

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

Condensed Consolidated Interim Financial
Statements As at and for the Nine-Months
Period Ended
30 September 2020

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

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

ASSETS	Note	30 September 2020	31 December 2019
Current Assets		3,234,805	2,922,953
Cash and cash equivalents		1,087,744	1,017,048
Financial investments		1,375,986	1,165,611
Trade receivables		261,114	257,502
Other receivables			
Other receivables from related parties		-	9
Other receivables from third parties		1,185	965
Inventories		306,134	272,111
Prepaid expenses		92,538	68,140
Costs and estimated earnings in excess of billings on uncompleted contracts	5	21,484	69,193
Other current assets		65,327	49,029
		<u>3,211,512</u>	<u>2,899,608</u>
Assets held for sale		23,293	23,345
Non-Current Assets		4,764,423	5,394,946
Financial investments		1,654,651	1,777,018
Trade receivables		16,811	17,404
Investment properties	6	1,835,602	2,079,016
Property, plant and equipment	7	1,180,962	1,440,096
Intangible assets			
Other intangible assets		58,979	64,316
Deferred tax assets		8,960	7,040
Prepaid expenses		8,222	9,774
Other non-current assets		236	282
TOTAL ASSETS		<u>7,999,228</u>	<u>8,317,899</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

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

		30 September	31 December
	Note	2020	2019
LIABILITIES			
Current Liabilities		1,034,581	971,702
Short-term borrowings		57,185	33,208
Current portion of long-term borrowings		18,896	19,123
Trade payables		167,978	176,371
Payables to employees		15,923	22,138
Other payables			
Payables to related parties		25	26
Payables to third parties		15,089	18,655
Billings in excess of costs and estimated earnings on uncompleted contracts	5	312,555	199,346
Deferred income		315,823	354,688
Taxation on income		12,665	30,306
Provisions			
Provisions for employee benefits		9,396	11,751
Other provisions		50,516	39,206
Other current liabilities		58,530	66,884
Non-Current Liabilities		596,796	709,111
Long-term borrowings		120,702	156,192
Other payables		23,370	24,164
Deferred income		1,237	796
Provisions for employee benefits		12,234	13,477
Deferred tax liabilities		439,253	514,482
EQUITY		6,367,851	6,637,086
Equity Attributable to Equity Holders of the Parent		6,297,734	6,567,519
Share capital	10	2,727,682	2,639,338
Treasury Shares	10	(119,279)	(80,004)
Revaluation surplus		111,469	116,276
Currency translation difference		(1,443,533)	(1,203,018)
Other reserves		(1,471)	(1,104)
Legal reserves and accumulated profit		5,022,866	5,096,031
Non-Controlling Interests		70,117	69,567
TOTAL LIABILITIES AND EQUITY		7,999,228	8,317,899

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

	Note	1 January- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2020	1 July- 30 September 2019
CONTINUING OPERATIONS					
Revenue	4	1,241,869	1,438,389	383,785	430,794
Cost of revenues (-)	4	(923,436)	(1,089,702)	(294,088)	(331,485)
GROSS PROFIT		318,433	348,687	89,697	99,309
Administrative expenses (-)	4	(56,303)	(65,624)	(22,184)	(21,394)
Marketing, selling and distribution expenses (-)	4	(17,605)	(19,416)	(6,743)	(7,127)
Other operating income	4	29,846	13,015	12,590	5,503
Other operating expenses (-)	4	(46,947)	(29,572)	(31,201)	(5,972)
PROFIT FROM OPERATIONS		227,424	247,090	42,159	70,319
Income from investing activities	4,11	273,688	358,840	97,000	123,413
Expenses from investing activities (-)	4,11	(105,217)	(32,119)	(19,812)	(17,794)
OPERATING PROFIT					
BEFORE FINANCE EXPENSES		395,895	573,811	119,347	175,938
Financial income	4	47,223	28,407	26,235	8,029
Financial expenses (-)	4	(12,272)	(24,012)	(4,860)	(6,346)
PROFIT BEFORE TAX					
FROM CONTINUING OPERATIONS		430,846	578,206	140,722	177,621
Current tax expense (-)		(58,460)	(61,136)	(17,302)	(11,070)
Deferred tax income / (expense)		409	(12,353)	(10,521)	(3,208)
NET PROFIT (LOSS) FOR THE PERIOD		372,795	504,717	112,899	163,343
Attributable to:					
Non-controlling interest		(1,060)	2,322	(710)	2,502
Equity holders of the parent		373,855	502,395	113,609	160,841
		372,795	504,717	112,899	163,343
Earning / (Loss) per share from continuing operations					
- ordinary share certificate (full USD)		0.07	0.09	0.02	0.03
Weighted average number of shares					
(1 dollar weighted average shares)		5,472,759,290	5,472,759,290	5,472,759,290	5,472,759,290

