assets</b>	<b>465,777</b>	<b>71,481</b>	<b>290,207</b>	<b>321,346</b>	<b>234,904</b>	<b>145,755</b>	<b>773,486</b>
Short-term borrowings	-	-	14,580	16,144	18,427	-	34,571
Trade and other payables	58,337	8,953	76,167	84,339	107,751	22,024	223,067
Other current liabilities and accrued expenses	122,437	18,790	5,738	6,354	20,863	19,940	65,947
<b>Current liabilities</b>	<b>180,774</b>	<b>27,743</b>	<b>96,485</b>	<b>106,837</b>	<b>147,041</b>	<b>41,964</b>	<b>323,585</b>
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	7,021	7,774	44,026	-	51,800
Other non-current liabilities	-	-	50	56	-	2,540	2,596
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>7,071</b>	<b>7,830</b>	<b>44,026</b>	<b>2,540</b>	<b>54,396</b>
<b>Total liabilities</b>	<b>180,774</b>	<b>27,743</b>	<b>103,556</b>	<b>114,667</b>	<b>191,067</b>	<b>44,504</b>	<b>377,981</b>
<b>Net foreign currency position</b>	<b>285,003</b>	<b>43,738</b>	<b>186,651</b>	<b>206,679</b>	<b>43,837</b>	<b>101,251</b>	<b>395,505</b>
<b>Net notional amount of derivatives</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>27,683</b>	<b>-</b>	<b>-</b>	<b>27,683</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 2019						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	59,579	10,030	75,678	84,729	105,060	13,407	213,226
Financial investments	346,221	58,284	132,619	148,480	69,276	-	276,040
Trade and other receivables	56,272	9,473	74,481	83,389	33,265	3,626	129,753
Other current assets	90,405	15,219	21,000	23,512	29,589	40,151	108,471
<b>Current assets</b>	<b>552,477</b>	<b>93,006</b>	<b>303,778</b>	<b>340,110</b>	<b>237,190</b>	<b>57,184</b>	<b>727,490</b>
Financial investments	-	-	12,075	13,519	27,906	-	41,425
Trade and other receivables	-	-	5,382	6,025	-	-	6,025
Other non-current assets	9,206	1,550	80	89	5,914	-	7,553
<b>Non-current assets</b>	<b>9,206</b>	<b>1,550</b>	<b>17,537</b>	<b>19,633</b>	<b>33,820</b>	<b>-</b>	<b>55,003</b>
<b>Total assets</b>	<b>561,683</b>	<b>94,556</b>	<b>321,315</b>	<b>359,743</b>	<b>271,010</b>	<b>57,184</b>	<b>782,493</b>
Short-term borrowings	47,749	8,038	22,481	25,169	16,148	-	49,355
Trade and other payables	51,924	8,741	69,759	78,102	130,965	6,403	224,211
Other current liabilities and accrued expenses	269,279	45,332	12,394	13,876	34,589	22,477	116,274
<b>Current liabilities</b>	<b>368,952</b>	<b>62,111</b>	<b>104,634</b>	<b>117,147</b>	<b>181,702</b>	<b>28,880</b>	<b>389,840</b>
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	6,977	7,811	43,684	-	51,495
Other non-current liabilities	-	-	63	70	-	3,278	3,348
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>7,040</b>	<b>7,881</b>	<b>43,684</b>	<b>3,278</b>	<b>54,843</b>
<b>Total liabilities</b>	<b>368,952</b>	<b>62,111</b>	<b>111,674</b>	<b>125,028</b>	<b>225,386</b>	<b>32,158</b>	<b>444,683</b>
<b>Net foreign currency position</b>	<b>192,731</b>	<b>32,445</b>	<b>209,641</b>	<b>234,715</b>	<b>45,624</b>	<b>25,026</b>	<b>337,810</b>
<b>Net notional amount of derivatives</b>	<b>-</b>	<b>-</b>	<b>35,000</b>	<b>39,186</b>	<b>-</b>	<b>-</b>	<b>39,186</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**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2020**

(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 2020		31 December 2019	
	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)	4,374	(4,374)	3,245	(3,245)
2- Portion hedged against TL risk (-)	-	-	-	-
<b>3- TL net effect (1+2)</b>	<b>4,374</b>	<b>(4,374)</b>	<b>3,245</b>	<b>(3,245)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	20,668	(20,668)	23,472	(23,472)
5- Portion hedged against Euro risk (-)	2,768	(2,768)	3,919	(3,919)
<b>6- Euro net effect (4+5)</b>	<b>23,436</b>	<b>(23,436)</b>	<b>27,391</b>	<b>(27,391)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	4,384	(4,384)	4,562	(4,562)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>4,384</b>	<b>(4,384)</b>	<b>4,562</b>	<b>(4,562)</b>
<b>Total (3+6+9)</b>	<b>32,194</b>	<b>(32,194)</b>	<b>35,198</b>	<b>(35,198)</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

(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 2020

(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 2020

	Level 1	Level 2	Level 3
Private sector bonds	1,365,327	-	-
Equity securities	724,892	4,335	-
Foreign government bonds	689,521	-	-
Turkish government bonds	28,884	-	-
Mutual funds	10,776	28,413	-
<b>Financial assets at fair value through profit or loss</b>	<b>2,819,400</b>	<b>32,748</b>	<b>-</b>
Derivative instruments	-	(1,242)	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>(1,242)</b>	<b>-</b>

##### 31 December 2019

	Level 1	Level 2	Level 3
Private sector bonds	1,557,536	-	-
Equity securities	608,286	4,288	-
Foreign government bonds	695,071	-	-
Turkish government bonds	28,823	-	-
Mutual funds	20,341	28,284	-
<b>Financial assets at fair value through profit or loss</b>	<b>2,910,057</b>	<b>32,572</b>	<b>-</b>
Derivative instruments	-	(126)	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>(126)</b>	<b>-</b>

#### 14. EVENTS AFTER THE REPORTING PERIOD

The application in order to increase Share Capital from 5,000,000 TL to 5,600,000 TL has been approved by Capital Markets Board on 15.05.2020.