

**Enka İnřaat ve Sanayi Anonim
řirketi and Its Subsidiaries**

**Consolidated financial statements
December 31, 2008**

Enka İnşaat ve Sanayi Anonim Şirketi and its Subsidiaries

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Report of independent auditors

To the Shareholders of
Enka İnşaat ve Sanayi Anonim Şirketi

We have audited the accompanying consolidated financial statements of Enka İnşaat ve Sanayi Anonim Şirketi and its Subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of the consolidated entities, Moskova Krasnye Holmy (MKH), Open Joint-Stock Company Mosenka (Mosenka) and Limited Liability Company Enka TC (Enka TC) (formerly named as Limited Liability Company Ramenka) of which statements reflect total assets constituting 15%, revenues constituting 9% and net income constituting 13% of the related consolidated totals as of and for the year ended December 31, 2008. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion insofar as they relate to data included for these companies, is based solely on the reports of the other auditors.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and the audits of the other auditors. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained and the reports of the other auditors are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the reports of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

March 23, 2009
Istanbul, Turkey

Trade and other receivables	4	20,992	20,992
Accounts receivable	5	147,238	147,238
Prepaid expenses	6	1,718,285	1,718,285
Current assets	7	369,207	369,207
Investment in subsidiaries	8	187,284	187,284
Investment in associates	12	290,120	290,120
Company's share in joint ventures	11	30,311	30,311
Non-current assets		3,354,750	3,354,750
Assets held for sale	9		160,000
Total current assets		3,354,750	3,354,750
Non-current assets			
Taxes and other receivables	8	33,892	33,892
Investment in associates	12	30	30,057
Company's share	5	198,342	317,347
Property, plant and equipment			
Company			
Buildings and fixtures	14	288,733	1,095,411
Other property, plant and equipment	14	1,718,360	1,731,000
Company's share in joint ventures	10	97,132	98,070
Intangible assets	15	2,893	2,893
Goodwill	22	108,641	117,887
Investment in associates	16	1,302,876	1,304,300
Other non-current assets	13	48,312	50,300
Company's share in non-current assets of joint ventures	10	3,267	
Deferred tax assets	20	48,742	133,300
Total non-current assets		4,412,761	4,919,617
Total assets		7,767,511	7,965,917

The accompanying policies and explanatory notes on pages 8 through 32 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet As at December 31, 2008 (Currency – Thousands of U.S. Dollars)

Assets

	Notes	2008	2007
Current assets			
Cash and cash equivalents	4	589,963	883,269
Investments available-for-sale	5	547,334	110,091
Trade and other receivables	6	1,316,262	734,644
Inventories	7	351,827	273,153
Other current assets	8	193,263	204,894
Company's share in current assets of joint ventures	10	260,290	330,624
Costs and estimated earnings in excess of billings on uncompleted contracts	11	95,911	249,475
		3,354,850	2,786,150
Assets held for sale	9	-	160,093
Total current assets		3,354,850	2,946,243
Non-current assets			
Trade and other receivables	6	33,682	29,350
Investments in associates	12	39	10,057
Financial assets	5	169,343	317,944
Property, plant and equipment Company			
<i>Buildings and barracks</i>	14	282,733	1,021,432
<i>Other property, plant and equipment</i>	14	1,716,360	1,737,869
Company's share in joint ventures	10	97,132	95,275
Intangible assets	15	2,693	2,981
Goodwill	22	108,541	117,587
Investment properties	16	1,882,856	1,394,309
Other non-current assets	8	46,312	59,362
Company's share in non-current assets of joint ventures	10	3,267	-
Deferred tax asset	20	69,743	133,508
Total non-current assets		4,412,701	4,919,674
Total assets		7,767,551	7,865,917

The accompanying policies and explanatory notes on pages 8 through 82 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet As at December 31, 2008 (Currency – Thousands of U.S. Dollars)

Liabilities and equity

	Notes	2008	2007
Current liabilities			
Short-term borrowings	17	44,947	48,405
Current portion of long-term borrowings	17	352,701	384,803
Trade and other payables	18	1,267,777	1,350,217
Other current liabilities and accrued expenses	19	212,737	171,813
Taxation on income	20	23,847	27,592
Company's share in current liabilities of joint ventures	10	190,224	297,250
Billings in excess of costs and estimated earnings on uncompleted contracts	11	128,136	72,836
Total current liabilities		2,220,369	2,352,916
Non-current liabilities			
Long-term borrowings	17	795,257	1,168,871
Trade and other payables	18	126,672	56,148
Employee termination benefit	21	11,000	13,071
Deferred tax liability	20	271,216	318,815
Other non-current liabilities	19	769,637	679,287
Company's share in non-current liabilities of joint ventures	10	49,806	58,416
Total non-current liabilities		2,023,588	2,294,608
Total liabilities		4,243,957	4,647,524
Equity			
Equity attributable to equity holders of the parent			
Share capital	23	828,831	587,828
Revaluation surplus		129,480	271,341
Currency translation difference		(63,150)	149,604
Other reserves		(5,999)	2,558
Legal reserves and accumulated profit	24	2,391,327	1,956,817
Minority interest		243,105	250,245
Total equity		3,523,594	3,218,393
Total equity and liabilities		7,767,551	7,865,917