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

	1 January- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2020	1 July- 30 September 2019
NET PROFIT FOR THE PERIOD	372,795	504,717	112,899	163,343
Other Comprehensive Income / (Expense):				
Items that will not be reclassified subsequently to profit or loss	(4,834)	(19,978)	(2,216)	(4,628)
Gains / (losses) on revaluation of property, plant and equipment	-	(20,391)	-	(4,511)
Changes in currency translation difference in revaluation fund of property	(4,834)	413	(2,216)	(117)
Items that may be reclassified subsequently to profit or loss	(460,132)	63,315	(208,472)	(33,339)
Changes in currency translation difference	(459,765)	62,689	(208,483)	(33,588)
Gains (Losses) on financial assets measured at fair value through other comprehensive income	(367)	626	11	249
OTHER COMPREHENSIVE INCOME / (LOSS)	(464,966)	43,337	(210,688)	(37,967)
TOTAL COMPREHENSIVE INCOME	(92,171)	548,054	(97,789)	125,376
Attributable to:				
Non-controlling interest	1,031	(3,547)	1,794	(254)
Equity holders of the parent	(93,202)	551,601	(99,583)	125,630
	(92,171)	548,054	(97,789)	125,376

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

	Share capital	Treasury Shares	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	2,639,338	(55,725)	169,342	(1,311,178)	(1,644)	4,662,657	6,102,790	78,428	6,181,218
Total other comprehensive income	-	-	(15,468)	64,051	623	-	49,206	(5,870)	43,336
Profit for the period	-	-	-	-	-	502,395	502,395	2,323	504,718
Total comprehensive income	-	-	(15,468)	64,051	623	502,395	551,601	(3,547)	548,054
Increase (Decrease) through Treasury Share Transactions	-	(13,100)	-	-	-	-	(13,100)	-	(13,100)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	(1,029)	-	-	1,029	-	-	-
Dividends paid	-	-	-	-	-	(133,896)	(133,896)	(3,994)	(137,890)
Balance at 30 September 2019	2,639,338	(68,825)	152,845	(1,247,127)	(1,021)	5,032,185	6,507,395	70,887	6,578,282
Balance at 1 January 2020	2,639,338	(80,004)	116,276	(1,203,018)	(1,104)	5,096,031	6,567,519	69,567	6,637,086
Total other comprehensive income	-	-	(4,841)	(240,515)	(367)	(221,334)	(467,057)	2,091	(464,966)
Profit for the period	-	-	-	-	-	373,855	373,855	(1,060)	372,795
Total comprehensive income	-	-	(4,841)	(240,515)	(367)	152,521	(93,202)	1,031	(92,171)
Increase (Decrease) through Treasury Share Transactions	-	(39,275)	-	-	-	-	(39,275)	-	(39,275)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	-	34	-	-	(34)	-	-	-
Share capital increase	88,344	-	-	-	-	(88,344)	-	-	-
Dividends paid	-	-	-	-	-	(137,308)	(137,308)	(481)	(137,789)
Balance at 30 September 2020	2,727,682	(119,279)	111,469	(1,443,533)	(1,471)	5,022,866	6,297,734	70,117	6,367,851

