

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

**CONSOLIDATED FINANCIAL
STATEMENTS AS AT AND FOR THE
YEAR ENDED
31 DECEMBER 2022 WITH
INDEPENDENT AUDITORS' REPORT**

22 March 2023

This report includes 5 pages of independent auditors' report and 84 pages of consolidated financial statements together with their explanatory notes.



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Independent Auditors' Report

To the Shareholder's of Enka İnşaat ve Sanayi Anonim Şirketi,

Opinion

We have audited the consolidated financial statements of Enka İnşaat ve Sanayi Anonim Şirketi ("the Company") and its subsidiaries and joint operations (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (*including International Independence Standards*) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition generated from construction contracts

Refer to Note 2.4 and 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition generated from construction contracts.

Key Audit Matter	How the matter was addressed in our audit
<p>Revenue from construction contracts constitutes 50% of the Group's total revenue.</p> <p>The subsidiaries of the Group operate in the construction sector have revenues that is obtained amounting to USD 1,858,704 thousand against costs of USD 1,358,643 thousand as at 31 December 2022.</p> <p>The recognition of the amount and timing of the revenue generated from construction contracts in the period in which they are incurred calculated and accounted for by using the input method under IFRS 15 Revenue from Contracts with Customer. By using the input method revenue is recognized by comparing the costs incurred by the Group for the fulfillment of performance obligations in a construction project to the expected total costs for the fulfillment of the performance obligation in the consolidated financial statements.</p> <p>The measurement of contract revenue and estimation of the contract costs are based on a variety of uncertainties that depend on the outcome of future events and demand of revision to the projects which requires significant management's estimates and judgements.</p> <p>Revenue recognition from construction contracts was determined as key audit matter, due to the significant management estimates and the level of judgement applied by management.</p>	<p>Our audit procedures for testing revenue recognition included below:</p> <ul style="list-style-type: none"> - We evaluated and tested the design and implementation of controls over the relevant processes regarding the accuracy and timing of revenue recognized in the financial statements. - We assessed the terms and conditions of the significant contracts in order to evaluate the management's estimate whether revenue is recognized within the appropriate financial period. - We evaluated the variation orders are included in the contract revenues in accordance with the relevant accounting policies and the effects of these variations on project costs. - The costs incurred by the Group in ongoing construction projects have been tested by using sampling method. - The mathematical accuracy of the contract revenue calculated by the stage of completion method associated with the construction contract have been tested by using recalculation method. - We assessed the management's ability to deliver contracts within budgeted margins by analysing the historical accuracy of forecasting margins and the relationship of cost versus billing status on contracts. - We assessed the adequacy of the disclosures of revenue in the notes to consolidated financial statements.



Fair value measurement of investment property

Refer to Note 2.4 and 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for fair value measurement of investment properties.

Key Audit Matter	How the matter was addressed in our audit
<p>As of 31 December 2022, the investment properties represent 22% of the Group's total assets.</p> <p>The Group recognizes the investment properties at fair value. The Group uses independent valuation firms to determine the fair values of investment properties.</p> <p>Valuation of investment property is determined as key audit matter, due to significant management estimates and judgement used in valuation methods to determine fair value of investment properties.</p>	<p>Our audit procedures for testing fair value measurement of investment property included below:</p> <ul style="list-style-type: none">- We evaluated the capabilities and competence of the external valuers appointed by the Group for valuation of investment property.- We involved valuation specialist to assist in examining the appropriateness of the key assumptions such as long term growth rates used in the calculations, discount rates used to determine present value of future cash flows.- We examined the appropriateness of key inputs used in valuation reports such as rental income, duration, management fee, yields and occupancy rate.- We assessed the adequacy of the disclosures of investment properties in the notes to consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Gökhan Atılgan, SMMM
Partner

22 March 2023
İstanbul, Turkey

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS AT 31 DECEMBER 2022**

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

ASSETS	Notes	31 December 2022	31 December 2021
Current Assets		3,587,871	5,106,690
Cash and cash equivalents	6	1,026,291	2,061,707
Financial investments	7	1,478,120	2,207,993
Trade receivables	9	312,974	275,795
Other receivables			
Other receivables from related parties	10,32	-	2
Other receivables from third parties	10	7,146	13,512
Costs and estimated earnings in excess of billings on uncompleted contracts	12	28,255	22,371
Prepaid expenses	16	232,424	185,854
Inventories	11	423,752	255,739
Other current assets	20	62,376	63,417
		<u>3,571,338</u>	<u>5,086,390</u>
Assets held for sale	29	16,533	20,300
Non-Current Assets		5,435,750	3,995,644
Financial investments	7	2,092,693	995,731
Trade receivables	9	-	8,759
Investment properties	13	2,028,224	2,030,204
Property, plant and equipment	14	1,210,959	887,418
Right of use assets	15	59,524	39,744
Intangible assets			
Other intangible assets	15	16,674	18,938
Prepaid expenses	16	6,045	1,533
Deferred tax assets	30	21,563	13,239
Other non-current assets		68	78
TOTAL ASSETS		<u>9,023,621</u>	<u>9,102,334</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2022

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

		31 December 2022	31 December 2021
LIABILITIES	Notes		
Current Liabilities		1,481,853	1,755,791
Short-term borrowings	8	56,347	48,311
Current portion of long-term borrowings	8	4,908	12,041
Trade payables	9	451,180	348,309
Payables to employees	19	17,427	21,143
Other payables			
Payables to related parties	10,32	7	8
Payables to third parties	10	18,546	14,934
Billings in excess of costs and estimated earnings on uncompleted contracts	12	423,591	547,396
Deferred income	16	358,784	602,671
Taxation on income	30	59,001	27,368
Provisions			
Provisions for employee benefits	19	9,621	9,167
Other provisions	17	42,676	53,839
Other current liabilities	20	39,765	70,604
Non-Current Liabilities		637,872	604,959
Long-term borrowings	8	127,189	104,628
Other payables	10	24,674	24,520
Deferred income	16	4,528	3,128
Provisions for employee benefits	19	19,218	9,172
Deferred tax liabilities	30	462,263	463,511
EQUITY		6,903,896	6,741,584
Equity Attributable to Equity Holders of the Parent		6,828,511	6,674,694
Share capital	21	2,751,959	2,727,682
Treasury shares	21	(127,194)	(129,468)
Revaluation surplus	21	188,672	110,445
Currency translation difference		(1,348,825)	(1,429,824)
Other reserves		(5,933)	(700)
Legal reserves and accumulated profit		5,369,832	5,396,559
Non-Controlling Interests		75,385	66,890
TOTAL LIABILITIES AND EQUITY		9,023,621	9,102,334

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
CONTINUING OPERATIONS			
Revenue	5,22	3,769,514	2,859,411
Cost of revenues (-)	5,22	(2,924,417)	(2,089,102)
GROSS PROFIT		845,097	770,309
Administrative expenses (-)	5,23	(87,955)	(83,242)
Marketing, selling and distribution expenses (-)	5,23	(22,292)	(28,149)
Other operating income	5,25	34,827	50,314
Other operating expenses (-)	5,25	(48,389)	(105,986)
PROFIT FROM OPERATIONS		721,288	603,246
Income from investing activities	5,26	303,738	327,514
Expenses from investing activities (-)	5,26	(880,071)	(187,338)
OPERATING PROFIT BEFORE FINANCE EXPENSES		144,955	743,422
Financial income	5,27	134,888	94,392
Financial expenses (-)	5,28	(65,483)	(35,347)
Net monetary loss (-)		(103,254)	-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		111,106	802,467
Current tax expense (-)	5,30	(187,710)	(121,789)
Deferred tax expense (-)	5,30	92,744	(79,239)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		16,140	601,439
NET PROFIT FOR THE YEAR		16,140	601,439
Attributable to:			
Non-controlling interests		9,253	(8,128)
Equity holders of the parent		6,887	609,567
		16,140	601,439
Earning per share from continuing operations			
- ordinary share certificate (full USD)	31	-	0.10
Weighted average number of shares (Weighted average number of shares of 1 Full TL each)		5,860,782,600	5,860,782,600

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
NET PROFIT FOR THE YEAR		16,140	601,439
Other Comprehensive Income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>		<i>72,575</i>	<i>(1,417)</i>
Gains / (losses) on revaluation of property, plant and equipment	21	77,327	5,214
Remeasurement of defined benefit plans	19	(3,262)	(480)
Changes in currency translation difference	21	3,188	(5,224)
Income tax relating items that will not be reclassified subsequently to profit or loss	30	(4,678)	(927)
Income tax relating to gains / (losses)			
on revaluation of property, plant and equipment	21,30	(5,330)	(1,023)
Income tax relating to remeasurement of defined benefit plans	30	652	96
<i>Items that may be reclassified subsequently to profit or loss</i>		<i>87,744</i>	<i>(384,136)</i>
Changes in currency translation difference		87,476	(384,445)
Gains (Losses) on financial assets measured at fair value through other comprehensive income		268	309
OTHER COMPREHENSIVE INCOME / (LOSS)		160,319	(385,553)
TOTAL COMPREHENSIVE INCOME		176,459	215,886
Attributable to:			
Non-controlling interests		8,793	(9,140)
Equity holders of the parent		167,666	225,026
		176,459	215,886

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed as 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
Balance at 1 January 2021		2,727,682	(129,468)	111,729	(1,350,943)	(1,009)	5,335,550	6,693,541	76,588	6,770,129
Total other comprehensive income		-	-	(1,327)	(78,881)	309	(304,642)	(384,541)	(1,012)	(385,553)
Profit for the year		-	-	-	-	-	609,567	609,567	(8,128)	601,439
Total comprehensive income		-	-	(1,327)	(78,881)	309	304,925	225,026	(9,140)	215,886
Transfer of depreciation difference								-		-
(net of deferred tax) of revaluation effect		-	-	43	-	-	(43)	-	-	-
Dividends paid		-	-	-	-	-	(243,873)	(243,873)	(558)	(244,431)
Balance at 31 December 2021		2,727,682	(129,468)	110,445	(1,429,824)	(700)	5,396,559	6,674,694	66,890	6,741,584
Balance at 1 January 2022		2,727,682	(129,468)	110,445	(1,429,824)	(700)	5,396,559	6,674,694	66,890	6,741,584
Hyperinflationary restatement to 1 January 2022	2	-	-	3,416	48,677	-	205,002	257,095	-	257,095
Restated opening at 1 January 2022		2,727,682	(129,468)	113,861	(1,381,147)	(700)	5,601,561	6,931,789	66,890	6,998,679
Total other comprehensive income		-	-	75,185	32,322	(5,233)	58,505	160,779	(460)	160,319
Profit for the year		-	-	-	-	-	6,887	6,887	9,253	16,140
Total comprehensive income		-	-	75,185	32,322	(5,233)	65,392	167,666	8,793	176,459
Increase (Decrease) through Treasury Share Transaction		-	2,274	-	-	-	-	2,274	-	2,274
Transfer of depreciation difference								-		-
(net of deferred tax) of revaluation effect		-	-	(374)	-	-	374	-	-	-
Share capital increase	21	24,277	-	-	-	-	(24,277)	-	-	-
Dividends paid		-	-	-	-	-	(273,218)	(273,218)	(298)	(273,516)
Balance at 31 December 2022		2,751,959	(127,194)	188,672	(1,348,825)	(5,933)	5,369,832	6,828,511	75,385	6,903,896

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

		1 January - 31 December 2022	1 January - 31 December 2021
	Notes		
Cash flows from operating activities			
Profit for the year		16,140	601,439
Adjustments to reconcile net income			
to net cash used in operating activities:			
- Adjustments related to depreciation and amortisation	24	107,491	82,628
- Adjustments related to provision for employment		5,196	2,020
- Adjustments related to allowance for doubtful receivables		48	440
- Adjustments related to provision for litigations		3,723	7,399
- Income / (loss) from fair value of forward transactions		(4,215)	(275)
- Adjustments to related to interest expense	28	7,154	2,395
- Adjustments to related to interest income	26,27	(112,852)	(91,813)
- Adjustments to related to dividend income	26	(23,809)	(22,375)
- Adjustments to related to provision for inventory impairment, net		1,895	(2,357)
- Adjustments to related to gain on sale or disposal of property, plant and equipment, net	26	(5,480)	(9,723)
- Adjustments to related to fair value increase in investment properties	26	83,274	(83,043)
- Adjustments to related to valuation of investment securities		623,113	72,770
- Interest accrual		223	16
- Tax expense	30	94,966	201,028
		<u>796,867</u>	<u>760,549</u>
Movements in working capital			
Change in trade and other receivables		(28,239)	66,129
Change cost and estimated earnings in excess			
of billings on uncompleted contracts		(5,884)	(6,750)
Change in inventory		(169,909)	14,346
Change in other current assets			
and other non current assets		(39,897)	(86,635)
Change in trade and other payables		102,871	180,570
Change in billings in excess of cost and estimated			
earnings on uncompleted contracts		(123,805)	233,842
Change provision for liabilities and other liabilities		(288,728)	272,901
		<u>(553,591)</u>	<u>674,403</u>
Income taxes paid	30	(156,077)	(113,899)
Employee termination benefits paid	19	(826)	(3,017)
Net cash generated from operating activities		86,373	1,318,036
Cash flows from investing activities			
Cash receipts from sales of equity or debt instruments of other entities		(990,202)	(221,311)
Proceeds on sale of property, plant and equipment		23,358	50,455
Purchases of property, plant and equipment, intangible assets			
and investment properties	5,13,14,15	(76,903)	(153,245)
Interest received		63,175	81,410
Dividend received	26	23,809	22,375
Net cash used in investing activities		(956,763)	(220,316)
Cash flows from financing activities			
Addition to borrowings	8	114,333	46,544
Addition to long-term borrowings	8	(1,718)	-
Repayments of borrowings	8	(116,044)	(73,979)
Purchase of treasury shares		2,274	-
Interest paid		(5,855)	(2,347)
Interest received		49,454	10,387
Dividend paid to non-controlling interests		(298)	(558)
Dividend paid		(273,218)	(243,873)
Net cash from (used in) financing activities		(231,072)	(263,826)
Translation reserve		65,046	(122,896)
Net increase / (decrease) in cash and cash equivalents		(1,036,416)	710,998
Cash and cash equivalents at beginning of the year	6	2,061,707	1,349,709
Cash and cash equivalents at end of the year	6	1,025,291	2,060,707

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

Enka İnşaat ve Sanayi Anonim Şirketi (“Enka İnşaat”) was established on 4 December 1967 and registered in İstanbul, Turkey, under the Turkish Commercial Code. The address of the head quarter 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 December 2022, 8.83% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (ISE).