The accompanying policies and explanatory notes on pages 8 through 82 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Consolidated income statement For the year ended December 31, 2008 (Currency -- Thousands of U.S. Dollars)

	Notes	2008	2007
Revenues		6,956,266	5,282,772
Cost of revenues		(5,910,625)	(4,363,319)
Gross profit		1,045,641	919,453
Selling and administrative expenses		(357,391)	(271,042)
Other operating income	27	348,395	87,852
Other operating expense	27	(41,472)	(43,345)
Profit from operations		995,173	692,918
Financial income	27	156,989	194,368
Financial expenses	27	(305,175)	(167,651)
Income/(loss) from associates		(724)	4,724
Profit from operations before taxes		846,263	724,359
Taxation charge			
Current	20	(106,634)	(129,203)
Deferred	20	(77,287)	22,976
Net profit for the year		662,342	618,132
Attributable to :			
Equity holders of the parent		594,272	574,538
Minority interest		68,070	43,594
Net profit		662,342	618,132
Weighted average number of shares	23	120,000,000,000	120,000,000,000
Basic earnings per share attributable to equity holders of the parent - U.S. Dollar	25		
- ordinary share certificate (full cent)		0.4952	0.4788
- founder share		-	2.53

The accompanying policies and explanatory notes on pages 8 through 82 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Consolidated statement of changes in equity For the year ended December 31, 2008 (Currency – Thousands of U.S. Dollars)

	Attributable to equity holders of the parent					Total	Minority interest	Total equity
	Share capital (Note 23)	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit			
Balances, January 1, 2007	361,567	76,384	60,668	295	1,646,333	2,145,247	200,978	2,346,225
Currency translation difference	-	769	88,936	-	-	89,705	10,283	99,988
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 14)	-	(1,895)	-	-	1,895	-	-	-
Revaluation of buildings, net of deferred tax (Note 14)	-	196,083	-	-	-	196,083	1,538	197,621
Fair value adjustment on derivative assets	-	-	-	1,032	-	1,032	-	1,032
Net change in unrealized gain / (loss) on available-for-sale investments	-	-	-	1,231	-	1,231	-	1,231
Total income and expense for the year recognized directly in equity	-	194,957	88,936	2,263	1,895	288,051	11,821	299,872
Profit for the year	-	-	-	-	574,538	574,538	43,594	618,132
Total income and expense for the year	-	194,957	88,936	2,263	576,433	862,589	55,415	918,004
Share capital increase from general reserve (Note 23)	226,261	-	-	-	(226,261)	-	-	-
Dividends paid (Note 24)	-	-	-	-	(39,688)	(39,688)	(6,148)	(45,836)
Balances, December 31, 2007	587,828	271,341	149,604	2,558	1,956,817	2,968,148	250,245	3,218,393
Currency translation difference	-	(24,504)	(212,754)	-	-	(237,258)	(44,866)	(282,124)
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 14)	-	(3,061)	-	-	3,061	-	-	-
Revaluation of buildings, net of deferred tax (Note 14)	-	286	-	-	-	286	(3,855)	(3,569)
Fair value adjustment on derivative assets	-	-	-	587	-	587	-	587
Net change in unrealized gain / (loss) on available-for-sale investments (Note 20)	-	-	-	(9,144)	-	(9,144)	-	(9,144)
Tax rate change	-	13,355	-	-	-	13,355	920	14,275
Transfer from property, plant and equipment to Investment Property	-	(128,605)	-	-	128,605	-	-	-
Transfer from Investment property to property, plant and equipment	-	668	-	-	(668)	-	-	-
Total income and expense for the year recognized directly in equity	-	(141,861)	(212,754)	(8,557)	130,998	(232,174)	(47,801)	(279,975)
Profit for the year	-	-	-	-	594,272	594,272	68,070	662,342
Total income and expense for the year	-	(141,861)	(212,754)	(8,557)	725,270	362,098	20,269	382,367
Share capital increase from general reserve (Note 23)	241,003	-	-	-	(241,003)	-	-	-
Dividends paid (Note 24)	-	-	-	-	(49,757)	(49,757)	(7,346)	(57,103)
Consolidation effect	-	-	-	-	-	-	(20,063)	(20,063)
Balances, December 31, 2008	828,831	129,480	(63,150)	(5,999)	2,391,327	3,280,489	243,105	3,523,594