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

	1 January- 30 September 2020	1 January- 30 September 2019
Cash flows from operating activities		
Profit for the period	372,795	504,717
Adjustments to reconcile net income to net cash used in operating activities:		
- Adjustments related to depreciation and amortisation	67,457	81,943
- Adjustments related to provision for employment	919	1,893
- Adjustments related to allowance for doubtful receivables	32	678
- Adjustments related to provision for litigations	3,748	4,114
- Adjustments to related to deferred income from electricity sale	-	(16,650)
- (Income) / loss from fair value of forward transactions	(1,522)	20
- Adjustments to related to interest expense	3,059	3,476
- Adjustments to related to interest income	(82,745)	(95,138)
- Adjustments to related to dividend income	(21,952)	(14,914)
- Adjustments to related to provision for inventory impairment, net	(5,462)	(89)
- Adjustments to related to gain on sale or disposal of property, plant and equipment	(6,841)	(4,591)
- Adjustments to related to valuation of investment securities	(13,768)	(216,600)
- Interest accrual	50	135
- Tax expense	58,051	73,489
	373,821	322,483
Movements in working capital		
Change in trade and other receivables	(3,435)	262,422
Change cost and estimated earnings in excess of billings on uncompleted contracts	47,709	(12,929)
Change in inventory	(28,561)	2,175
Change in other current assets and other non current assets	(39,265)	(4,110)
Change in trade and other payables	(8,393)	(161,065)
Change in billings in excess of cost and estimated earnings on uncompleted contracts	113,210	2,846
Change provision for liabilities and other liabilities	(50,993)	56,615
	30,272	145,954
Income taxes paid	(76,101)	(87,489)
Employee termination benefits paid	(747)	(680)
Net cash generated from operating activities	327,245	380,268
Cash flows from investing activities		
Purchases of financial investments	(626,976)	(322,309)
Sale of financial investments	552,736	370,378
Proceeds on disposal or sale of property, plant and equipment	19,641	18,270
Purchases of property, plant and equipment, intangible assets and investment properties	(88,147)	(120,233)
Interest received	81,017	88,056
Dividend received	21,952	14,914
Net cash used in investing activities	(39,777)	49,076
Cash flows from financing activities		
Short-term borrowings	32,287	10,921
Addition to long-term borrowings	63	7,677
Repayments of borrowings	(30,374)	(50,225)
Purchase of treasury shares	(39,275)	(13,100)
Interest received	1,677	6,947
Interest paid	(3,039)	(3,297)
Dividend paid to non-controlling interests	(481)	(3,994)
Dividend paid	(137,308)	(133,896)
Net cash used in financing activities	(176,450)	(178,967)
Translation reserve	(40,322)	(8,702)
Net increase / (decrease) in cash and cash equivalents	70,696	241,675
Cash and cash equivalents at beginning of the period	1,016,048	625,713
Cash and cash equivalents at end of the period	1,086,744	867,388

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

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

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (“Enka Holding”), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 30 September 2020, 9.23% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (“ISE”).

As of 30 September 2020, the average numbers of white and blue-collar personnel are respectively 4,795 and 15,612 (31 December 2019 – 4,534 and 13,438).

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

The Group operates in geographical areas below:

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of accounting

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

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

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

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

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

Approval of the financial statements:

The condensed consolidated interim financial statements are approved by the Company’s Board of Directors on 6 November 2020. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

Functional and presentation currency

As significant amount of construction operations of Enka İnşaat which form main part of the operations of the Group are carried out in U.S. Dollar or indexed to U.S. Dollar, this currency has been determined as the functional and the presentation currency of the Group in line with IAS 21. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies (i.e. any currency other than the functional currency) are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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

2.1 Basis of presentation (cont’d)

Functional and presentation currency (cont’d)

The functional currencies of foreign subsidiaries operating in Russia (Moscow Krasnye Holmy (MKH), Limited Liability Company Mosenka (Mosenka) and Limited Liability Company Enka TC (Enka TC) are Ruble. The functional currency of jointly managed subsidiaries established in Romania, Kosovo 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 condensed consolidated interim statement of profit or loss are translated at the average exchange rates for the nine month period then ended. The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation difference.