As of 31 December 2022, the average numbers of white and blue-collar personnel are respectively 5,131 and 16,363 (31 December 2021 – 4,838 and 14,624).

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

The Group operates in geographical areas below:

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont’d)

As of 31 December 2022, Enka İnşaat has the following subsidiaries whose business and country of incorporation are provided below:

Name of Subsidiary	Nature of business activities	Country of incorporation	Year of establishment
Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama)	Engaged in marketing and after-sales service of construction machineries, trucks, industrial products and spare parts.	Turkey	1972
Çimtaş Çelik İmalat Montaj ve Tesisat Anonim Şirketi (Çimtaş)	Engaged in manufacturing of structural steel works, installation and establishing of the technical equipment.	Turkey	1973
Titaş Toprak İnşaat ve Taahhüt Anonim Şirketi (Titaş)	Engaged in all kinds of excavation activities, excavation backfilling works and quarrying-crushing operation of highway projects.	Turkey	1974
Kasktaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit Anonim Şirketi (Kasktaş)	Engaged in pile dwelling work, any kind of base and superstructure construction, slip form and construction of drilling and ground surveys.	Turkey	1975
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	The firm operates in organization of domestic and international conventions and seminars and also engaged in tour reservations and ticket sales.	Turkey	1976
Enet Proje Araştırma ve Müşavirlik A.Ş. (Enet)	Performs architectural design services.	Turkey	1980
Enka Teknik Genel Müteahhitlik Bakım İşletme Sevk ve İdare Anonim Şirketi (Enka Teknik)	Operates in the business of material handling and storage systems, auxiliary facilities, water treatment and environmental engineering, infrastructure and construction, control systems and instrumentation engineering.	Turkey	1981
Entrade GmbH (Entrade)	Manages foreign investments of the Company.	Germany	1984
Limited Liability Company Enmar (Enmar)	Engaged in ready-mixed concrete production and various construction works.	Russia	1994
Airenka Hava Taşımacılığı A.Ş.(Air Enka)	Engaged in all kinds of air transportation.	Turkey	2001
Enka Holding B.V.	Manages foreign investments of the Company.	Netherlands	2001
Enka Müteahhitlik Hizmetleri A.Ş. (Enka Müteahhitlik)	Engaged in construction activities.	Turkey	2002
Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Enka Santral İşletme ve Bakım Hizmetleri Anonim Şirketi	Performs repair and maintenance of the power plants.	Turkey	2004
Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Enka Limited Liability Company (Enka LLC)	Manages the Company’s construction, engineering and design jobs.	Ukraine	2006

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont’d)

Name of Subsidiary	Nature of business activities	Country of incorporation	Year of establishment
OMKH	Engaged in rental activities.	Russia	2017
Enka Renewables LLC	Engaged in energy investments.	Georgia	2016
Enka & Co LLC	Engaged in construction activities.	Oman	2010
Enka Enerji Ticaret A.Ş.	Will perform sale of electricity	Turkey	2006
Enka Sakarya Elektrik Üretim A.Ş. (Sakarya Elektrik) (*)	Performs production and selling of electricity.	Turkey	2022
Enka Kırklareli Elektrik Üretim A.Ş. (Kırklareli Elektrik) (*)	Performs production and selling of electricity.	Turkey	2022
Ustyurt Kurylys LLC	Engaged in construction activities.	Kazakhstan	2017
Enka Flex Offices LLC	Engaged in rental activities.	Russia	2021
Enka Moskova Gayrimenkul Geliştirme A.Ş.	Engaged in rental activities.	Turkey	2021
Enkamos Center Invest LLC	Engaged in rental activities.	Russia	2022
Enka Systems Yazılım A.Ş.	Engaged in trading activities	Turkey	2017
Enka Global Construction LLC	Engaged in construction activities	Mongolia	2022

(*) Sakarya Elektrik, Kırklareli Elektrik, İzmir Elektrik, Adapazarı Elektrik and Gebze Elektrik here and after are also referred to as “the Power Companies”.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont’d)

The construction contracts are undertaken by Enka İnşaat alone or together with its affiliated companies or, in partnerships with other contractors through joint operations. As of 31 December 2022, Enka İnşaat has the following joint operations:

Enka-Ustay Joint Venture (Turkey)
Enka-Batys LLP Joint Venture (Kazakhstan)
Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys
Bechtel-Enka Joint Venture (Romania)
Bechtel-Enka Joint Venture (Kosovo)
Bechtel-Enka Joint Venture (Albania)
Bechtel-Enka Joint Venture (Oman)
Bechtel-Enka Joint Venture (Georgia)
Bechtel-Enka Joint Venture (Serbia)
Bechtel Enka Joint Venture (United Kingdom)
Arge Joint Venture (Germany)
Other (Europe, Africa, America, Asia)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Basis for preparation of the financial statements and significant accounting policies

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 consolidated financial statements have been prepared on the historical cost convention as adjusted for the effects of inflation on Turkish Lira at the reporting date based on International Accounting Standard (“IAS”) No. 29 “Financial Reporting in Hyperinflationary Economies” 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 consolidated financial statements are approved by the Company’s Board of Directors on 02 March 2022. 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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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.

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 each quarter. 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.

The year-end and average rates for 2022 for one U.S. Dollar can be summarized as below:

	2022
U.S. Dollars/TL – as of balance sheet date	18.6983
U.S. Dollars/TL – yearly average	16.5659
U.S. Dollars/RUB – as of balance sheet date	70.3375
U.S. Dollars/RUB – yearly average	68.5494

Inflation accounting

The cumulative inflation over the past three years has risen to just above 100% in the first quarter of 2022. Based on this information, Turkey is considered a hyperinflationary economy for reporting periods ending on or after 30 April 2022. Accordingly, entities with operations whose functional currency is the Turkish Lira should expect to apply IAS 29 Financial Reporting in Hyperinflationary Economies (“IAS 29”) for those operations in the financial statements for reporting periods ending on or after 30 April 2022. Therefore, IAS 29 has been applied in the financial statements as at and for the year ended 31 December 2022.

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

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

2.1 Basis of presentation (cont’d)

Accounting in hyperinflationary economies

Consequently, the financial statements of the entities whose functional currency TL are restated for the changes in the general purchasing power of the Turkish Lira as at 31 December 2022 based on IAS 29. The restatement is calculated by means of conversion factors derived from the Turkish countrywide consumer price index published by the TSI. For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements are as follows:

Date	Index	Conversion factor
31 December 2022	1.128,45	1,000
31 December 2021	686,95	1,424
30 June 2021	547,48	1,786
31 December 2020	504,81	1,937
31 December 2019	440,50	2,220
30 June 2019	413,63	2,364

IFRS require the financial statements of an entity with a functional currency that is hyperinflationary to be restated in accordance with IAS 29 requirements whether they are based on a historical cost or a current cost approach and to be applied retrospectively, as if the currency had always been hyperinflationary. The basic principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date. Comparative figures for prior period are restated into the same current measuring unit.

The main procedures applied for the restatements mentioned above are as follows:

- Monetary assets and liabilities that are carried at amounts current at the reporting date are not restated because they are already expressed in terms of the monetary unit current at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders’ equity are restated by applying the relevant conversion factors from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date.
- Property, plant and equipment are restated by applying the change in the index from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date. Depreciation is based on the restated amounts;
- All items in the income statement except for the depreciation charges explained above and deferred tax charges, are restated by applying the monthly conversion factors of the transactions to the reporting date
- The effects of inflation on the net monetary positions of the Company, is included in the profit or loss statement as “monetary gain / (loss)”.
- All items in the cash flow statement are expressed in terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.
- All corresponding figures as of and for the period ended 31 December 2022 are restated by applying the change in the index from 31 December 2021 to 31 December 2022.

In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of IAS 29 as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effects of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried at the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

2.1 Basis of presentation (cont’d)

Comparative information and reclassification of prior year consolidated financial statements

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed. In the current year Right of use assets amounting to USD 39,744 previously presented in the “Intangible Assets” as at 31 December 2021, have been reclassified to the “Right of Use Assets” in the comparative consolidated statement of financial position.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint operations and its subsidiaries as at 31 December each year. The 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.

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

2.1 Basis of presentation (cont’d)

Basis of consolidation (cont’d)

The subsidiaries included in consolidation and their shareholding percentages at 31 December 2022 and 2021 are as follows:

Company name	Segment	Functional Currency	Direct / Indirect ownership	
			31 December 2022	31 December 2021
İzmir Elektrik	Energy	TL	100.00%	100.00%
Adapazarı Elektrik	Energy	TL	100.00%	100.00%
Gebze Elektrik	Energy	TL	100.00%	100.00%
Enka TC LLC	Trade	RUB	100.00%	100.00%
Mosenka	Rental	RUB	100.00%	100.00%
MKH	Rental	RUB	100.00%	100.00%
OMKH	Rental	RUB	100.00%	100.00%
Enka Santral Hizmetleri A.Ş.	Energy	TL	100.00%	100.00%
Enka Enerji Ticaret A.Ş.	Energy	TL	100.00%	100.00%
Enka Holding B.V.	Construction	EUR	100.00%	100.00%
Enka Holding Investment S.A.	Construction	USD	100.00%	100.00%
Enka Power Systems B.V.	Construction	USD	100.00%	100.00%
Enka Construction & Development B.V.	Construction	EUR	100.00%	100.00%
Far East Development B.V.	Construction	USD	100.00%	100.00%
Enka Geothermal B.V.	Construction	EUR	100.00%	100.00%
Enmar	Construction	USD	100.00%	100.00%
Entrade	Construction	EUR	100.00%	100.00%
Capital City Investment B.V.	Construction	USD	100.00%	100.00%
City Center Investment B.V.	Rental	USD	100.00%	100.00%
Enka LLC	Construction	USD	100.00%	100.00%
Retmos Investment Ltd.	Construction	USD	100.00%	100.00%
Emos LLC	Trade	RUB	100.00%	100.00%
Enmar Construction B.V.	Trade	EUR	100.00%	100.00%
Cmos B.V.	Trade	EUR	100.00%	100.00%
OOO Victoria	Construction	USD	100.00%	100.00%
Enka & Co LLC	Construction	USD	100.00%	100.00%
Enka Müteahhitlik	Construction	TL	100.00%	100.00%
Edco Investment B.V.	Rental	USD	100.00%	100.00%
Enru Development B.V.	Rental	EUR	100.00%	100.00%
Enkamos Region B.V.	Construction	EUR	100.00%	100.00%
Airenka	Trade	USD	100.00%	100.00%
Poyraz Shipping B.V.	Construction	USD	100.00%	100.00%
Bogazici Shipping B.V.	Construction	USD	100.00%	100.00%
Doga Shipping B.V.	Construction	USD	100.00%	100.00%
Imbat Shipping B.V.	Construction	USD	100.00%	100.00%
TNY Shipping B.V.	Construction	USD	100.00%	100.00%
Alacante Shipping B.V.	Construction	USD	100.00%	100.00%
BRK Overseas Shipping B.V.	Construction	USD	100.00%	100.00%
MML Merchant Shipping B.V.	Construction	USD	100.00%	100.00%
Esta Construction B.V.	Construction	USD	100.00%	100.00%
Enka UK Construction Ltd.	Construction	USD	100.00%	100.00%

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

2.1 Basis of presentation (cont’d)

Basis of consolidation (cont’d)