The accompanying policies and explanatory notes on pages 8 through 82 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Consolidated statement of cash flows For the year ended December 31, 2008 (Currency – Thousands of U.S. Dollars)

	Notes	2008	2007
Cash flows from operating activities			
Profit before taxes		846,263	724,359
Adjustments to reconcile net profit before tax to net cash provided by operating activities :			
Loss/(income) from associates		724	(4,724)
Depreciation and amortization	27	159,215	141,910
Forward expense/ income, net		(1,554)	(853)
Employee termination benefit charge	27	3,218	3,248
Fair value adjustment on investment properties	16 – 27	(85,737)	(53,713)
Provision for inventory obsolescence		(3,004)	2,681
Provision for doubtful receivables	6 - 27	3,310	8,750
Revenue levelization adjustment		90,336	103,735
Negative goodwill	27	(15,846)	-
Goodwill disposed off to the consolidated income statement	22	109,883	-
Gain from sales of property, plant and equipment, net	27	(32,643)	(15,855)
Interest income		(52,055)	(63,987)
Interest expense		93,056	103,643
Allowance for the change in fair value in asset held for sale	27	153	4,875
Dividend income	26, 27	(1,976)	(1,285)
Changes in operating assets and liabilities			
Trade and other receivables		(586,548)	(169,100)
Inventories		(75,670)	(81,359)
Costs and estimated earnings in excess of billings on uncompleted contracts		153,564	(161,178)
Company's share in assets of joint ventures		67,067	(110,446)
Other assets		73,778	(51,515)
Trade and other payables		(11,916)	503,278
Billings in excess of costs and estimated earnings on uncompleted contracts		55,300	36,560
Company's share in liabilities of joint ventures		(119,325)	171,818
Other liabilities and accrued expenses		43,931	44,671
Taxes paid		(110,379)	(110,578)
Employee termination benefit paid	21	(788)	(606)
Net cash provided by operating activities		602,357	1,024,329
Cash flows from investing activities			
Time deposits with maturities more than 3 months		174,973	(168,801)
Investments available for sale		(427,649)	(26,244)
Investments in associates		9,294	(222)
Proceeds from sale of property, plant and equipment, intangible assets and investment properties		100,739	51,871
Purchases of property, plant and equipment and intangible assets		(214,761)	(378,218)
Acquisition of shares of subsidiaries/joint venture net of cash acquired		(4,299)	(380,259)
Proceeds from sales of investment properties		2,312	4,593
Interest received		47,551	62,515
Dividends received	26, 27	1,976	1,285
Net cash used in investing activities		(309,864)	(833,480)
Cash flows from financing activities			
Short-term borrowings, net		(3,641)	(13,059)
Addition to long-term borrowings and current portion of long-term borrowings		241,471	299,480
Payments of long-term borrowings and current portion of long-term borrowings		(592,902)	(268,625)
Dividends paid to minority interests		(7,346)	(6,148)
Dividends paid to equity holders of the parent		(49,757)	(39,688)
Interest paid		(86,598)	(88,436)
Net cash used in financing activities		(498,773)	(116,476)
Net foreign exchange difference on cash and cash equivalents		(37,713)	31,309
Net increase in cash and cash equivalents		(243,993)	105,682
Cash and cash equivalents at beginning of year	4	792,766	687,084
Cash and cash equivalents at end of year	4	548,773	792,766

The accompanying policies and explanatory notes on pages 8 through 82 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

1. Organization and nature of activities

General

Enka İnşaat ve Sanayi Anonim Şirketi (the 'Company – Enka İnşaat') was established on December 4, 1967 and registered in İstanbul, Turkey, under the Turkish Commercial Code. The address of the headquarters and registered office of Enka İnşaat is Balmumcu, Bestekar Şevki Bey Sokak, 34349 Enka Binası Beşiktaş, İstanbul, Turkey.

As of June 28, 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 December 31, 2008, 12.27% of the shares of Enka İnşaat are traded publicly in İstanbul Stock Exchange (ISE).

As of December 31, 2008, the average numbers of white and blue-collar personnel are respectively 6,172 and 34,714 (December 31, 2007 – 5,425 and 31,060).

Nature of the activities

Enka İnşaat operates in five major geographical areas, which are as follows:

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.

Russian Federation, Kazakhstan, Ukraine and Tajikistan: engaged in construction activities in Russia, Kazakhstan, Ukraine and Tajikistan, and also engaged in the investment and management of real estate properties, which are leased to tenants in Moscow, Russia, as well as run a network of hyperstores and shopping malls in Moscow.