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

As of 30 September 2020, 31 December 2019 and 30 September 2019, the buying rates and average rates for one U.S. Dollar can be summarized as below:

	30 September 2020	31 December 2019	30 September 2019
U.S. Dollars/TL – as of balance sheet date	7.8080	5.9402	5.6591
U.S. Dollars/TL – yearly average	6.7142	5.6712	5.6338

Inflation accounting

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their consolidated financial statements in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”). Accordingly, Turkish Accounting Standards 29, “Financial Reporting in Hyperinflationary Economies”, issued by the POA, has not been applied in the consolidated financial statements for the accounting year commencing 1 January 2005. Accordingly, the non-monetary assets and liabilities and equity items included in the balance sheet of the Company for the period ended 30 September 2020 and 31 December 2019 have been calculated by indexing the entries until 31 December 2004 until 31 December 2004 and the entries after these dates are carried at nominal values.

Comparative information and reclassification of prior year consolidated financial statements

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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

2.1 Basis of presentation (cont'd)

Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the parent company, its joint operations and its subsidiaries as at 30 September 2020. The condensed consolidated interim financial statements of the joint operations and the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

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

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

2.2 Changes in the accounting policies

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

2.3 Changes in Accounting Estimates and Errors

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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

2.4 Standards and interpretations issued but not yet effective

As of 30 September 2020, the standards and interpretations issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted

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

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

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

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

The amendments include:

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

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1.

Covid-19 related rent concession (Amendments to IFRS 16)

In May 2020, IASB issued Covid-19 related rent concession which amends IFRS 16 Leases.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly. The Group shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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

2.4 Standards and interpretations issued but not yet effective

Reference to the Conceptual Framework (Amendments to IFRS 3)

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

The amendments updated IFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

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

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

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

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

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

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

IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

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

2.4 Standards and interpretations issued but not yet effective

Annual Improvements to IFRS Standards 2018–2020

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

IFRS 9 Financial Instruments

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

IFRS 16 Leases, Illustrative Example 13

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

IAS 41 Agriculture

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

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

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

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

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

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

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

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

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

2.5 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the period ended 30 September 2020 have been prepared in accordance of IAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements as of and for the period ended 30 September 2020 are consistent with those used in the preparation of annual consolidated financial statements as at and for the year ended 31 December 2019. Accordingly, these condensed interim consolidated financial statements should be assessed in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2019.

2.6 Use of judgements and estimates

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

2.7 Significant events during the period

Due to the COVID-19 Pandemic that has affected the whole world, developments in the sectors in which the Group is involved and in the general economic activity are carefully monitored. Necessary actions have been taken by the Group to minimize the possible effects of COVID-19 on the Group’s employees, activities and financial position. While preparing the consolidated financial statements dated 30 September 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the financial statements and also reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has applied necessary impairment testing whether there is any impairment for financial investments, stocks, property, plant and equipment and investment properties included in the interim consolidated financial statements dated 30 September 2020 and has not detected any impairment.

3. CHANGES IN OPERATIONAL SEASON

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

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4. SEGMENTAL INFORMATION

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

a) Business segments

1 January - 30 September 2020						
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	935,868	217,083	88,653	265	-	1,241,869
Inter-segment revenues	18,779	-	4,884	-	(23,663)	-
Cost of revenues (-)	(736,994)	(67,246)	(73,652)	(45,544)	-	(923,436)
Inter-segment cost of revenues (-)	(18,779)	-	(4,884)	-	23,663	-
Gross profit	198,874	149,837	15,001	(45,279)	-	318,433
Administrative expenses (-)	(38,212)	(10,949)	(3,765)	(3,377)	-	(56,303)
Marketing expenses (-)	(9,990)	(3,582)	(4,033)	-	-	(17,605)
Other operating income	28,627	308	871	40	-	29,846
Other operating expenses (-)	(33,662)	(905)	(2,565)	(9,815)	-	(46,947)
Profit from operations	145,637	134,709	5,509	(58,431)	-	227,424
Investment income	273,688	-	-	-	-	273,688
Investment expenses (-)	(105,217)	-	-	-	-	(105,217)
Profit from operations before financial income / (expenses)	314,108	134,709	5,509	(58,431)	-	395,895
Financial income	38,820	2,729	3,347	2,663	(336)	47,223
Financial expenses (-)	(3,285)	(6,254)	(1,291)	(1,778)	336	(12,272)
Profit / (loss) before tax	349,643	131,184	7,565	(57,546)	-	430,846
Current tax expense (-)	(33,463)	(20,505)	(2,488)	(2,004)	-	(58,460)
Deferred taxation income/ (expenses)	1,968	(7,806)	241	6,006	-	409
Profit / (loss) for the period from continuing operations	318,148	102,873	5,318	(53,544)	-	372,795
30 September 2020						
	Construction contracts	Rental	Trade	Energy		Consolidated
Segment assets	5,060,895	1,895,767	217,701	824,865		7,999,228
Total assets	5,060,895	1,895,767	217,701	824,865		7,999,228
Segment liabilities	1,008,247	354,210	95,337	173,583		1,631,377
Total liabilities	1,008,247	354,210	95,337	173,583		1,631,377
1 January - 30 September 2020						
	Construction contracts	Rental	Trade	Energy		Consolidated
Other segment information						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	42,606	40,289	1,046	1,365		85,306
Intangible assets	2,637	104	100	-		2,841
Total capital expenditures	45,243	40,393	1,146	1,365		88,147
Depreciation expense	30,056	1,227	1,948	30,858		64,089
Amortisation	3,174	122	22	50		3,368