Company name (continuing)	Segment	Functional Currency	Direct / Indirect ownership	
			31 December 2022	31 December 2021
Enet	Construction	TL	100.00%	100.00%
Üstyurt Kurylys	Construction	USD	100.00%	100.00%
Enka Systems Yazılım A.Ş.	Trade	USD	100.00%	100.00%
LLC Enka Flex Office	Rental	RUB	100.00%	100.00%
Enka Moskova Gayrimenkul Geliştirme A.Ş.	Rental	TL	100.00%	100.00%
Emkamos Center Invest LLC	Rental	RUB	100.00%	-
Enka Sakarya Elektrik Üretim A.Ş.	Energy	TL	100.00%	-
Enka Kırklareli Elektrik Üretim A.Ş.	Energy	TL	100.00%	-
Enka Construction S.A.	Construction	USD	100.00%	-
Enka Global Construction LLC	Construction	USD	100.00%	-
Enka Construction & Development LLC	Construction	USD	100.00%	-
Enka Mocambique LDA	Construction	USD	100.00%	-
Enka Pazarlama	Trade	EUR	99.99%	99.99%
Enka Trading B.V.	Trade	EUR	99.99%	99.99%
Metra Akdeniz Dış Ticaret A.Ş.	Trade	EUR	99.99%	99.99%
Encommerce B.V.	Trade	EUR	99.99%	99.99%
Entaş	Trade	TL	99.98%	99.98%
Kasktaş	Construction	USD	99.90%	99.90%
Kasktaş Arabia Ltd.	Construction	USD	99.90%	99.90%
Titaş	Construction	USD	99.50%	99.50%
Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.	Construction	USD	97.88%	97.88%
Çimtaş Hassas İşleme Sanayi ve Ltd.Şti	Construction	USD	97.35%	97.35%
Çimtaş Çelik	Construction	USD	97.35%	97.35%
Cimtas Offshore B.V. (Formerly Mechanical Contracting B.V.)	Construction	USD	97.35%	97.35%
Cimtas (Ningbo) Steel Processing Company Ltd.	Construction	USD	97.35%	97.35%
Cimtas Investment B.V.	Construction	EUR	97.35%	97.35%
Cimtas Steel Metal Konstruksiya MMC	Construction	AZN	97.35%	97.35%
Gemlik Deniz Taşımacılık Ltd.Şti.	Construction	USD	97.35%	97.35%
Enka Renewables LLC	Energy	USD	90.00%	90.00%
Enka Teknik	Construction	USD	80.00%	80.00%
Çimtaş Boru İmalatları ve Ticaret Ltd. Şti.	Construction	EUR	50.00%	50.00%

The Group has interests in joint operations which are jointly controlled entities. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group recognizes its interest in the joint operations using proportionate consolidation. The breakdown of the controlling interests of the joint operations as of 31 December 2022 and 2021 is as follows:

	Functional Currency	31 December 2022	31 December 2021
Enka-Ustay Joint Venture (Turkey)	USD	60.00%	60.00%
Enka-Batys LLP Joint Venture (Kazakhstan)	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Romania)	EUR	50.00%	50.00%
Bechtel-Enka Joint Venture (Albania)	EUR	50.00%	50.00%
Bechtel-Enka Joint Venture (Kosovo)	EUR	50.00%	50.00%
Bechtel-Enka Joint Venture (Oman)	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Georgia)	USD	50.00%	50.00%
Bechtel-Enka Joint Venture (Serbia)	USD	50.00%	50.00%
Bechtel Enka Joint Venture (United Kingdom)	GBP	50.00%	50.00%
Arge Joint Venture (Germany)	EUR	50.00%	50.00%
Other Joint Ventures (Europe, Africa, America, Asia)	USD	50.00%	50.00%

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

2.2 Changes in the accounting policies

With the exception of following the accounting policies applied in the consolidated financial statements as at and 31 December 2022 are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2021.

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 year 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 year.

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 Summary of significant accounting policies

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.

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

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

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

In December 2021, IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

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

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

2.4 Summary of significant accounting policies (cont’d)

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

Standards issued but not yet effective and not early adopted (cont’d)

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

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2023. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39.

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

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.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

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

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

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

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

2.4 Summary of significant accounting policies (cont’d)

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

Standards issued but not yet effective and not early adopted (cont’d)

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

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

The key amendments to IAS 1 include:

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

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

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

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

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

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 does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

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

2.4 Summary of significant accounting policies (cont’d)

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

Standards issued but not yet effective and not early adopted (cont’d)

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

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

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

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

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

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

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

The Group does not expect that application of these amendments to Amendments to IAS 12 will have significant impact on its consolidated financial statements.

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

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

The amendments confirm the following:

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

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

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

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

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

2.4 Summary of significant accounting policies (cont’d)

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

Standards issued but not yet effective and not early adopted (cont’d)

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases (cont’d)

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

Amendments are effective on 1 January 2022

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022:

1. Annual Improvements to IFRS Standards 2018–2020 -Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture
2. Reference to the Conceptual Framework – Amendments to IFRS 3 Business Combinations
3. Property, Plant and Equipment – Proceeds before Intended Use: Amendments to IAS 16 Property, Plant and Equipment
4. Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

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

Revenue

In accordance with IFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the entity satisfies a performance obligation

The Group evaluates the goods or services it undertakes in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation. It is determined in the beginning of the contract whether the performance obligation will be carried out over a period of time or it will be performed at a certain time for each performance obligation. Group recognizes the revenue over a period of time by measuring the progress attributed to complete fulfillment of performance obligation in question on the occasion that the Group transfers the control of a good or a service and therefore it fulfills the performance obligation related to these sales over time.

When Group fulfills the obligation to perform the obligation by transferring a promised good or service to the customer, it records the transaction value corresponding to the obligation as revenue in the consolidated financial statements. When the control of the goods or services is overtaken by the customers (or as they pass) the goods or services are transferred.

When Group evaluates the transfer of the customer for the control of the goods or services sold,

- a) Group owns the right to collect the goods or services,
- b) Owns legal ownership of the goods or services,
- c) The transfer of the possession of the goods or services,
- d) Ownership of the significant risks and rewards of ownership of the property of the customer,
- e) Takes into consideration the conditions under which the customer accepts goods or services.

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

2.4 Summary of significant accounting policies (cont’d)

Revenue (cont’d)

Group does not make any adjustments to the effect of a significant financing component at the commitment price if the contract at the outset suggests that the period between the transfer date of the goods or services undertaken by the customer and the date the customer pays the price of the goods or services is one year or less. If the other party has significant financing within the revenue, the revenue value is determined by discounting future collections with the interest rate included in the financing element. The difference is recorded in the related periods as Other income from the main operations on the accrual basis.

The accounting for the revenue of the Group's different activities is explained below:

Construction contract activities

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Revenue arising from cost plus fee contracts is recognized on the basis of costs incurred plus a percentage of the contract fee earned during the year.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the consolidated statement of profit or loss as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

Contract assets arising from ongoing construction works indicates the revenue recognized on construction contracts in excess of billings, and contract liabilities arising from ongoing construction works indicate the billings in excess of the revenue recognized on construction contracts.

Group management does not recognize the additional receivables under compensation outside the scope of the contract that may be subject to litigation as income, unless negotiations have reached to an advanced stage such that it is probable that the customer will accept the claim and the amount of the additional receivable can be measured reliably.

Energy activities

In 2021, Enka Energy Companies resumed their production activities, which had been halted since 2019, once they were included in the capacity mechanism in order to create the necessary conditions in the electricity market and to ensure sufficient installed power capacity for a secure supply. Companies conduct their electricity sales in organized electricity markets (Day-Ahead Market, Intraday Market, Balancing Power Market). Day Ahead and Intraday Markets are operated by the market operator, Energy Exchange Istanbul (“EPIAŞ” or “EXIST”), within the framework of the Electricity Market Balancing and Settlement Regulation. EPIAŞ establishes reference prices for said markets, performs financial transactions such as settlement, collateral, invoicing, and provides central counterparty services in the markets it operates. In addition, the settlement activities regarding the Balancing Power Market, the operation of the Renewable Energy Resources Support Mechanism (“YEKDEM”) and free consumer transactions are also carried out by EPIAŞ. The price of electricity sold daily by the companies in the markets (excluding VAT and other costs) is collected from EPIAŞ within two business days and recognised as income. The amount, unit price, amount and other expenses calculated by EPIAŞ in accordance with the provisions of the regulation are finalised with the “Final Settlement Notice” prepared by EPIAŞ and sent to the market participants on the fifteenth (15th) day of the end of the relevant month, or the next day in case of weekends or national holidays and an invoice is issued for the accrued revenues as of this date.

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

2.4 Summary of significant accounting policies (cont’d)

Revenue (cont’d)

Commercial activities

Earnings from sales as a result of commercial activities; All significant risks related to the Group, and the transfer of gains to the buyer on an administrative involvement associated with the property and on the goods sold lack of effective control, reliable measurement of income, economic benefits associated with the transaction the flow to the business is likely and the costs arising from or will be reliably measurement conditions are recorded as income. Net sales are estimated from the sales amount of the goods and realized It is shown by deducting returns, discounts, commissions, turnover premiums and sales-related taxes.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. Rental income collected in advance is treated as deferred income and is amortised on a monthly basis during the lease period.

Rendering of services

Revenue is recognized by reference to the stage of completion.

Interest income

Interest income is recognized in the consolidated statement of profit or loss on an accrual basis taking into account the effective yield on the asset.

Dividends

Revenue is recognized when the Group’s right to receive the payment is established.

Segment Reporting

An operating segment is a component of the Group that engages in business activities through which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The operating segments of the Group are construction, rental, trade and energy, and they are disclosed in Note 5.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition, are included in the cost. Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.

The Group also provides an allowance for the slow moving and obsolete items.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

2.4 Summary of significant accounting policies (cont’d)

Property, plant and equipment

With the exception of land and buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is not depreciated. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Land and buildings are carried at revalued amounts. Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred. The costs of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Depreciation is provided on all property, plant and equipment using the straight-line method at rates which approximate estimated useful lives of the related assets as follows:

	Useful life
Land improvements	5-50 years
Buildings	50 years
Power plant equipment	35 years
Pipelines	16 years
Electrical interconnection lines	16 years
Machinery and equipment	4-10 years
Motor vehicles	3-10 years
Furniture and fixtures	5-10 years
Barracks, scaffolding and formworks	5 years
Aircrafts	10-15 years
Others	5-10 years

Power plant equipment is recorded at its original cost of construction. Significant additions or improvements are capitalized when they extend the life, improve the efficiency or increase the earnings capacity of the asset. Expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed as incurred.

The asset’s residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

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

2.4 Summary of significant accounting policies (cont’d)

Intangible assets (except goodwill)

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost that are amortized over 3 to 10 years on straight-line basis.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Investment properties

Land and buildings that are held in the production of supply of goods or services or for administrative purposes or for long term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as “investment property”. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

2.4 Summary of significant accounting policies (cont’d)

Business combinations

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. If the contingent consideration classified as an asset or liability is a financial instrument and is in the scope of IFRS 9 Financial Instruments standard, the contingent consideration is measured at fair value and the gain or loss arising from the change is recognized in profit or loss or other comprehensive income. Those not included in IFRS 9 are accounted for in accordance with IAS 37 Provisions or other appropriate IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

2.4 Summary of significant accounting policies (cont’d)

Assets held for sale

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell, and depreciation on such assets are ceased.

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

2.4 Summary of significant accounting policies (cont’d)

Impairment of non-financial assets (cont’d)

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

Financial Instruments

Recognition and measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group may irrevocably make preference about presentation of subsequent changes in its fair value in other comprehensive income on initial recognition of non-trading equity investment. This is made separately for each investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

2.4 Summary of significant accounting policies (cont’d)

Financial Instruments (cont’d)

Financial Instruments: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are managed on the basis of fair value and whose performance is assessed accordingly are measured at fair value through profit or loss.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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

2.4 Summary of significant accounting policies (cont’d)

Financial Instruments (cont’d)

Financial assets – subsequent measurement and gains and losses

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group’s cash and cash equivalents are classified under the category of ‘Loans and Receivables’.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

a) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability

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

2.4 Summary of significant accounting policies (cont’d)

Financial Instruments (cont’d)

Financial liabilities (cont’d)

b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognized at fair value and are subsequently remeasured at their fair value. Derivative financial instruments of the Group predominantly constitute forward foreign currency purchase and sale contracts.

The fair value of forward foreign exchange contracts measured at fair value and associated with the consolidated profit or loss is calculated by reference to the market interest rates valid for the rest of the contract for the relevant currency for the relevant period, by comparison with exchange rate. Derivatives are recorded as assets or liabilities in the balance sheet, respectively, depending on whether the fair value is positive or negative differences arising from the fair value of derivative financial instruments except for the cash flow hedge explained below are reflected in the profit and loss statement in the consolidated statements of income.

Cash flow hedge

The Group performs cross currency transactions with participation option to hedge the cash flow risk of variable and fixed rate financial instruments and liabilities in different currencies. The effective portion of the fair value change of the hedging instrument in the cash flow hedge accounting is recognized in “other comprehensive income”, while the ineffective portion is recognized in the in profit or loss. In the periods in which the cash flows of the hedged item affect the profit or loss, the profit or loss of the hedging instrument is also removed from equity and reflected to the income statement. In addition, the time value change in the options included in the structured cross-currency swaps is recognized in other comprehensive income as the hedging cost.