Africa : engaged in construction activities in different countries, especially in Algeria, Libya and Djibouti.

Asia : engaged in construction activities in Arabia and Oman.

Europe : engaged in construction and trading activities in Romania, Germany, Albania, Netherlands, Switzerland and Bosnia and Herzegovina.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

1. Organization and nature of activities (continued)

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
Pimaş Plastik İnşaat Malzemeleri Anonim Şirketi (Pimaş)	Manufacturing	Turkey
Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama)	Trade	Turkey
Çimtaş Çelik İmalat Montaj ve Tesisat Anonim Şirketi (Çimtaş)	Construction	Turkey
Titaş Toprak İnşaat ve Taahhüt Anonim Şirketi (Titaş)	Construction	Turkey
Kaskaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit Anonim Şirketi (Kaskaş)	Construction	Turkey
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	Tourism	Turkey
Enka Teknik Genel Müteahhittik Bakım İşletme Sevk ve İdare Anonim Şirketi (Enka Teknik)	Construction	Turkey
Entrade GmbH (Entrade)	Trade	Germany
Limited Liability Company Enmar (Enmar)	Construction	Russia
Air Enka Hava Taşımacılığı A.Ş.(Air Enka)	Air Transportation	Turkey
Enka Holding B.V.	Investment Company	Netherlands
Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı Elektrik) (*)	Energy	Turkey
İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) (*)	Energy	Turkey
Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) (*)	Energy	Turkey
Enka Limited Liability Company (Enka LLC)	Construction	Ukraine
Enka Enerji Üretim A.Ş.	Energy	Turkey

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

The construction contracts are undertaken by Enka İnşaat alone or together with its affiliated companies or, in partnerships with other contractors through joint ventures. Enka İnşaat has the following joint ventures, which will be dissolved after the completion of the construction projects, as listed below:

Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys
Bechtel-Enka Joint Venture Bautino (Kazakhstan)
Cadell Construction Company Inc. (Africa)
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin / Russia)
Bechtel-Enka Joint Venture (Romania)
Bechtel-Enka Joint Venture (Albania)
Caddell Construction Company Inc. (Europe)
AECO Development Limited Liability Company (Oman)

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

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.1 Basis of preparation

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 have been prepared on the historical cost convention, except for investment properties, buildings, available-for-sale (AFS) financial assets and derivative financial instruments which are measured at fair values. 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.

The Group adopted all standards, which were mandatory as of December 31, 2008. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on March 23, 2009. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Enka İnşaat and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board (CMB), (for publicly traded companies) and Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. 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 consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The Group also reported separately for the consolidated financial statements for the same period prepared in accordance with accounting principles promulgated by CMB.

There are no differences between the consolidated financial statements prepared in accordance with the accounting policies promulgated by CMB and consolidated IFRS financial statements except for the use of TL and USD as the presentation currency, respectively.

Functional and presentation currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint ventures 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 - The Effects of Changes in Foreign Exchange Rates. 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 income statement. 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. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.1 Basis of preparation (continued)

Until December 31, 2005, the financial statements of the subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from January 1, 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of December 31, 2008 and 2007 are derived by indexing the additions occurred until December 31, 2005 and carrying the additions after this date with their nominal amounts.

The assets and liabilities of the subsidiaries 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 income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation difference.

Effective from January 1, 2005 concurrent with the removal of six zero digits, the new currency unit of Turkey was introduced as New Turkish Lira (YTL). The Government resolved to remove the "New" phrase in the local currency unit effective from January 1, 2009. Accordingly the comparative figures for the prior year have been presented in TL, using the conversion rate of YTL 1= TL 1.

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. Within the Russian Federation, official exchange rates are determined daily by the Central Bank of the Russian Federation (CBRF), which is also a reasonable approximation of market rates.

The rates used as of December 31, 2008 and 2007 and the rate as of the preparation date of the consolidated financial statements for one U.S. Dollar can be summarized as below:

	Preparation date (March 23, 2009)		December 31, 2008		December 31, 2007	
U.S. Dollar	TL	1.6872	TL	1.5123	TL	1.1647
	Euro	0.73	Euro	0.71	Euro	0.68
	Russian Ruble (RR)	33.42	RR	29.38	RR	24.54

The translation of assets and liabilities denominated in Turkish Lira and various other local currencies into U.S. Dollar for the purpose of the consolidated financial statements does not necessarily mean that the Group could realize or settle in U.S. Dollar the same values of the assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or realize the same U.S. Dollar value of capital and general reserve to its shareholders.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.1 Basis of preparation (continued)

Reclassifications made to the previously issued consolidated financial statements

In 2008, the Group has changed the classification of some accounts and therefore reclassified the related accounts reported in its previously issued consolidated financial statements prepared as of and for the year ended December 31, 2007, to present them in conformity with the current year presentation, as follows:

- a) Cash and cash equivalents amounting to U.S. Dollars 175,643 is classified as “non-current investments available for sale”.
- b) Current investments available for sales amounting to U.S. Dollars 140,731 are classified as “non-current investments available for sale”.
- c) The Group classified goodwill amounting to U.S. Dollar 110,996 as “assets held for sale” after goodwill amount related with the acquisition of 50% share of Enka TC was concluded as U.S. Dollars 201,996 at the end of the provisional accounting period.
- d) Expenses related with the closed stores reported as “net gain from sales of property, plant and equipment” under the account “other operating income” amounting to U.S. Dollars 3,848 is presented as gross under the account “other operating income” as “gain from sales of property, plant and equipment” and under the account “other operating expense” as “loss from sales of property, plant and equipment”.
- e) Dividend income amounting to U.S. Dollars 1,285, accounted under “other operating income” is classified as “financial income”.
- f) Foreign exchange gains and loss, amounting to U.S. Dollar 46,197, presented as netted of in the “financial income” is reclassified as foreign exchange gain amounting to U.S. Dollars 99,409 in “financial income” and foreign exchange losses amounting to U.S. Dollars 53,212 in “financial expenses”.
- g) Forward income net, amounting U.S. Dollars 853, in the “financial income” account is reclassified as forward income amounting to U.S. Dollars 6,077 in “financial income” and forward loss at the amount of U.S. Dollars 5,224 in “financial expenses” account.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint ventures and its subsidiaries as at 31 December each year. The financial statements of the joint ventures and the subsidiaries are prepared for the same reporting period 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.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.1 Basis of preparation (continued)

All significant intra-group transactions and balances between Enka İnşaat and its consolidated subsidiaries and joint ventures are eliminated.

Minority interests represent the portion of income statement and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2008 and 2007 are as follows:

Company name	Direct / Indirect ownership	
	December 31, 2008	December 31, 2007
Enka Holding B.V.	100.00%	100.00%
Enka Holding Investment S.A.	100.00%	100.00%
Edco Investment B.V.	100.00%	100.00%
Enru Development B.V.	100.00%	100.00%
City Center Investment B.V.	100.00%	100.00%
Enka Power Systems B.V.	100.00%	100.00%
Esta Construction B.V.	100.00%	100.00%
Enka MW B.V.	100.00%	100.00%
Enka Construction & Development B.V.	100.00%	100.00%
Far East Development B.V.	100.00%	100.00%
Capital City Investment B.V.	100.00%	100.00%
Enka Construction B.V.	100.00%	100.00%
Enmar	100.00%	100.00%
Entrade	100.00%	100.00%
Enka Adapazarı Power Investment B.V.	100.00%	100.00%
Enka Gebze Power Investment B.V.	100.00%	100.00%
Enka İzmir Power Investment B.V.	100.00%	100.00%
Enka Power Investment B.V.	100.00%	100.00%
İzmir Elektrik	100.00%	100.00%
Adapazarı Elektrik	100.00%	100.00%
Gebze Elektrik	100.00%	100.00%
Enka LLC	100.00%	100.00%
Rumos S.A.	100.00%	100.00%
MCC Investment SA.	100.00%	100.00%
Enka TC	100.00%	100.00%
Retmos Inv. Ltd.	100.00%	100.00%
Emos Limited Liability Company	100.00%	-
Dmos Limited Liability Company	100.00%	-
Bmos B.V.	100.00%	100.00%
Cmos B.V.	100.00%	-
Akkuyu Construction B.V.	100.00%	-
Akkuyu Investment B.V.	100.00%	-
Akkuyu B.V.	100.00%	-
OOO Victoria	100.00%	-
Enka Pazarlama	99.99%	99.97%
Air Enka	99.97%	99.97%
Enmar Trading	99.97%	99.97%
Metra Akdeniz Dış Ticaret Anonim Şirketi	99.96%	99.96%
Entaş	99.93%	99.93%
Enka Enerji Üretim A.Ş.	99.47%	99.47%
Susanbaş Değirmencilik A.Ş.	99.35%	99.35%
Kaskaş	96.31%	96.31%
Burkas Ltd. Şti	96.31%	96.31%
Kaskaş Arabia Ltd.	96.31% *	64.24%
Çimtaş	96.34% *	95.26%
Çimtaş Mechanical Contracting B.V.	96.34% *	95.26%
Çimtaş (Ningbo) Steel Processing Company Ltd.	96.34% *	95.26%
Çimtaş Borulama Sanayi ve Ticaret Limited Şirketi (Çimtaş Borulama)	95.38% *	-
Titaş	91.91%	91.91%
Burtrak Burdur Traktör ve Önyükleyici Sanayi Ticaret Anonim Şirketi	90.02%	90.02%
Pimaş	87.26%	87.26%
Pimapen Joint Stock Company	87.26%	87.26%
Pimapen Logistic Center SRL	87.25%	87.25%
Envin Window Systems B.V.	87.25%	87.25%
Mosenka	80.00%	80.00%
Enka Oil and Gas B.V.	77.40% *	75.50%
Enka Teknik	77.40% *	75.50%
OOO R-Avtam	60.00%	60.00%
MKH	56.00% *	52.00%
Cimtas Boru İmalatları ve Ticaret Anonim Şirketi (Cimtas Boru)	50.00%	50.00%
Amos B.V.	-	100.00%