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

4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

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

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4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

1 January - 30 September 2019						
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	791,398	255,861	73,474	317,656	-	1,438,389
Inter-segment revenues	21,476	-	8,359	6,462	(36,297)	-
Cost of revenues (-)	(640,772)	(84,803)	(59,742)	(304,385)	-	(1,089,702)
Inter-segment cost of revenues (-)	(21,476)	-	(8,359)	(6,236)	36,071	-
Gross profit	150,626	171,058	13,732	13,497	(226)	348,687
Administrative expenses (-)	(41,299)	(13,045)	(6,034)	(5,312)	66	(65,624)
Marketing expenses (-)	(11,227)	(4,124)	(4,065)	-	-	(19,416)
Other operating income	9,587	423	2,038	967	-	13,015
Other operating expenses (-)	(26,421)	(1,469)	(1,665)	(17)	-	(29,572)
Profit from operations	81,266	152,843	4,006	9,135	(160)	247,090
Investment income	358,840	-	-	-	-	358,840
Investment expenses (-)	(32,119)	-	-	-	-	(32,119)
Profit from operations before financial income / (expenses)	407,987	152,843	4,006	9,135	(160)	573,811
Financial income	13,052	3,079	2,282	10,554	(560)	28,407
Financial expenses (-)	(14,969)	(4,920)	(3,962)	(669)	508	(24,012)
Profit before tax	406,070	151,002	2,326	19,020	(212)	578,206
Current tax expense (-)	(20,888)	(27,543)	(1,893)	(10,812)	-	(61,136)
Deferred taxation income/ (expenses)	(9,972)	(4,538)	813	1,344	-	(12,353)
Profit for the period from continuing operations	375,210	118,921	1,246	9,552	(212)	504,717

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

1 January - 30 September 2019					
	Construction contracts	Rental	Trade	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	47,942	16,103	20,657	15,807	100,509
Intangible assets	15,017	67	1	4,639	19,724
Total capital expenditures	62,959	16,170	20,658	20,446	120,233
Depreciation expense	32,364	1,628	950	40,043	74,985
Amortisation	6,780	96	17	65	6,958

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4. SEGMENTAL INFORMATION (cont'd)

a) Business segments(cont'd)

1 July - 30 September 2019						
	Construction contracts	Rental	Trade	Energy	Eliminations	Consolidated
Revenues	275,673	87,703	21,531	45,887	-	430,794
Inter-segment revenues	4,361	-	2,437	226	(7,024)	-
Cost of revenues (-)	(229,086)	(24,410)	(17,388)	(60,601)	-	(331,485)
Inter-segment cost of revenues (-)	(4,361)	-	(2,437)	-	6,798	-
Gross profit	46,587	63,293	4,143	(14,488)	(226)	99,309
Administrative expenses (-)	(13,872)	(4,625)	(1,553)	(1,363)	19	(21,394)
Marketing expenses (-)	(4,813)	(1,024)	(1,290)	-	-	(7,127)
Other operating income	3,626	80	1,605	192	-	5,503
Other operating expenses (-)	(4,448)	(231)	(1,299)	6	-	(5,972)
Profit from operations	27,080	57,493	1,606	(15,653)	(207)	70,319
Investment income	123,413	-	-	-	-	123,413
Investment expenses (-)	(17,794)	-	-	-	-	(17,794)
Profit from operations before financial income / (expenses)	132,699	57,493	1,606	(15,653)	(207)	175,938
Financial income	7,538	(132)	1,488	(474)	(391)	8,029
Financial expenses (-)	(4,891)	(467)	(2,139)	643	508	(6,346)
Profit before tax	135,346	56,894	955	(15,484)	(90)	177,621
Current tax expense (-)	(1,834)	(8,877)	(755)	396	-	(11,070)
Deferred taxation income/ (expenses)	(3,264)	(2,144)	(20)	2,220	-	(3,208)
Profit for the period from continuing operations	130,248	45,873	180	(12,868)	(90)	163,343