According to IFRS 9, the hedging relationship ends when the required criteria are no longer met after rebalancing. The termination of the hedging relationship is not accepted if the required criteria are met. In the event that the hedging target changes, the hedging instrument expires or is sold, terminated or used, the hedging accounting ends when the economic relationship between the hedging instrument and the hedged item is eliminated or the credit risk affects the fair value changes arising from the economic relationship.

When the Group discontinued hedge accounting for cash flow variability, the amount accumulated in the cash flow hedge fund is recognized as follows;

- The profit or loss recognized in other comprehensive income and presented in the hedging reserve under equity remains there until the cash flows of the hedged item realised.
- When the cash flows from the hedged item is expected not to be realised, the gain or loss accumulated under equity is recognized immediately in profit or loss.

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

2.4 Summary of significant accounting policies (cont’d)

Financial Instruments (cont’d)

Accounting at the date of transaction

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Offsetting

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

Derecognition

Financial assets

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Impairment of financial assets

Financial assets and contract assets

The Group recognizes loss allowances for the expected credit losses of the following items:

- financial assets measured at amortized cost;
- contract assets (as defined in IFRS 15).

Under IFRS 9, loss allowances are measured on either of the following bases:

Financial assets measured at amortized cost;

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument; and

Bank balances for which credit risk has not increased significantly since initial recognition;

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

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

2.4 Summary of significant accounting policies (cont’d)

Financial Instruments (cont’d)

Impairment of financial assets (cont’d)

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”.

The maximum time to be measured by the ECLs is the maximum contractual period that the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses (IFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on actual credit loss experience over the past years.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Trade receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The Group has calculated the ECLs according to the experience of credit losses in the last three years. The Group performed the calculation of ECL for receivables at the reporting date. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship.

Retention Receivables from Contractors

The Group’s progress billings from its employees are subject to retention deductions, which vary, based on the individual agreements. These balances are collected based on contract terms either via letter of bank guarantees or from the contractors upon successful completion of the contract at the end of the warranty period. Retention receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Retention Payables to Subcontractors

The Group’s progress billings to its subcontractors are subject to retention deductions, which vary, based on the individual agreements. These payables are paid to subcontractors after they successfully complete the guarantee periods. Retention payables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

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

2.4 Summary of significant accounting policies (cont’d)

Effect of changes in foreign exchange rates

Transactions in currencies other than functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency indexed monetary assets and liabilities are recorded at the rates of exchange prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in the consolidated statement of profit or loss in the period in which they arise.

Earnings per share

Basic earnings per share (EPS) disclosed in the consolidated statement of profit or loss are determined by dividing net profit by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (Bonus Shares) to existing shareholders without a consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation, such bonus share distributions are regarded as stock dividends. If the number of ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorized for issue, the EPS calculations for those and any prior period financial statements presented is based on the new number of shares.

Provisions, contingent liabilities, contingent assets

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities and assets

If contingent liabilities does not carry a high probability of resource allocation (cash outflow), they are not recognized in the consolidated financial statements but disclosed in the footnotes. However, contingent assets are not recognized in consolidated financial statements but disclosed in the footnotes when an inflow of economic benefits is probable.

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

2.4 Summary of significant accounting policies (cont’d)

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

2.4 Summary of significant accounting policies (cont’d)

Leases (cont’d)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

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

2.4 Summary of significant accounting policies (cont’d)

Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements (reporting entity).

a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,

- i) Has control or joint control over the reporting entity,
- ii) Has significant influence over the reporting entity,
- iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity.

b) An entity is considered related party of the reporting entity when the following criteria are met:

- i) If the entity and the reporting entity is within the same group (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others.
- ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
- iii) If both of the entities are a joint venture of a third party.
- iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
- v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.
- vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).
- vii) If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity)

Related party transaction is the transfer of resources, services or liabilities regardless of whether a price is charged or not.

Income tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss.

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

2.4 Summary of significant accounting policies (cont’d)

Income tax (cont’d)

Deferred income tax is provided, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management’s judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss.

Employee termination benefits

The Group has both defined benefit and defined contribution plans as described below:

Vacation pay liability

In accordance with the existing labor law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated.. Unused leave provision is the earned and unused vacation rights of its employees of the Company, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (revised) “Employee Benefits” (“IAS 19”).

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. Actuarial gains and losses are accounted as other comprehensive income.

Personnel working in branches operating in foreign countries and joint-operations do not have any employee termination benefit as there is no legal obligation in these countries.

Defined contribution plans

The Company and its subsidiaries in Turkey pay contributions to publicly administered Social Security Fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Foreign subsidiaries and joint operations contribute to the related government body for the pension scheme of its employees in the country they are domiciled. Mandatory contributions to the governmental pension scheme are expensed when incurred.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

2.4 Summary of significant accounting policies (cont’d)

Statement of cash flows

Cash flows are classified according to operating, investment and finance activities in the consolidated statement of cash flows.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, excluding short term deposits with an original maturity of more than three months and deposits blocked in bank accounts as collateral.

Events after the reporting period

Events after the reporting period, also known as ‘subsequent events’ include any favorable or unfavorable event that took place between the balance sheet date and the publication date of the balance sheet, despite any possible event that might arise after the publicization of any information regarding profits or other financial figures.

The Group adjusts its consolidated financial statements if such adjusting subsequent events arise.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the consolidated statement of profit or loss and in the carrying value of assets and liabilities in the consolidated balance sheet, and in the disclosure of information in the notes to the consolidated financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the consolidated financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates.

The key assumptions concerning the future and other key resources of estimation at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- a) Determination of total estimated project costs, profitability and calculation of loss accruals under the scope of IFRS 15 (Note 12).
- b) Fair value of investment properties under the scope of IAS 40 “Investment Property” and land and buildings under the scope of IAS 16 “Property, Plant and Equipment” (Note 13 and 14).

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3. DIVIDENDS

Based on the Group’s Ordinary General Assembly held on 25 March 2022; In addition to dividend advance distributed on 5 January 2022, regarding to the distribution of the year 2021 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share in total TL 2,800,000 (2021 – TL 2,000,000); further it has been resolved to distribute TL 61,026 (2021 – TL 41,903) as cash dividend to founder shares. The dividend decided to be distributed was distributed on 13 April 2022.

In 2022 and 2021, the Group distributed dividends as detailed below:

	2022		2021	
	Dividend (TL)	Dividends per share	Dividend (TL)	Dividends per share
Ordinary share owners (1 Full TL nominal value) (*)	2,730,943	0,50 Tam TL	1,950,673	0.35 Full TL
Founder share owners	61,026	61,02 Full TL	41,903	41,90 Full TL
Ordinary share owners (1 Full TL nominal value) (*) (**)	1,092,377		-	
	<u>3,884,346 TL</u>		<u>1,992,576 TL</u>	

(*)The amount of dividends distributed to the shares bought back by the Company has been deducted.

(**) Based on the power vested in the Board of Directors by the Ordinary General Assembly for year 2020 held on March 30, 2021, the Board of Directors resolved to distribute, a total of TL 1,120,000 from the amount that remains after deduction of the relevant reserves as required, to be set apart from the net profit of the current period as indicated on the financial statements comprising the interim period from 01 January 2021 – 30 September 2021 to the holders of share certificates representing the share capital amounting to TL 5,600,000. The dividend decided to be distributed on 5 January 2022.

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4. INTEREST IN JOINT OPERATIONS

The Group's share in the assets and liabilities and the profit/loss of the of the joint operations using the proportionate consolidation method on a line by line basis is as follows:

	31 December 2022	31 December 2021
ASSETS		
Current Assets		
Cash and cash equivalents	335,268	411,090
Financial Investments	9,288	20,393
Trade receivables	95,721	57,384
Other receivables	1,212	1,014
Inventories	10,052	5,568
Costs and estimated earnings in excess of billings on uncompleted contracts	7,272	282
Other current assets	61,040	18,723
Group's share in current assets of joint operations	519,853	514,454
Non-Current Assets		
Property, plant and equipment	97,651	90,775
Accumulated depreciation	(45,405)	(27,801)
Group's share in joint operations in property, plant and equipment	52,246	62,974
LIABILITIES		
Current Liabilities		
Trade payables	23,110	20,379
Billings in excess of costs and estimated earnings on uncompleted contracts	342,569	383,929
Provisions	27,760	20,484
Provisions for employee benefits	5,490	4,390
Other current liabilities	87,652	116,942
Group's share in current liabilities of joint operations	486,581	546,124

The Group's share in the consolidated statement of profit or loss of the joint operations using the proportionate consolidation method on a line by line basis is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	710,962	450,942
Cost of revenue	(418,503)	(358,107)
Other operating income	532	827
Other operating expenses	(3)	(1,072)
Income from investing activities	6	1,095
Financial income	1,635	3,336
Financial expenses	(2,319)	(3,552)
Taxation charge	(46,402)	(20,147)
Net profit	245,908	73,322

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5. 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 December 2022					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	1,858,704	334,400	240,181	1,336,229	-	3,769,514
Inter-segment revenues	73,891	9,841	6,397	-	(90,129)	-
Cost of revenues (-)	(1,358,643)	(126,293)	(176,572)	(1,262,909)	-	(2,924,417)
Inter-segment cost of revenues (-)	(73,891)	(9,841)	(6,397)	-	90,129	-
Gross profit	500,061	208,107	63,609	73,320	-	845,097
Administrative expenses (-)	(57,557)	(16,828)	(6,166)	(7,404)	-	(87,955)
Marketing, selling and distribution expenses (-)	(6,191)	(4,733)	(9,668)	(1,700)	-	(22,292)
Other operating income	22,578	7,428	3,176	1,645	-	34,827
Other operating expenses (-)	(35,143)	(2,860)	(1,717)	(8,669)	-	(48,389)
Profit from operations	423,748	191,114	49,234	57,192	-	721,288
Investment income	266,383	36,800	-	555	-	303,738
Investment expenses (-)	(757,422)	(122,096)	-	(553)	-	(880,071)
Profit from operations						
Before financial income/(expenses)	(67,291)	105,818	49,234	57,194	-	144,955
Financial income	42,929	6,674	9,628	75,866	(209)	134,888
Financial expenses (-)	(46,682)	(2,451)	(16,024)	(535)	209	(65,483)
Net monetary loss (-)	-	-	-	(103,254)	-	(103,254)
Profit before tax	(71,044)	110,041	42,838	29,271	-	111,106
Current tax expense (-)	(96,810)	(41,020)	(9,812)	(40,068)	-	(187,710)
Deferred tax expense (-)	31,648	7,459	(136)	53,773	-	92,744
Profit/(Loss) for the year from continuing operations	(136,206)	76,480	32,890	42,976	-	16,140
	31 December 2022					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	5,743,684	2,111,489	240,332	928,116		9,023,621
Total assets	5,743,684	2,111,489	240,332	928,116		9,023,621
Segment liabilities	1,258,678	442,921	125,638	292,488		2,119,725
Total liabilities	1,258,678	442,921	125,638	292,488		2,119,725
	1 January - 31 December 2022					
Other segment information	Construction contracts	Rental	Trade	Energy		Consolidated
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	46,147	5,314	1,941	22,805		76,207
Intangible assets	312	53	240	91		696
Total capital expenditures	46,459	5,367	2,181	22,896		76,903
Depreciation expenses	55,597	2,364	1,800	43,769		103,530
Amortization expenses	3,757	58	73	73		3,961

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5. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 January - 31 December 2021					
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	1,538,447	304,034	219,468	797,462	-	2,859,411
Inter-segment revenues	30,055	-	32,962	-	(63,017)	-
Cost of revenues (-)	(1,132,750)	(96,927)	(163,832)	(695,593)	-	(2,089,102)
Inter-segment cost of revenues (-)	(30,055)	-	(32,962)	-	63,017	-
Gross profit	405,697	207,107	55,636	101,869	-	770,309
Administrative expenses (-)	(58,994)	(9,227)	(6,273)	(8,748)	-	(83,242)
Marketing, selling and distribution expenses (-)	(12,934)	(4,972)	(8,876)	(1,367)	-	(28,149)
Other operating income	45,994	1,114	1,590	1,616	-	50,314
Other operating expenses (-)	(50,907)	(1,514)	(3,532)	(50,033)	-	(105,986)
Profit from operations	328,856	192,508	38,545	43,337	-	603,246
Investment income	241,130	83,055	-	3,329	-	327,514
Investment expenses (-)	(186,705)	(633)	-	-	-	(187,338)
Profit from operations Before financial income/(expenses)	383,281	274,930	38,545	46,666	-	743,422
Financial income	12,700	1,544	5,758	74,742	(352)	94,392
Financial expenses (-)	(25,113)	(2,671)	(7,674)	(241)	352	(35,347)
Profit before tax	370,868	273,803	36,629	121,167	-	802,467
Current tax expense (-)	(60,089)	(47,735)	(10,469)	(3,496)	-	(121,789)
Deferred tax expense (-)	(42,616)	(20,632)	(329)	(15,662)	-	(79,239)
Profit/(Loss) for the year from continuing operations	268,163	205,436	25,831	102,009	-	601,439
	31 December 2021					
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	6,176,779	2,107,074	233,285	585,196		9,102,334
Total assets	6,176,779	2,107,074	233,285	585,196		9,102,334
Segment liabilities	1,602,667	411,275	102,739	244,069		2,360,750
Total liabilities	1,602,667	411,275	102,739	244,069		2,360,750
	1 January - 31 December 2021					
	Construction contracts	Rental	Trade	Energy		Consolidated
Other segment information						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	106,274	38,105	1,030	6,195		151,604
Intangible assets	1,608	15	15	3		1,641
Total capital expenditures	107,882	38,120	1,045	6,198		153,245
Depreciation expenses	50,759	1,118	1,876	23,674		77,427
Amortization expenses	5,080	38	45	38		5,201