(*) Please refer to Note 22 for the explanations.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.2 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations noted below. Adoption of these standards and Interpretations did not have any effect on the financial position or performance of the Group. They did, however, give rise to additional disclosures.

- *IFRIC 11, IFRS 2 'Group and Treasury Share Transactions' (effective for annual periods beginning on or after March 1, 2007)*

IFRIC 11 requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an entity even if the entity chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity instruments granted. The interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Group's operations.

- *IFRIC 12 'Service Concession Arrangements' (effective for annual periods beginning on or after January 1, 2008)*

IFRIC 12 outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Group.

- *IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after January 1, 2008)*

IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the "asset ceiling test", may be influenced by a minimum funding requirement and aims to standardize current practice. This Interpretation has no impact on its financial position or performance of the Group.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets (effective for periods beginning on or after July 1, 2008)

The amendment to IAS 39, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category to the available-for-sale or held-to-maturity category in particular circumstances. The amendment also permits an entity to transfer from the fair value through profit or loss, or available-for-sale categories, to the loans and receivables category a financial asset that meets the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendment requires detailed disclosure relating to such reclassifications. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted. Adoption of these amendments did not have any effect on the financial performance or position of the Group.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.2 Changes in accounting policy and disclosures (continued)

Standards and interpretations that are issued but not yet effective

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Group has not early adopted, as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after January 1, 2009).

The amendments to IFRS 1 allows an entity to determine the “cost” of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statements. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent’s separate financial statements and do not have an impact on the consolidated financial statements.

- Amendments to IFRS 2 ‘Share Based Payment’ – Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 1, 2009)

The amendment clarifies two issues: The definition of ‘vesting condition’, introducing the term ‘non-vesting condition’ for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty.

- IFRS 3, “Business Combinations” (Revised) and IAS 27, “Consolidated and Separate Financial Statements” (Amended) (effective for annual periods beginning on or after July 1, 2009)

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes introduced by IFRS 3 (Revised) and IAS 27 (Amendment) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.2 Changes in accounting policy and disclosures (continued)

- Amendments to IFRS 7 'Financial Instruments: Disclosures' – (effective for annual periods beginning on or after January 1, 2009)

The amended IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

This information must be given by “class” of financial instrument, which is a level lower than categories such as held for trading or available for sale.

- IFRS 8 'Operating Segments' (effective for annual periods beginning on or after January 1, 2009)

IFRS 8 replaces IAS 14 'Segment Reporting' and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences.

- Amendments to IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2009)

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Of the main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with “other comprehensive income”; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Group will make the necessary changes to the presentation of its financial statements in 2009.

- Amendment to IAS 23 'Borrowing costs' (effective for annual periods beginning on or after January 1, 2009)

The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.2 Changes in accounting policy and disclosures (continued)

- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after January 1, 2009)

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective for annual periods beginning on or after June 30, 2009)

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.

- Amendments to IFRIC 9 and IFRS 39 Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009)

According to these amendments, entities must assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The Group expects that this interpretation will have no impact on the Group's consolidated financial statements.

- IFRIC 13, "Customer Loyalty Programmes", (effective for annual periods beginning on or after July 1, 2008)

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group's consolidated financial statements as no such scheme currently exists.

- IFRIC 15, "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after January 1, 2009)

IFRIC 15 must be applied retrospectively and provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognized.

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (is effective for annual periods beginning on or after October 1, 2008)

IFRIC 16 can be applied prospectively and provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument(s) can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.2 Changes in accounting policy and disclosures (continued)

- *IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009)*

The Interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of receiving non-cash assets or cash. This interpretation is to be applied prospectively.

- *IFRIC 18 Transfer of Assets from Customers (effective for periods beginning on or after July 1, 2009)*

The Interpretation specifies how the assets such as property, plant and equipment or cash for the construction or acquisition of such items received from the customers should be accounted for. This interpretation is to be applied prospectively to transfers of assets from customers received in periods beginning on or after July 1, 2009.