1 July - 30 September 2019					
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	19,976	3,527	22	94	23,619
Intangible assets	2,829	35	-	66	2,930
Total capital expenditures	22,805	3,562	22	160	26,549
Depreciation expense	13,460	495	301	13,501	27,757
Amortisation	3,223	46	5	22	3,296

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4. SEGMENTAL INFORMATION (cont'd)

b) Geographical segments

1 January - 30 September 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	309,221	518,091	233,114	181,443	-	1,241,869
Inter-segment sales	23,663	-	-	-	(23,663)	-
Capital expenditures	24,465	57,233	1,175	5,274	-	88,147
30 September 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	4,716,160	2,649,428	174,958	458,682	-	7,999,228
1 July - 30 September 2020						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	104,404	158,097	37,022	84,262	-	383,785
Inter-segment sales	8,813	-	-	-	(8,813)	-
Capital expenditures	8,433	43,625	6	2,837	-	54,901
1 January - 30 September 2019						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	626,502	461,441	176,061	174,385	-	1,438,389
Inter-segment sales	36,297	-	-	-	(36,297)	-
Capital expenditures	63,103	52,392	3,427	1,311	-	120,233
31 December 2019						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Segmental assets	5,036,067	2,815,141	121,960	344,731	-	8,317,899
1 July - 30 September 2019						
	Turkey	Russian Federation, Kazakhstan and Georgia	Iraq	Other	Eliminations	Consolidated
Net sales	164,853	153,856	61,194	50,891	-	430,794
Inter-segment sales	7,024	-	-	-	(7,024)	-
Capital expenditures	13,536	12,049	529	435	-	26,549

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5. CONSTRUCTION CONTRACTS

The Group's construction contract details as of 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020	31 December 2019
Costs incurred on uncompleted contracts	1,925,702	1,893,248
Recognized profit less recognized losses to date, net	350,394	296,037
	<u>2,276,096</u>	<u>2,189,285</u>
Less: Progress billing	(2,567,167)	(2,319,438)
	<u>(291,071)</u>	<u>(130,153)</u>
	30 September 2020	31 December 2019
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	21,484	69,193
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(312,555)	(199,346)
	<u>(291,071)</u>	<u>(130,153)</u>

As of 30 September 2020, the amount of advances received of subsidiaries and companies shares in joint operations is USD 278,107 (31 December 2019: USD 302,956).

6. INVESTMENT PROPERTIES

As of 30 September 2020 and 2019, movement of investment properties is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	2,079,016	1,891,078
Currency translation difference	(283,297)	85,094
Additions	39,883	14,842
Closing balance	<u>1,835,602</u>	<u>1,991,014</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2020 the Group purchased property plant and equipment amounting to USD 45,423 (30 September 2019: USD 85,667). In addition during the period ended 30 September 2020 net book value of USD 12,800 (30 September 2019: USD 13,053) property plant and equipment sold for USD 19,641 (30 September 2019: USD 18,270).