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5. SEGMENTAL INFORMATION (cont’d)

b) Geographical segments

1 January - 31 December 2022						
	Turkey	Russian Federation, Kazakhstan, Georgia	Europe	Other	Eliminations	Consolidated
Net sales	2,059,161	1,119,021	218,672	372,660	-	3,769,514
Inter-segment sales	80,288	9,841	-	-	(90,129)	-
Capital expenditures	52,185	14,859	6,736	3,123	-	76,903
31 December 2022						
	Turkey	Russian Federation, Kazakhstan, Georgia	Europe	Other	Eliminations	Consolidated
Segmental assets	5,412,362	2,884,150	465,952	261,157	-	9,023,621
1 January - 31 December 2021						
	Turkey	Russian Federation, Kazakhstan, Georgia	Europe	Other	Eliminations	Consolidated
Net sales	1,410,724	730,217	129,057	589,413	-	2,859,411
Inter-segment sales	63,017	-	-	-	(63,017)	-
Capital expenditures	38,546	53,015	39,615	22,069	-	153,245
31 December 2021						
	Turkey	Russian Federation, Kazakhstan, Georgia	Europe	Other	Eliminations	Consolidated
Segmental assets	5,433,338	3,017,837	312,098	339,061	-	9,102,334

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6. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	5,334	2,450
Cash in bank		
Demand deposits	772,411	1,789,281
Time deposits	248,414	269,899
Other	132	77
	<u>1,026,291</u>	<u>2,061,707</u>
Less: Time deposits with maturity over three months and less than one year	(1,000)	(1,000)
Cash and cash equivalents at consolidated statement of cash flows	<u>1,025,291</u>	<u>2,060,707</u>

Informations about the nature and level of risks related to cash and cash equivalents are provided in Note 33.

7. FINANCIAL INVESTMENTS**Current financial investments**

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2022 and 2021 are detailed below:

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	58,521	107,612
Foreign Government bonds		
- International markets	196,138	101,529
Equity securities		
- International markets	1,049,012	1,723,280
Mutual funds		
- International markets	174,449	275,572
	<u>1,478,120</u>	<u>2,207,993</u>

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7. FINANCIAL INVESTMENTS (cont’d)

Non-current financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2022 and 2021 are detailed below:

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	349,030	769,407
Foreign Government bonds		
- International markets	1,443,258	11,954
Turkish Government bonds		
- International markets	300,405	214,370
	<u>2,092,693</u>	<u>995,731</u>

Maximum maturity dates of financial assets in the nature of borrowings are as follows:

	31 December 2022	31 December 2021
Private Sector Bonds - International markets	28 March 2073	28 March 2073
Foreign Government Bonds - International markets	17 October 2044	17 October 2044
Turkish Government Bonds - International markets	30 May 2040	14 January 2041

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8. FINANCIAL LIABILITIES

a) Borrowings

	31 December 2022			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Short-term borrowings				
Short-term bank borrowings	5.65%	EUR	42,247	45,040
	5.15%	USD	11,197	11,197
Total short-term bank borrowings				56,237
Lease obligations				110
Total short-term borrowings				56,347

	31 December 2022			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Long-term borrowings				
Lease obligations				132,097
				132,097
Less: Current portion of long-term borrowings				(4,908)
Total long-term borrowings				127,189

	31 December 2021			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Short-term borrowings:				
Short-term bank borrowings	3.08%	EUR	25,018	28,318
	3.41%	USD	19,866	19,866
Total short-term bank borrowings				48,184
Lease obligations				127
Total short-term borrowings				48,311

	31 December 2021			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Long-term borrowings:				
Other long-term bank borrowings (*)	5.14%	USD	3,400	3,400
	2.68%	JPY	1,717,219	9,011
Lease obligations				104,258
				116,669
Less: Current portion of long-term borrowings				(12,041)
Total long-term borrowings				104,628

(*) Loan denominated in Japanese Yen were obtained to finance the operations of Enka Pazarlama, one of the consolidated subsidiaries of the Company.

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8. FINANCIAL LIABILITIES (cont’d)**a) Borrowings (cont’d)**

Repayment schedule of bank borrowings are as follows:

	31 December 2022	31 December 2021
Less than 1 year	56,237	57,322
1 - 2 years	-	3,400
	<u>56,237</u>	<u>60,722</u>

The reconciliation of the cash flows arising from the financing activities of the year ended 31 December 2022 and the movements in liabilities is as follows:

	31 December 2021	Cash flows	Non-cash Exchange rate change	Other non- cash movements	31 December 2022
Short term bank loans	48,184	6,299	(1,645)	3,399	56,237
Long term bank loans	12,411	-	-	(12,411)	-
Lease obligations (ST)	3,030	(4,908)	-	6,786	4,908
Lease obligations (LT)	101,228	(4,820)	9,177	21,604	127,189
Total liabilities arising from financing activities	<u>164,853</u>	<u>(3,429)</u>	<u>7,532</u>	<u>19,378</u>	<u>188,334</u>

The reconciliation of the cash flows arising from the financing activities of the year ended 31 December 2021 and the movements in liabilities is as follows:

	31 December 2020	Cash flows	Non-cash Exchange rate change	Other non- cash movements	31 December 2021
Short term bank loans	55,011	(12,042)	(1,583)	6,798	48,184
Long term bank loans	36,577	-	-	(24,166)	12,411
Lease obligations (ST)	3,273	(2,903)	-	2,660	3,030
Lease obligations (LT)	93,940	(12,490)	(5,158)	24,936	101,228
Total liabilities arising from financing activities	<u>188,801</u>	<u>(27,435)</u>	<u>(6,741)</u>	<u>10,228</u>	<u>164,853</u>

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8. FINANCIAL LIABILITIES (cont’d)**b) Lease obligations**

31 December 2022				
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term lease obligations	3.00%	RUB	345,186	4,908
				<u>4,908</u>
Long-term	7.50%	USD	9,887	9,887
	3.00%	RUB	8,250,697	117,302
				<u>127,189</u>
				<u>132,097</u>
31 December 2021				
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term lease obligations	5.10%	USD	127	127
	3.00%	RUB	215,640	2,903
				<u>3,030</u>
Long-term	5.10%	USD	9,915	9,915
	3.00%	RUB	6,783,914	91,313
				<u>101,228</u>
				<u>104,258</u>

c) Lease commitments

As of 31 December 2022 and 2021, repayment schedule of lease obligations are as follows:

	31 December 2022	31 December 2021
Less than 1 year	4,908	3,030
1 - 5 years	26,056	19,802
More than 5 years	101,133	81,426
Total lease obligations	<u>132,097</u>	<u>104,258</u>

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9. TRADE RECEIVABLES AND PAYABLES**a) Trade receivables**

	31 December 2022	31 December 2021
<u>Short-term trade receivables</u>		
Trade receivables, net	191,480	170,089
Contract receivables	131,839	116,763
Notes and cheques receivables, net	743	1,183
Retention receivables (*)	2,320	2,080
	<u>326,382</u>	<u>290,115</u>
Less: Expected credit loss	(13,408)	(14,320)
	<u>312,974</u>	<u>275,795</u>

(*) Retention receivables are described as withheld by the jobowners until the contracts are completed or, in certain instances for even longer periods and undue trade receivables in the construction contracts.

Collection periods of receivables from construction works depends on the agreement conditions are between 30 and 90 days.

For the years ended 31 December 2022 and 2021, movement of expected credit loss receivables is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Balance at beginning of the year	14,320	20,061
Additional provision (Note 25)	51	440
Foreign currency translation effect	(232)	(836)
Amounts recovered during the year (Note 25)	(81)	(128)
Write-offs (*)	(650)	(5,217)
Closing balance	<u>13,408</u>	<u>14,320</u>

(*) Allowances of the previous periods which were decided as uncollectibles were written-off as of 31 December 2022 and 2021.

	31 December 2022	31 December 2021
<u>Long-term trade receivables</u>		
Trade receivables, net	-	8,759
	<u>-</u>	<u>8,759</u>

Explanations about the nature and level of risks related to trade receivables are provided in Note 33.

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9. TRADE RECEIVABLES AND PAYABLES (cont’d)**b) Trade payables**

	31 December 2022	31 December 2021
<u>Short-term trade payables</u>		
Trade payables	446,229	345,069
Notes payable	28	-
Other trade payables	4,923	3,240
	<u>451,180</u>	<u>348,309</u>

Explanations about the nature and level of risks related to trade payables are provided in Note 33.

10. OTHER RECEIVABLES AND PAYABLES**a) Other receivables**

	31 December 2022	31 December 2021
<u>Short-term other receivables</u>		
Deposits and guarantees given	7,146	13,512
Other receivables from related parties (Note 32)	-	2
	<u>7,146</u>	<u>13,514</u>

b) Other payables

	31 December 2022	31 December 2021
<u>Short-term other payables</u>		
Deposits and guarantees taken	18,546	14,934
Other payables to related parties (Note 32)	7	8
	<u>18,553</u>	<u>14,942</u>
<u>Long-term other payables</u>		
Deposits and guarantees taken	24,674	24,520
	<u>24,674</u>	<u>24,520</u>

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11. INVENTORIES

	31 December 2022	31 December 2021
Raw materials and spare parts	185,400	152,013
Work in progress	90,415	39,461
Trade goods (machinery and others)	39,120	18,057
Finished goods	10,885	24,565
Goods in transit	66,842	6,474
Construction materials	35,829	18,012
Allowance for impairment on inventory (*)	(4,739)	(2,843)
	<u>423,752</u>	<u>255,739</u>

(*) As of 31 December 2022 and 2021, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 December 2022, there is not any pledge on inventories (31 December 2021 - None).

12. CONSTRUCTION CONTRACTS

	31 December 2022	31 December 2021
Costs incurred on uncompleted contracts	2,306,568	2,425,669
Recognized profit less recognized losses to date, net	741,934	454,351
	<u>3,048,502</u>	<u>2,880,020</u>
Less: Progress billing	(3,443,838)	(3,405,045)
	<u>(395,336)</u>	<u>(525,025)</u>

The net balance is included in the consolidated balance sheet under the following captions:

	31 December 2022	31 December 2021
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	28,255	22,371
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(423,591)	(547,396)
	<u>(395,336)</u>	<u>(525,025)</u>

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13. INVESTMENT PROPERTIES

As of 31 December 2022 and 2021, movement of investment properties is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	2,030,204	1,912,105
Currency translation difference	58,539	(9,558)
Change in fair value, net (Note 26)	(83,274)	83,043
Additions	-	37,404
Change in present value of lease obligations	22,755	7,441
Disposals	-	(231)
Closing balance	2,028,224	2,030,204

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2022 and 2021 investment properties consist of real estates in Russia from which rent income is obtained and lands and buildings held as investment in Turkey amounting to USD 12,839 (31 December 2021 - USD 7,955).

“Business Valuation Bureau LLC” which is licenced by Russian Federation as an independent valuation firm, has revalued the fair values of the investment properties of the Group in Russia.

Investment properties of the consolidated subsidiaries Mosenka, MKH, Enkamos Region BV and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2021, the fair values of investments properties of the consolidated subsidiaries Enkamos Region BV, MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 9.53 million RUB equivalent to USD 135,484 (31 December 2021 - 9.84 million RUB equivalent to USD 132,386), Mosenka; 4.70 million RUB equivalent to USD 66,820 (31 December 2021 - 4.90 million RUB equivalent to USD 65,926), Enkamos Region BV; 4.81 million RUB equivalent to USD 68,403 (31 December 2021 - 5.16 million RUB equivalent to USD 69,404) and Enka TC; 51.03 million RUB equivalent to USD 725,484 (31 December 2021 - 58.64 million RUB equivalent to USD 789,271).

The fair values of the investment properties of the Group in Russia, determined at 31 December 2022 as USD 896,986 (31 December 2021 - USD 871,046). The investment properties of the Group located in Moscow includes land leased from Moscow City Authorities under a 49 year operating lease agreement, which are renewable at the option of the Group.

The investment properties owned by the Group are carried at fair value determined by independent professionally qualified valuers on the basis of market value supported by market evidence and other information obtained in the course of market research. Fair values of such investment properties are periodically reviewed by the Group through the report of independent valuers.