Improvements to IFRSs

In May 2008, the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has not yet adopted the following amendments and anticipates that other than the changes in IAS 16, IAS 23, IAS 36 and IAS 40, these changes will have no material effect on the consolidated financial statements.

- *IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations* specifies that when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under IFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.
- *IFRS 7 Financial Instruments: Disclosures*: Removal of the reference to “total interest income” as a component of finance costs.
- *IAS 1 Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet.
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors*: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *IAS 10 Events after the Reporting Period*: Clarification that dividends declared after the end of the reporting period are not obligations.
- *IAS 16 Property, Plant and Equipment*: Replace the term “net selling price” with “fair value less costs to sell”. Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.
- *IAS 18 Revenue*: Replacement of the term “direct costs” with “transaction costs” as defined in IAS 39.

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.2 Changes in accounting policy and disclosures (continued)

- *IAS 19 Employee Benefits:* Revised the definition of “past service costs”, return on plan assets” and “short term” and “other long-term” employee benefits. Amendments to plans that result in a reduction in benefits related to future service are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.
- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:* Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- *IAS 23 Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of “borrowing costs” into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- *IAS 27 Consolidated and Separate Financial Statements:* When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- *IAS 28 Investment in Associates:* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- *IAS 29 Financial Reporting in Hyperinflationary Economies:* Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- *IAS 31 Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- *IAS 34 Interim Financial Reporting:* Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.
- *IAS 36 Impairment of Assets:* When discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is require about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”.
- *IAS 38 Intangible Assets:* Expenditure on advertising and promotional activities is recognized as an expense when the entity either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed.

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

2.2 Changes in accounting policy and disclosures (continued)

- *IAS 39 Financial Instruments: Recognition and Measurement:* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the “fair value through profit or loss” classification after initial recognition. Removed the reference in IAS 39 to a “segment” when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- *IAS 40 Investment Property:* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.
- *IAS 41 Agriculture:* Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced of the term “point-of-sale costs” with “costs to sell”.

2.3 Significant accounting judgments, 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 profit and loss statement 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. This may have a material effect on the consolidated financial statements.

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 IAS 11 “Construction Contracts” (note 11).
- b) Market valuations of investment properties, land and buildings under the scope of IAS 40 “Investment Property” (note 16).
- c) Estimation of impairment losses on financial assets (note 5).
- d) Deferred tax assets are recognized over temporary differences and accumulated losses when there is evidence that there is substantial future realizability in statutory tax accounts. In order to recognize the deferred tax assets in the consolidated financial statements, significant estimations and assumptions for statutory tax projections should be performed (note 20).

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Notes to consolidated financial statements (continued)

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2.3 Significant accounting judgments, estimates and assumptions (continued)

- e) The Group management has made significant assumptions for determining the economic lives of tangible and intangible assets with the guidance of experienced technical staff (notes 10, 14, 15).

The significant judgments, apart from estimates, with most significant effect on amounts recognized in the consolidated financial statements are as follows:

- a) The determination of impairment in financial assets available for sale (note 5)
- b) The determination of goodwill associated with the disposal of the assets (note 15)

2.4. Summary of significant accounting policies

Interest in a joint venture

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The Group recognizes its interest in the joint venture using proportionate consolidation.

When recognising an interest in a jointly controlled entity, the Group reflects the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form. In a jointly controlled entity, a venturer has control over its share of future economic benefits through its share of the assets and liabilities of the venture. This substance and economic reality are reflected in the consolidated financial statements of the Group when the Group recognises its interests in the assets, liabilities, income and expenses of the jointly controlled entity by using one of the two reporting formats specified in IAS 31 for proportionate consolidation.

The financial statements of the joint ventures are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

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Notes to consolidated financial statements (continued)

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2.4. Summary of significant accounting policies (continued)

The breakdown of the controlling interests of the joint ventures is as follows:

Joint venture	2008	2007
Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys	50%	50%
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	50%	50%
Caddell Construction Company Inc. (Caddell Europe)	50%	50%
Caddell Construction Company Inc. (Caddell Asia)	- *	50%
Caddell Construction Company Inc. (Caddell Africa)	50%	50%
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin Island/ Russia)	50%	50%
Bechtel-Enka Joint Venture (Romania)	50%	50%
Bechtel-Enka Joint Venture (Albania)	50%	50%
AECO Development Limited Liability Company (Oman)	50%	50%

(*) The construction projects that were undertaken by Caddell Asia were finished in 2007 and its operations were suspended thereafter.

Business combinations and goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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2.4. Summary of significant accounting policies (continued)

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the consolidated income statement.

Purchase and sale of shares from minorities

Acquisitions of minority interests in the subsidiaries are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill. When the shares of subsidiaries are sold to the minorities without loss of control, the difference between the sales amount and the Group's share in the carrying amount of net assets of the subsidiaries is recognized as gain or loss in the consolidated income statement.