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8. COMMITMENTS

Litigations

During the period ended 30 September 2020, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed as of 31 December 2019 the consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

Commitments and contingencies

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020		31 December 2019	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
Letters of guarantee, guarantee notes given, mortgage and pledges				
A. Total amount of guarantees provided by the Company on behalf of itself		645,991		598,385
-USD	155,631	155,631	142,386	142,386
-EUR	325,331	380,335	276,132	309,155
-TL	190,866	24,445	187,676	31,594
-Others (*)		85,580		115,250
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		78,560		63,236
-USD	85	85	85	85
-EUR	768	898	424	474
-TL	822	105	822	138
-Others (*)		77,472		62,539
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)				-
D. Other guarantees given		-		-
i. Total amount of guarantees given on behalf of the parent company				-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C				-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C				-
		<u>724,551</u>		<u>661,621</u>

(*) U.S Dollar equivalents of letters of guarantee, guarantee notes given, mortgage and pledges other than USD, TL and EUR. As of 30 September 2020 the portion of other guarantess given to shareholders' equity is 0% (31 December 2019 - 0%).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

10. SHARE CAPITAL AND RESERVES

The shareholders of the Group and their percentage of ownership as of 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020		31 December 2019	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.78%	1,357,840	49.72%	1,312,279
Vildan Gülçelik	7.99%	217,942	7.99%	210,883
Sevda Gülçelik	6.43%	175,390	6.43%	169,709
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.87%	160,115	5.87%	154,929
Other	29.93%	816,395	29.99%	791,538
	100%	2,727,682	100%	2,639,338
Purchase of treasury shares (*)		(119,279)		(80,004)
		2,608,403		2,559,334

(*) Group's buyback transactions have reached 42,792,710 shares at 30 September 2020. Capital increase has been reflected into purchases made before the capital increase.

Based on the Group's Ordinary General Assembly held on 27 March 2020; it has been resolved to increase the share capital from TL 5,000,000 to TL 5,600,000; and to cover TL 600,000 from the Reserves / (Dividend).

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

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

11. INVESTMENT INCOME / EXPENSES

	1 January - 30 September 2020	1 January - 30 September 2019
Income from investing activities		
Interest income from financial investments	81,017	88,056
Increase in value of financial investments	89,260	216,600
Foreign exchange income from investing activities	5,894	10,760
Income from sale of securities	68,683	22,404
Dividend income	21,952	14,914
Gains from sales of property, plant and equipment	6,882	6,106
	<u>273,688</u>	<u>358,840</u>
Expenses from investing activities		
Losses from valuation of investment securities	(75,492)	-
Foreign exchange losses from investing activities	(10,018)	(20,178)
Losses from sale of securities	(19,666)	(11,052)
Loss from sales of property, plant and equipment	(41)	(889)
	<u>(105,217)</u>	<u>(32,119)</u>

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

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

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

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

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

The following table details the Group's foreign currency position as at 30 September 2020 and 31 December 2019:

	30 September 2020	31 December 2019
A. Assets denominated in foreign currency	697,271	782,493
B. Liabilities denominated in foreign currency	(426,820)	(444,683)
Net foreign currency position (A+B)	<u>270,451</u>	<u>337,810</u>

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

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

Foreign currency risk (cont'd)

The Group's foreign currency position at 30 September 2020 and 31 December 2019 is as follows (non-monetary items are not included in the table as they don't have foreign currency risk):

	30 September 2020						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	16,197	2,074	68,969	80,632	84,925	12,846	180,477
Financial investments	390,034	49,953	108,610	126,976	67,987	-	244,916
Trade and other receivables	78,338	10,033	54,914	64,200	27,540	13,298	115,071
Other current assets	80,741	10,341	36,899	43,139	18,222	43,859	115,561
Current assets	565,310	72,401	269,392	314,947	198,674	70,003	656,025
Financial investments	-	-	11,456	13,394	16,821	-	30,215
Trade and other receivables	-	-	5,154	6,025	-	-	6,025
Other non-current assets	11,620	1,488	-	1	3,512	5	5,006
Non-current assets	11,620	1,488	16,610	19,420	20,333	5	41,246
Total assets	576,930	73,889	286,002	334,367	219,007	70,008	697,271
Short-term borrowings	16,300	2,088	34,235	40,024	16,681	-	58,793
Trade and other payables	90,419	11,580	117,512	137,383	106,324	5,784	261,071
Other current liabilities and accrued expenses	162,132	20,765	12,462	14,570	18,919	13,435	67,689
Current liabilities	268,851	34,433	164,209	191,977	141,924	19,219	387,553
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	-	-	36,629	-	36,629
Other non-current liabilities	-	-	47	54	-	2,584	2,638
Non-current liabilities	-	-	47	54	36,629	2,584	39,267
Total liabilities	268,851	34,433	164,256	192,031	178,553	21,803	426,820
Net foreign currency position	308,079	39,456	121,746	142,336	40,454	48,205	270,451
Net notional amount of derivatives	-	-	35,000	40,919	-	-	40,919