As of 31 December 2022 and 2021 the reports of independent valuers are prepared based on valuation models such as income capitalization, discounted cash flow model and market value model. The fair value of the properties have not been determined based on income capitalization method in case of lack of transactions observable in the market because of the nature of the property and the lack of comparable data. The fair value of the investment properties of the Group are estimated by using income capitalization method, with capitalization and discount rates ranging between 10.50% and 16.17% to 19.65% (31 December 2021 - 9.25% to 10.00% and 14.85% to 15.99%) respectively.

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13. INVESTMENT PROPERTIES (cont’d)

For the years ended 31 December 2022 and 2021 fair value hierarchy table of investment properties is as follows:

	31 December 2022	Fair value as at 31 December 2022		
		Level 1	Level 2	Level 3
		USD	USD	USD
Investment properties in Russia	2,015,385	-	-	2,015,385
Investment properties in Turkey	12,839	-	12,839	-
Total	2,028,224	-	12,839	2,015,385

	31 December 2021	Fair value as at 31 December 2021		
		Level 1	Level 2	Level 3
		USD	USD	USD
Investment properties in Russia	2,022,249	-	-	2,022,249
Investment properties in Turkey	7,955	-	7,955	-
Total	2,030,204	-	7,955	2,022,249

There is no transition between second and third levels during the year.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircraft (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2022	171,696	156,010	1,250,196	64,218	58,650	5,696	20,625	19,522	2,296	1,748,909
Hyperinflationary restatement to 1 January 2022	7,065	2,219	449,024	320	1,675	-	-	86	39	460,428
Restated opening at 1 January 2022	178,761	158,229	1,699,220	64,538	60,325	5,696	20,625	19,608	2,335	2,209,337
Currency translation differences	12,823	(1,083)	204,613	(543)	(590)	291	-	282	12	215,805
Revaluation (**)	35,468	26,998	-	-	1,188	-	-	1,245	-	64,899
Additions	8,060	4,949	30,702	2,918	4,917	933	-	2,135	21,593	76,207
Disposals	-	(5,720)	(35,723)	(6,010)	(3,119)	(797)	-	(3,014)	(2,347)	(56,730)
Transfers	(947)	1,886	20,636	(11,342)	(1,975)	36	-	(477)	(11,388)	(3,571)
Closing balance as of 31 December 2022	234,165	185,259	1,919,448	49,561	60,746	6,159	20,625	19,779	10,205	2,505,947
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2022	(14,947)	(40,374)	(702,177)	(34,696)	(48,228)	(3,897)	(3,430)	(13,742)	-	(861,491)
Hyperinflationary restatement to 1 January 2022	(7,627)	(513)	(241,223)	(323)	(1,500)	-	-	(65)	-	(251,251)
Restated opening at 1 January 2022	(22,574)	(40,887)	(943,400)	(35,019)	(49,728)	(3,897)	(3,430)	(13,807)	-	(1,112,742)
Currency translation differences	(3,582)	(319)	(111,861)	(219)	483	32	-	(175)	-	(115,641)
Revaluation (**)	-	-	-	-	(870)	-	-	(1,069)	-	(1,939)
Charge of the year	(428)	(7,102)	(84,076)	(4,472)	(3,319)	(973)	(1,336)	(1,824)	-	(103,530)
Other reclassifications(***)	-	-	(10,500)	8,595	1,679	(28)	-	254	-	-
Disposals	127	3,868	25,833	4,190	2,495	625	-	1,726	-	38,864
Closing balance as of 31 December 2022	(26,457)	(44,440)	(1,124,004)	(26,925)	(49,260)	(4,241)	(4,766)	(14,895)	-	(1,294,988)
Net book value as of 1 January 2022	156,749	115,636	548,019	29,522	10,422	1,799	17,195	5,780	2,296	887,418
Net book value as of 31 December 2022	207,708	140,819	795,444	22,636	11,486	1,918	15,859	4,884	10,205	1,210,959

(*) The amount consists of the aircraft used by subsidiary of the Company, Air Enka.

(**) As of 31 December 2022, Group’s investments in Turkey are revalued by “Denge Gayrimenkul Değerleme ve Danışmanlık A.Ş.” which is a CMB licensed independent valuation firm and hotel building of OMKH is revalued by independent qualified valuer “Business Valuation Bureau LLC”. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Revaluations are made by discounted cash flow methods.

(***) Other reclassifications are classifications between sub-groups of fixed assets and have no effect on net book value of fixed assets.

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14. PROPERTY, PLANT AND EQUIPMENT (cont’d)

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircraft (*)	Others	Construction in progress	Total
Cost										
Opening balance as of 1 January 2021	196,628	133,621	1,897,857	40,163	64,643	22,981	35,169	17,825	30,345	2,439,232
Currency translation differences	(27,302)	(4,772)	(659,973)	117	(4,152)	(150)	-	583	(3,254)	(698,903)
Revaluation	(294)	5,214	-	-	-	-	-	-	-	4,920
Additions	2,629	16,611	59,889	17,256	4,408	472	-	2,160	10,775	114,200
Disposals	(85)	(909)	(43,822)	(3,345)	(6,102)	(17,602)	(14,544)	(1,206)	(21,501)	(109,116)
Transfers	120	6,245	(3,755)	10,027	(147)	(5)	-	160	(14,069)	(1,424)
Closing balance as of 31 December 2021	171,696	156,010	1,250,196	64,218	58,650	5,696	20,625	19,522	2,296	1,748,909
Accumulated depreciation										
Opening balance as of 1 January 2021	(25,383)	(34,592)	(1,022,162)	(24,359)	(51,752)	(20,150)	(15,722)	(12,082)	-	(1,206,202)
Currency translation differences	11,124	1,103	336,973	1,211	3,707	101	-	(471)	-	353,748
Charge of the year	(689)	(7,558)	(55,298)	(6,554)	(3,392)	(695)	(1,337)	(1,904)	-	(77,427)
Other reclassifications(**)	(2)	(211)	8,386	(8,321)	197	2	-	(51)	-	-
Disposals	3	884	29,924	3,327	3,012	16,845	13,629	766	-	68,390
Closing balance as of 31 December 2021	(14,947)	(40,374)	(702,177)	(34,696)	(48,228)	(3,897)	(3,430)	(13,742)	-	(861,491)
Net book value as of 1 January 2021	171,245	99,029	875,695	15,804	12,891	2,831	19,447	5,743	30,345	1,233,030
Net book value as of 31 December 2021	156,749	115,636	548,019	29,522	10,422	1,799	17,195	5,780	2,296	887,418

(*) The amount consists of the aircraft used by subsidiary of the Company, Air Enka.

(**) Other reclassifications are classifications between sub-groups of fixed assets and have no effect on net book value of fixed assets.

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14. PROPERTY, PLANT AND EQUIPMENT (cont’d)

As of 31 December 2022, there is no security on the property, plant and equipment of the Group (31 December 2021 - None).

If the buildings were measured using the cost model, the carrying amounts would be as follows:

	31 December 2022	31 December 2021
Cost	310,710	302,080
Accumulated depreciation	(126,972)	(125,968)
Net book value	<u>183,738</u>	<u>176,112</u>

The distribution of depreciation expenses as of 31 December 2022 and 2021 is presented in Note 24.

As of 31 December 2022 and 2021 fair value hierarchy table of fixed asset is as follows:

	31 December 2022	Fair value as at 31 December 2022		
		Level 1	Level 2	Level 3
		USD	USD	USD
Lands	207,708	-	207,708	-
Buildings	140,819	-	-	140,819
Total	<u>348,527</u>	<u>-</u>	<u>207,708</u>	<u>140,819</u>

	31 December 2021	Fair value as at 31 December 2021		
		Level 1	Level 2	Level 3
		USD	USD	USD
Lands	156,749	-	156,749	-
Buildings	115,636	-	-	115,636
Total	<u>272,385</u>	<u>-</u>	<u>156,749</u>	<u>115,636</u>

There is no transition between second and third levels during the year.

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15. OTHER INTANGIBLE ASSETS

	1 January - 31 December 2022	1 January - 31 December 2021
<u>Cost</u>		
Opening balance	48,937	48,598
Hyperinflationary restatement to 1 January 2022	741	-
Restated opening at 1 January 2022	49,678	48,598
Currency translation difference	(110)	(1,291)
Additions	696	218
Transfers	1,046	1,424
Disposals	(12)	(13)
Closing balance	51,298	48,936
<u>Accumulated amortization</u>		
Opening balance	(29,999)	(27,054)
Hyperinflationary restatement to 1 January 2022	(588)	-
Restated opening at 1 January 2022	(30,587)	(27,054)
Currency translation difference	(76)	1,140
Charge of the year	(3,961)	(4,091)
Disposals	-	7
Closing balance	(34,624)	(29,998)
Carrying value	16,674	18,938

As of 31 December 2022, there is no pledge on intangible assets (31 December 2021 - None).

The distribution of amortization expenses as of 31 December 2022 and 2021 is presented in Note 24.

	1 January - 31 December 2022	1 January - 31 December 2021
<u>Right of Use Assets</u>		
Opening balance	39,744	40,855
Currency translation difference	(356)	98
Revaluation of Buildings	18,731	-
Transfers	2,525	-
Depreciation	(1,120)	(1,209)
Closing balance	59,524	39,744

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16. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2022	31 December 2021
Short-term Prepaid Expenses		
Advances given	213,212	179,810
Prepaid expenses	19,212	6,044
	<u>232,424</u>	<u>185,854</u>
Long-term Prepaid Expenses		
Advances given	100	-
Prepaid expenses	5,945	1,533
	<u>6,045</u>	<u>1,533</u>
Short-term Deferred Income		
Advances taken	318,525	560,706
Deferred income	40,259	41,965
	<u>358,784</u>	<u>602,671</u>
Long-term Deferred Income		
Advances taken	4,155	2,755
Deferred rent revenue	373	373
	<u>4,528</u>	<u>3,128</u>

As of 31 December 2022, the amount of advances received of subsidiaries and companies shares in joint operations is USD 314,850 (31 December 2021: USD 558,883).

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Short-term accrued expenses		
Accrual for construction costs	27,980	40,007
Provision for legal claims	10,840	10,481
Accrued expenses	3,153	2,734
Other accrued expenses	703	617
	<u>42,676</u>	<u>53,839</u>

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18. COMMITMENTS

Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Within one year	263,833	286,235
After one year but not more than five years	394,713	564,960
More than 5 years	97,040	112,337
	<u>755,586</u>	<u>963,532</u>

Litigations

As of 31 December 2022, there is not any litigation regarding the Group's receivables (31 December 2021 – None).

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 December 2022 and 2021 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	31 December 2022		31 December 2021	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself	-	870,087	-	1,155,426
-USD	235,647	235,647	273,080	273,080
-EUR	258,055	275,121	359,029	406,374
-TL	929,292	49,699	1,862,954	139,767
-Others (*)	-	309,620	-	336,205
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method	-	92,105	-	81,370
-USD	4,354	4,354	85	85
-EUR	-	-	-	-
-TL	822	44	822	62
-Others (*)	-	87,707	-	81,224
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>962,192</u>		<u>1,236,796</u>

(*) U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR.

As of 31 December 2022 the portion of other guarantess given to shareholders' equity is 0% (31 December 2021 - 0%).

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19. PROVISIONS FOR EMPLOYEE BENEFITS

a) Short-term employee benefits

Liabilities with the scope of employee benefits

	31 December 2022	31 December 2021
Payroll payable and related taxes	17,427	21,143
	<u>17,427</u>	<u>21,143</u>

Short-term provisions related to employee benefits

	31 December 2022	31 December 2021
Bonus accrual	3,366	4,680
Vacation pay liability	6,255	4,487
	<u>9,621</u>	<u>9,167</u>

b) Long-term employee benefits

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days’ pay limited to a maximum of full TL 15,371.40 equivalent to full USD 822 (31 December 2021 - full TL 8,284 equivalent to full USD 622) per year of employment at the rate of pay applicable at the date of retirement or termination.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2022, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated, assuming an annual inflation rate of 9.8% and a discount rate of 2% (31 December 2021 – 3.41%).

Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration. Retirement ceiling pay revised each six month period basis and ceiling amount of full TL 19,982.83 equivalent to full USD 1,069 which is in effect since 1 January 2023 is used in the calculation of Groups’ provision for retirement pay liability (1 January 2022 – full TL 10,849 equivalent to full USD 814).

Movements of the provision for employee termination benefits for the years ended 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	9,172	13,356
Service cost	4,507	2,420
Actuarial loss	3,262	480
Retirement benefits paid	(826)	(3,017)
Currency translation difference	3,103	(4,067)
Closing balance	<u>19,218</u>	<u>9,172</u>

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20. OTHER ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Other current assets		
Deferred VAT	21,958	18,938
VAT receivable	33,610	21,029
Prepaid taxes and funds	4,487	18,089
Other	2,321	5,361
	<u>62,376</u>	<u>63,417</u>
	31 December 2022	31 December 2021
Other non-current assets		
Other	68	78
	<u>68</u>	<u>78</u>
	31 December 2022	31 December 2021
Other current liabilities		
VAT payable	27,238	56,097
Taxes and funds payable	9,471	11,882
Other	3,056	2,625
	<u>39,765</u>	<u>70,604</u>

21. SHARE CAPITAL AND RESERVES

a) Share capital

The shareholders of the Group and their percentage of ownership as of 31 December 2022 and 2021 is as follows:

	31 December 2022		31 December 2021	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.80%	1,370,475	49.80%	1,358,385
Vildan Gülçelik	7.99%	219,931	7.99%	217,991
Sevda Gülçelik	6.43%	176,951	6.43%	175,390
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	161,540	5.87%	160,115
Other	29.91%	823,061	29.91%	815,801
	<u>100%</u>	<u>2,751,958</u>	<u>100%</u>	<u>2,727,682</u>
Purchase of treasury shares (*)		(127,194)		(129,468)
		<u>2,624,764</u>		<u>2,598,214</u>

(*) Group’s buyback transactions have reached 139,217,400 shares (2021 – 147,978,925) in 2022.

As of 31 December 2022, 8.83% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (ISE).

Within the above mentioned shares, founders of Enka İnşaat and former Enka Holding have one thousand founders share each. The founder shares of Enka İnşaat and the founder shares of former Enka Holding are entitled to receive, 5% and 2.5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

Based on the decision of the General Assembly meeting held on March 25, 2022, The Group was decided to increase its capital from full TL 5,600,000,000 to full TL 6,000,000,000 and the increase was realized. The entire amount of full TL 400,000,000 was covered by the dividends. The issued capital of the company is divided into 6,000,000,000 registered shares with a nominal value of 1 (One) full TL. Each of the company shares has 1 (One) voting right.

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21. SHARE CAPITAL AND RESERVES (cont’d)

b) Revaluation surplus

Revaluation fund

Revaluation difference arising from difference between book value and fair value of the buildings is netted off with the related deferred tax and classified as revaluation surplus and included under equity.

The movement of revaluation fund for the years 2022 and 2021 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	110,445	111,729
Hyperinflationary restatement to 1 January 2022	3,416	-
Restated opening at 1 January 2022	113,861	111,729
Currency translation difference	3,188	(5,224)
Revaluation of fixed assets	77,327	5,214
Disposals from revalued fixed assets	-	(294)
Deferred tax effect of revaluation of fixed assets	(5,330)	(1,023)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	(374)	43
Closing balance	188,672	110,445

Financial Risk Hedge Fund

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

c) Legal reserves and accumulated profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Listed companies in Turkey make profit distributions in accordance with the regulations of CMB.

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21. SHARE CAPITAL AND RESERVES (cont’d)

c) Legal reserves and accumulated profit (cont’d)

Equity inflation adjustment and carrying value of extraordinary reserves can be used in free capital increase, cash profit distribution and loss deduction. However, equity inflation adjustment is subject to corporate tax if it is used in cash profit distribution.

As of 31 December 2022, legal reserves of Enka İnşaat are amounting to TL 2,190,299 equivalent to USD 117,139 (31 December 2021 – TL 1,560,528 equivalent to USD 117,078).

The movement of the share capital (in numbers and in historical TL) of the Group during 31 December 2022 and 2021 is as follows:

	31 December 2022		31 December 2021	
	Number	TL	Number	TL
At 1 January,	5,461,886,335	5,461,886	5,461,886,335	5,461,886
Bonus shares issued out of general reserve	390,134,738	390,135	-	-
Treasury shares	8,761,527	8,762	-	-
	<u>5,860,782,600</u>	<u>5,860,783</u>	<u>5,461,886,335</u>	<u>5,461,886</u>

d) Remeasurement of defined benefit plans

As a result of adoption of IAS 19, actuarial gains and losses are recognized as other comprehensive income.

22. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	2,059,161	1,410,724
Export sales	1,710,353	1,448,687
	<u>3,769,514</u>	<u>2,859,411</u>
Cost of Revenue	1 January - 31 December 2022	1 January - 31 December 2021
Cost of domestic sales	1,827,946	1,137,078
Cost of export sales	1,096,471	952,024
	<u>2,924,417</u>	<u>2,089,102</u>

Segmental information of the Group is disclosed in Note 5.

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23. MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Administrative expenses	87,955	83,242
Marketing, sales and distribution expenses	22,292	28,149
	<u>110,247</u>	<u>111,391</u>

a) Marketing, sales and distribution expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Employee benefit expenses	16,684	21,681
Advertisement & Commission Expenses	1,974	2,234
Transportation expenses	851	1,009
Office expenses	523	693
Business development expenses	156	49
Depreciation and amortization expenses (Note 24)	343	113
Other	1,761	2,370
	<u>22,292</u>	<u>28,149</u>

b) General administrative expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Employee benefit expenses	58,704	52,237
Consulting and legal expenses	3,192	4,600
Depreciation and amortization expenses (Note 24)	4,274	3,863
Insurance expense	3,779	7,533
Transportation expenses	3,922	5,156
Office Expenses	1,758	3,077
Rent expenses	205	648
Other	12,121	6,128
	<u>87,955</u>	<u>83,242</u>

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24. EXPENSES BY NATURE

Depreciation and amortization expenses are detailed below:

	1 January - 31 December 2022	1 January - 31 December 2021
<u>Depreciation expenses</u>		
Cost of revenues	99,055	73,524
Selling and administrative expenses	4,475	3,903
	<u>103,530</u>	<u>77,427</u>
<u>Amortization expenses</u>		
Cost of revenues	3,819	5,128
Selling and administrative expenses	142	73
	<u>3,961</u>	<u>5,201</u>
	<u>107,491</u>	<u>82,628</u>

Employee benefit expenses are detailed below:

	1 January - 31 December 2022	1 January - 31 December 2021
Wages and salaries	252,068	275,430
Social security costs	59,066	42,169
Provision for employee termination benefits (Note 19)	4,507	2,420
Other benefits	4,965	4,737
	<u>320,606</u>	<u>324,756</u>

25. OTHER OPERATING INCOME / EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
<u>Other operating income</u>		
Foreign exchange gains from trade receivables	21,951	42,236
Machinery and other rent income	566	1,423
Repaired spare parts gained as an inventory	371	1,591
Compensation income	7,787	1,798
Insurance compensation income	1,005	-
Service income	436	550
Collection of doubtful receivables (Note 9)	81	128
Other	2,630	2,588
	<u>34,827</u>	<u>50,314</u>

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25. OTHER OPERATING INCOME / EXPENSES (cont'd)

Other operating expense	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses from trade receivables	23,955	36,947
Donations	5,773	3,145
Litigation provisions	3,998	7,559
Tax penalties	3,008	2,672
Capital increase expense	242	261
Provision for doubtful receivables (Note 9)	51	440
Disposal from fixed assets*	961	46,196
Rent expense	382	-
Other	10,019	8,766
	<u>48,389</u>	<u>105,986</u>

(*)The Group's 90% owned subsidiary, ENKA Renewables LLC, terminated the Build, Own Operate Agreement signed with the Government of Georgia, Georgian Energy Development Fund JSC, Namakhvani JSC, Electricity System Commercial Operator JSC and Georgian State Electro System JSC dated 25 April 2019 within the scope of the development, construction, ownership and operation of the Namakhvani Cascade HEPP Project in Georgia. Termination was due to Government of Georgia's events of default and force majeure. Since the capitalized property, plant and equipment of the Project cannot be utilized, the property, plant and equipment with a net book value of USD 40,389 were written off as of 31 December 2021.

26. INVESTMENT INCOME / EXPENSES

Income from investing activities	1 January - 31 December 2022	1 January - 31 December 2021
Interest income from financial investments	63,175	81,410
Increase in value of financial investments	-	9,716
Increase in the fair value of investment properties	38,823	83,043
Income from sale of securities	150,213	96,980
Foreign exchange income from investing activities	21,236	23,874
Dividend income	23,809	22,375
Gains from sales of property, plant and equipment	6,482	10,116
	<u>303,738</u>	<u>327,514</u>

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26. INVESTMENT INCOME / EXPENSES (cont’d)

	1 January - 31 December 2022	1 January - 31 December 2021
Expenses from investing activities		
Decrease in the fair value of investment properties	(122,097)	-
Losses from valuation of investment securities*	(623,113)	(82,486)
Foreign exchange losses from investing activities	(68,914)	(78,407)
Losses from sale of securities	(64,945)	(26,052)
Loss from sales of property, plant and equipment	(1,002)	(393)
	<u>(880,071)</u>	<u>(187,338)</u>

*“Losses from valuation of investment securities” classified under Expenses from Investing Activities is the valuation loss resulting from valuation of Financial Investment amounting to USD 3,570,813 in the Group’s balance sheet within the scope of IFRS 9. The breakdown of this valuation loss by financial assets is as follows.

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
Private sector bonds	(83,375)	-
Foreign Government bonds	(135,597)	-
Equity securities	(284,599)	(82,486)
Turkish Government bonds	(16,961)	-
Mutual funds	(102,581)	-
	<u>(623,113)</u>	<u>(82,486)</u>

27. FINANCIAL INCOME

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	75,820	77,845
Interest income	49,677	10,403
Forward transactions income	9,391	6,144
	<u>134,888</u>	<u>94,392</u>

28. FINANCIAL EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Bank commission expenses	8,382	6,609
Foreign exchange losses	37,852	13,167
Forward transactions losses	10,410	5,561
Interest expenses	7,154	2,395
Commission expenses of letters of guarantee	1,685	7,497
Other	-	118
	<u>65,483</u>	<u>35,347</u>

29. ASSETS HELD FOR SALE**Lands and buildings held for sale**

As of 31 December 2022, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Enka Kazakhstan Branch in consideration of their doubtful receivables and are amounting to USD 16,533 (31 December 2021 – USD 20,300).

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30. TAXATION ON INCOME

Corporate Tax

The Company and its subsidiaries are subject to tax legislation and practices effective in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant period and is paid in one installment until the end of the relevant month.

In Turkey, the corporate tax rate was applied as 20% after 1 January 2021 to the legal tax base, which was calculated by adding non-deductible expenses to and by deducting the exemptions from the the commercial income in accordance with the tax laws. However, according to the Article 11 of the Law numbered 7316 “Law on Collection Procedure of Public Claims and Law on Amending Certain Laws” which was published on the Official Gazette numbered 31462 on 22 April 2021 and according to the provisional clause 13 added to the Corporate Tax Law numbered 5520; corporate tax rate is amended to 23% for the corporate earnings of the 2022 taxation period. Therefore, the Company and its subsidiaries used 23% taxation rate for the calculation of current period’s taxation.

Within the scope of this amendment, tax rate used in the deferred tax calculation as of 31 December 2022 is %20 (31 December 2021: For the portions of temporary differences that will have tax effects in 2022 and the following periods 23% ve 20% respectively)

Turkish tax legislation does not allow the parent company to file a tax return based on the consolidated financial statements. Therefore, provision for taxes in previous periods, as reflected in the financial statements, has been calculated on a separate-entity basis. According to the Tax Procedure Law, financial losses can be carried for a maximum of five years. Tax authorities may inspect tax returns and the related accounting records and may revise assessments within five years.

Dividend payments made to resident joint-stock companies in Turkey, except to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, income tax is not calculated if the profit is not distributed or added to the capital.

Dividend earnings of corporations from participation in another fully liable corporation are exempt from corporate tax. In addition, 75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are recognised in assets at least for two years is exempt from corporate tax as of 31 December 2017. However, according to the amendments with Law numbered 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the relevant income should be kept under a fund account in liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

Income Withholding Tax

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until 22 December 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the Presidential Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the withholding tax rate of 15% has been reduced to 10%.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Prevention Agreements are also taken into account. The addition of retained earnings to the capital is not considered a profit distribution, therefore it is not subject to withholding tax.

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30. TAXATION ON INCOME (cont'd)

Transfer pricing regulation

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered a non-deductible expense for corporate tax.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its consolidated financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

Deferred tax assets and liabilities are calculated by using valid tax rates in related countries.