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

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

Foreign currency risk (cont'd)

	31 December 2019						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	59,579	10,030	75,678	84,729	105,060	13,407	213,226
Financial investments	346,221	58,284	132,619	148,480	69,276	-	276,040
Trade and other receivables	56,272	9,473	74,481	83,389	33,265	3,626	129,753
Other current assets	90,405	15,219	21,000	23,512	29,589	40,151	108,471
Current assets	552,477	93,006	303,778	340,110	237,190	57,184	727,490
Financial investments	-	-	12,075	13,519	27,906	-	41,425
Trade and other receivables	-	-	5,382	6,025	-	-	6,025
Other non-current assets	9,206	1,550	80	89	5,914	-	7,553
Non-current assets	9,206	1,550	17,537	19,633	33,820	-	55,003
Total assets	561,683	94,556	321,315	359,743	271,010	57,184	782,493
Short-term borrowings	47,749	8,038	22,481	25,169	16,148	-	49,355
Trade and other payables	51,924	8,741	69,759	78,102	130,965	6,403	224,211
Other current liabilities and accrued expenses	269,279	45,332	12,394	13,876	34,589	22,477	116,274
Current liabilities	368,952	62,111	104,634	117,147	181,702	28,880	389,840
Trade and other payables	-	-	-	-	-	-	-
Long-term borrowings	-	-	6,977	7,811	43,684	-	51,495
Other non-current liabilities	-	-	63	70	-	3,278	3,348
Non-current liabilities	-	-	7,040	7,881	43,684	3,278	54,843
Total liabilities	368,952	62,111	111,674	125,028	225,386	32,158	444,683
Net foreign currency position	192,731	32,445	209,641	234,715	45,624	25,026	337,810
Net notional amount of derivatives	-	-	35,000	39,186	-	-	39,186

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

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

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

Foreign currency risk (cont'd)

	30 September 2020		31 December 2019	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Devaluation of foreign currency	Valuation of foreign currency	Devaluation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	3,946	(3,946)	3,245	(3,245)
2- Portion hedged against TL risk (-)	-	-	-	-
3- TL net effect (1+2)	3,946	(3,946)	3,245	(3,245)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	14,234	(14,234)	23,472	(23,472)
5- Portion hedged against Euro risk (-)	4,092	(4,092)	3,919	(3,919)
6- Euro net effect (4+5)	18,326	(18,326)	27,391	(27,391)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	4,045	(4,045)	4,562	(4,562)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	4,045	(4,045)	4,562	(4,562)
Total (3+6+9)	26,317	(26,317)	35,198	(35,198)

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

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

Fair value of financial assets and liabilities

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

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

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

Financial assets

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

Financial liabilities

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

Fair value hierarchy

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

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

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

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

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

Fair value hierarchy (cont'd)

30 September 2020

	Level 1	Level 2	Level 3
Private sector bonds	1,416,112	-	-
Equity securities	1,028,810	3,906	7,043
Foreign government bonds	478,980	-	-
Turkish government bonds	30,527	-	-
Mutual funds	34,043	21,533	9,683
Financial assets at fair value through profit or loss	2,988,472	25,439	16,726
Derivative instruments	-	(510)	-
Financial liabilities at fair value through profit or loss	-	(510)	-

31 December 2019

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

14. SUBSEQUENT EVENTS

On 7 August 2020, according to the press release of the Capital Markets Board of Turkey (the Board) dated 25 July 2016 in order to protect the interests of minority shareholders, Board of Directors has resolved to buyback the shares up to nominal value of Full TL 28,000,000, to determine the funds to be reserved as Full TL 210,000,000 for this purpose and to authorize Member of the Executive Committee İlhan Gücüyener for the transactions till the second announcement of the Board. For this purpose, the Company acquired up to nominal value of the Full TL 15,240,710 in reporting period, after the reporting period nominal value of Full TL 10,729,420 shares have additionally acquired.