Tax legislations in other countries

As of 31 December 2022 and 2021 effective corporation tax rate in other countries are as follows:

	31 December 2022	31 December 2021
Russia	20%	20%
Netherlands	25%	25%
Kazakhstan	28% - 32%	28% - 32%
Iraq	15% - 35%	15% - 35%
Romania	16%	16%
Oman	12%	12%
Kosovo	10%	10%
Serbia	15%	15%

	1 January - 31 December 2022	1 January - 31 December 2021
Consolidated statement of profit or loss		
Current corporate tax	(187,710)	(121,789)
Deferred tax expense	92,744	(79,239)
	<u>(94,966)</u>	<u>(201,028)</u>

The movement of the current income tax liability is given as follows:

	2022	2021
1 January	27,368	19,478
Current year tax expense	187,710	121,789
Taxes paid	<u>(156,077)</u>	<u>(113,899)</u>
31 December	<u>59,001</u>	<u>27,368</u>

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30. TAXATION ON INCOME (cont'd)

A reconciliation of the nominal (on the basis of the income tax rate of the Company and the Turkish subsidiaries) to the effective tax rate for the years ended 31 December 2022 and 2021 is provided below:

	1 January - 31 December 2022		1 January - 31 December 2021	
Profit before tax	111,106		802,467	
Tax per statutory tax rate	25,223	23%	200,617	25%
Jobsites exempt from income tax	304	0.2%	(20,210)	(2.5%)
Effect of different functional currencies and others	69,439	63,3%	20,621	2,6%
Taxation charge	<u>94,966</u>	<u>86.6%</u>	<u>201,028</u>	<u>25.1%</u>

As of 31 December 2022 and 2021, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	31 December 2022	31 December 2021
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(378,390)	(339,053)
GE Inventory in the context of "PSA" (*)	(14,274)	(21,155)
Adjustments on financial instruments and derivatives	(64,187)	(87,930)
Others	(271)	(3,462)
Gross deferred income tax liabilities	<u>(457,122)</u>	<u>(451,600)</u>
Allowance for retirement pay liability	2,183	1,213
Allowance for doubtful receivables	-	115
Others	14,239	-
Gross deferred income tax assets	<u>16,422</u>	<u>1,328</u>
Net deferred tax liability	<u>(440,700)</u>	<u>(450,272)</u>

(*) Implies deferred tax liabilities estimated from temporary differences related to "Parts and Services Agreement" (PSA) made with the Group's spare part supplier General Electric (GE).

Deferred tax is reflected in the statement of financial position as:

	31 December 2022	31 December 2021
Deferred tax assets	21,563	13,239
Deferred tax liabilities	(462,263)	(463,511)
Net deferred liabilities	<u>(440,700)</u>	<u>(450,272)</u>

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2022 related with Group's shares in its subsidiaries, branches and associates is USD 3,017,187 (31 December 2021 - USD 2,366,502).

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30. TAXATION ON INCOME (cont’d)

As of 31 December 2022 and 2021, movement of net deferred tax asset (liability) can be presented as follows:

	2022	2021
Balance at 1 January	450,272	451,768
Deferred income tax expense recognized in consolidated statement of profit or loss	(92,744)	79,239
Deferred income tax expense recognized in equity	4,678	927
Currency translation difference	78,494	(81,662)
31 December	440,700	450,272

As of 31 December 2022 and 2021, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 December 2022			31 December 2021		
	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax
Change in revaluation of buildings	77,327	(5,330)	71,997	5,214	(1,023)	4,191
Revaluation loss of defined benefit plans	(3,262)	652	(2,610)	(480)	96	(384)
Changes in fair value of derivative assets	268	-	268	309	-	309
Changes in currency translation differences	90,664	-	90,664	(389,669)	-	(389,669)
	164,997	(4,678)	160,319	(384,626)	(927)	(385,553)

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31. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 December 2022.

	31 December 2022	31 December 2021
Earning per share		
- ordinary share certificate (full USD)	0.00	0.10
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 TL each)	5,860,782,600	5,461,886,335
- ordinary share certificate	5,852,021,073	5,461,886,335
-treasury shares	8,761,527	-
- founder shares		

(*) Since 2022 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earnings per share is reflected on ordinary share certificates.

32. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties

The Group is controlled by Tara Holding (49.80%) (31 December 2021 – 49.80%) and Tara and Gülçelik families (28.40%) (31 December 2021 – 28.40%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as “related parties”. Related parties also include management and members of the Group’s Board of Directors.

In the course of conducting business, the Group conducted various business transactions with related parties on commercial terms. The breakdown of balances with related parties and details of significant related party transactions are as follows:

	31 December 2022		31 December 2021	
	Receivables	Payables	Receivables	Payables
Shareholders	-	7	-	8
Enka Spor Kulübü	-	-	2	-
	-	7	2	8

As of 31 December 2022, the Group gained USD 3.98 rent income from related parties (31 December 2021 - USD 5.32). As of 31 December 2022 the Group does not have any sales to related parties (2021 - None).

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32. RELATED PARTY BALANCES AND TRANSACTIONS (cont’d)

Top management’s remuneration

The total wages paid for the members of Board of Directors of the Group is amounting to USD 4,140 (31 December 2021 - USD 4,411), the social security payments and retirement pay provisions are USD 514 (31 December 2021 – USD 304) and USD 134 (31 December 2021– USD 161) respectively. Total wages paid for the general manager, general coordinators and vice general managers of the Group (except BOD members), is amounting to USD 11,360 (31 December 2021 – USD 11,960), the social security payment and retirement pay provisions are USD 1,109 (31 December 2021 – USD 905) and USD 1,216 (31 December 2021 – USD 1,051) respectively.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise bank loans, investment securities, lease obligations, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks. The Group monitors the market price risk arising from all financial instruments periodically.

Capital risk management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital structure of the Group comprises from liabilities, cash and cash equivalents, paid-in capital and legal reserves explained in Note 21.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated statement of financial position plus net debt.

Total Assets / Total Equity

	31 December 2022	31 December 2021
Cash, cash equivalents and financial assets	4,597,104	5,265,431
Less: Total Financial Liabilities	188,444	164,980
Net Assets	4,408,660	5,100,451
Equity	6,903,896	6,741,584
Equity - Net Assets	2,495,236	1,641,133
Total Net Assets to Equity Ratio	63.86%	75.66%

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

Financial risk factors

Interest risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s debt obligations with floating interest rates. The Group is managing interest risk that arises from assets and liabilities sensitive to interest risk by using balancing assets and liabilities.

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro, Russian Ruble 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, Euro and JPY. 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 December 2022 and 2021:

	<u>31 December 2022</u>	<u>31 December 2021</u>
A. Assets denominated in foreign currency	1,031,849	1,224,233
B. Liabilities denominated in foreign currency	<u>(517,706)</u>	<u>(581,703)</u>
Net foreign currency position (A+B)	<u>514,143</u>	<u>642,530</u>

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

Financial risk factors (cont'd)

Foreign currency risk (cont'd)

The Group's foreign currency position at 31 December 2022 and 2021 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

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

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

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

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

Financial risk factors (cont'd)

Foreign currency risk (cont'd)

	31 December 2021						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	65,947	4,948	209,871	237,553	104,003	68,942	415,446
Financial investments	1,511,128	113,371	129,854	146,982	236,301	-	496,654
Trade and other receivables	35,367	2,653	39,763	45,008	42,507	3,942	94,110
Other current assets	166,353	12,481	77,050	87,213	35,971	46,682	182,347
Current assets	1,778,795	133,453	456,538	516,756	418,782	119,566	1,188,557
Financial investments	-	-	11,229	12,710	11,954	-	24,664
Trade and other receivables	-	-	8,441	9,555	-	-	9,555
Other non-current assets	15,971	1,198	198	224	32	3	1,457
Non-current assets	15,971	1,198	19,868	22,489	11,986	3	35,676
Total assets	1,794,766	134,651	476,406	539,245	430,768	119,569	1,224,233
Short-term borrowings	-	-	25,018	28,318	9,138	-	37,456
Trade and other payables	98,270	7,373	158,028	178,872	203,850	19,034	409,129
Other current liabilities and accrued expenses	331,129	24,843	5,857	6,629	66,076	17,166	114,714
Current liabilities	429,399	32,216	188,903	213,819	279,064	36,200	561,299
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	17,320	-	17,320
Other non-current liabilities	-	-	9	10	-	3,074	3,084
Non-current liabilities	-	-	9	10	17,320	3,074	20,404
Total liabilities	429,399	32,216	188,912	213,829	296,384	39,274	581,703
Net foreign currency position	1,365,367	102,435	287,494	325,416	134,384	80,295	642,530
Net notional amount of derivatives	909	68	135,942	153,873	-	-	153,941

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

Financial risk factors (cont'd)

Foreign currency risk (cont'd)

The details of the forward contracts and sales-purchase agreements are explained in Note 17 in order to manage Group's foreign currency position.

The following table demonstrates the sensitivity to reasonably possible increase of 10% in the exchange rates against functional currency, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The following table details the Group's foreign currency sensitivity as at 31 December 2022 and 2021:

	31 December 2022		31 December 2021	
	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)	12,663	(12,663)	10,244	(10,244)
2- Portion hedged against TL risk (-)	-	-	7	(7)
3- TL net effect (1+2)	12,663	(12,663)	10,251	(10,251)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	20,816	(20,816)	32,542	(32,542)
5- Portion hedged against Euro risk (-)	10,661	(10,661)	15,387	(15,387)
6- Euro net effect (4+5)	31,477	(31,477)	47,929	(47,929)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	14,592	(14,592)	13,438	(13,438)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	14,592	(14,592)	13,438	(13,438)
Total (3+6+9)	58,732	(58,732)	71,618	(71,618)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

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

Financial risk factors (cont’d)

Credit risk (cont’d)

31 December 2022	Receivables				Bank deposits	Derivative instruments	Financial assets
	Trade receivables		Other receivables				at fair value
	Related party	3rd party	Related party	3rd party			through profit or loss (**)
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	-	312,974	-	7,146	1,020,957	-	2,539,096
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-	72,816	-	-	-	-	-
A. Financial assets that are either past due or impaired	-	298,075	-	7,146	1,020,957	-	2,539,096
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	-	-	-	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	14,899	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	14,899	-	-	-	-	-
D. The amount of financial assets that are impaired	-	-	-	-	-	-	-
- Past due (Gross book value)	-	13,408	-	-	-	-	-
- The amount of impairment (-)	-	(13,408)	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-	-

31 December 2022	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue between 1 to 30 days	1,552	-	-	-	-
Overdue between 1 to 3 months	9,653	-	-	-	-
Overdue between 3 to 12 months	3,694	-	-	-	-
Overdue between 1 to 5 years	-	-	-	-	-
Overdue over 5 years	-	-	-	-	-
	14,899	-	-	-	-

(**) Equity securities are excluded since they do not expose any credit risk.

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

Credit risk (cont'd)

(**) Equity securities are excluded since they do not expose any credit risk.

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)**Financial risk factors (cont’d)****Liquidity risk**

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The maturity analysis of the non-derivative financial liabilities is presented based on the period between balance sheet date and maturity date of these non-derivatives financial liabilities.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments.

Current liabilities**31 December 2022**

	<u>Total cash outflow</u>				
		<u>according to</u>		<u>1 to 3</u>	<u>3 to 12</u>
<u>Contractual maturity analysis</u>	<u>Carrying</u>	<u>contract</u>	<u>Up to 1</u>	<u>months</u>	<u>months</u>
	<u>value</u>	<u>(I+II+III)</u>	<u>month (I)</u>	<u>(II)</u>	<u>(III)</u>
Non-derivative financial liabilities					
Financial liabilities and lease obligations	61,255	62,289	893	53,405	7,991
Trade payables	451,180	451,180	221,109	87,553	142,518
Other payables to related parties	7	7	7	-	-

Non-current liabilities**31 December 2022**

	<u>Total cash outflow</u>				
		<u>according to</u>		<u>3 to 5</u>	
<u>Contractual maturity analysis</u>	<u>Carrying</u>	<u>contract</u>	<u>1 -3 years</u>	<u>years</u>	<u>5+ years</u>
	<u>value</u>	<u>(I+II+III)</u>	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>
Non-derivative financial liabilities					
Financial liabilities and lease obligations	127,189	127,189	28,283	9,176	89,730

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

Financial risk factors (cont'd)

Liquidity risk (cont'd)

Current liabilities

31 December 2021

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months (II)</u>	<u>3 to 12 months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and lease obligations	60,352	61,947	234	9,897	51,816
Trade payables	348,309	348,309	209,694	46,724	91,891
Other payables to related parties	8	8	8	-	-

Non-current liabilities

31 December 2021

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>1 -3 years (I)</u>	<u>3 to 5 years (II)</u>	<u>5+ years (III)</u>
Non-derivative financial liabilities					
Financial liabilities and lease obligations	104,628	104,719	29,475	6,218	69,026

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34. 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 the trade payables 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.

Derivative instruments / forward contracts purchase – sales agreements

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The table below shows derivative financial instruments analyzed by the term to maturity. The notional amount is the amount of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

As of 31 December 2022 and 2021, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

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34. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK (cont’d)**Derivative instruments / forward contracts purchase – sales agreements (cont’d)**

31 December 2022				
	Unrealized Gain/(Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	-	-	-	-
Forward contracts sales agreements	-	106,784	-	-
Forward contracts purchase agreements	-	101,328	-	-

31 December 2021				
	Unrealized Gain/(Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(1,878)	-	-	-
Forward contracts sales agreements	-	154,324	-	-
Forward contracts purchase agreements	-	152,447	-	-

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.

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

Fair value hierarchy (cont’d)

31 December 2022:

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

31 December 2021:

	Level 1	Level 2	Level 3
Private sector bonds	877,019	-	-
Equity securities	1,711,811	3,749	7,720
Foreign government bonds	113,483	-	-
Turkish government bonds	214,370	-	-
Mutual funds	222,845	28,404	24,323
Financial assets at fair value through profit or loss	3,139,528	32,153	32,043
Derivative instruments	-	(1,878)	-
Financial liabilities at fair value through profit or loss	-	(1,878)	-

35. EVENTS AFTER THE REPORTING PERIOD

None.