Investments in associates

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The investments in associates are carried on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of the results of operations of the associates. When there is a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses. After the interest in an associate is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those of the Group for like transactions and events in similar circumstances.

The investment in associates, which are accounted for under the equity method and their shareholding percentages are as follows:

Company name	2008	2007
Gretsch - Unitas Yapı Elemanları San. ve Tic. A.Ş. (Gretsch- Unitas)	36.00%	36.00%
Gedore - Altaş El Aletleri Dövme Çelik ve San. Tic. Ltd. (Gedore-Altaş)	38.59%	38.59%
Azen Oil Company B.V. (Azen Oil)	-	37.75%

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2.4. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at banks and in hand and other short-term deposits.

Cash flow

For the purpose of the consolidated cash flow statement, 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. Cash and cash equivalents are presented with their acquisition costs and interest accruals.

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 accounted for as follows:

- Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.
- Goods for resale - purchase cost on moving weighted average basis.
- Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based 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.

Investments and other financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as both loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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2.4. Summary of significant accounting policies (continued)

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognized in income when the receivables are derecognized or impaired, as well as through the amortization process.

Post dated checks and notes dominated in TL are discounted with the rates mentioned in contracts, and if rates are not disclosed in the contracts, 25% discount rate is used.

Trade receivables denominated in currencies other than TL are discounted with the contractual interest rates, if the effects are material. If such rates are not available, the related Libor and Euribor rates are used.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for sale or are not classified as loans and receivables, held to maturity or financial asset at fair value through profit and loss. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date.

The investments in equity instruments where there is no active market are carried at cost since their fair value could not be measured reliably and other methods of reasonably estimating fair value are inappropriate and unworkable.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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2.4. Summary of significant accounting policies (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in consolidated income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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2.4. Summary of significant accounting policies (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. The Group defines the "significant decline" as 'more than 30%', and "prolonged decline" as 'more than a year' decline in the value of the equity securities below its purchase costs. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in income statement, is transferred from equity to the income statement. In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency purchase and sale contracts and also interest rate cap transactions, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate cap contracts is determined based on quoted market prices in active markets.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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2.4. Summary of significant accounting policies (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability and could affect income statement. The Power Companies have borrowings with variable interest rates and the Group uses interest rate caps to hedge the exposure to variability in cash flows due to the change in interest rates. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects income statement.

The Group has classified these cash flow hedge derivative assets under "Other Non-current Assets" and classified the fair value changes in these instruments directly in equity under "Other Reserves" as fair value adjustment on derivative assets.

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, which is the fair value at the date of the valuation less accumulated depreciation and impairment losses charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Repairs and maintenance are charged to the statements of income 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.

Gain or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts.

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:

Land improvements	5-50 years
Buildings and barracks	10-50 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
Scaffolding and formworks	5 years
Aircraft	15 years
Others	5-10 years

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2.4. Summary of significant accounting policies (continued)

Any revaluation surplus is credited to the asset revaluation reserve net of deferred tax included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in income statement, in which case the increase is recognized in income statement. A revaluation deficit is recognized in income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

When assets are sold or otherwise disposed of, the costs and the related accumulated depreciation are removed from the accounts and resulting gain or loss is reflected in the net income. Upon the disposal of the revalued asset, the relevant portion of the revaluation surplus realized in respect of previous valuation is released from the revaluation surplus directly to retained earnings.

Intangible assets

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost that are amortized over 2 to 5 years on straight-line basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Non-current assets held for sale

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. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

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2.4. Summary of significant accounting policies (continued)

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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.

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. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. 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 income statement 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 income statement 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.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in consolidated income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in income statement.

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2.4. Summary of significant accounting policies (continued)

Investment property also includes long-term leasehold land held under an operating lease, which is accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS 17 "Leases". Each lease payment on the long-term leasehold land is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current lease liability on leasehold land. The interest element of the finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Impairment of non-financial assets

The carrying values of non-financial assets, other than goodwill which is reviewed for impairment at least annually, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated income statement for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or has decreased. The reversal is recognized in income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Employee termination benefits

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

(a) Defined benefit plans

In accordance with existing social legislation in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum termination indemnities to each employee who has completed one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

These benefits are unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. All actuarial gains and losses are recognized in the income statement.

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

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2.4. Summary of significant accounting policies (continued)

(b) 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 ventures 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.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The expense relating to any provision is presented in the income statement net of any reimbursement. 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.

Leases

The determination of whether an arrangement is, or contains a lease based on the substance of the arrangement at inception date of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfillment is dependant on a specified asset;
or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

(a) The Group as lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income statement. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonably certainty that the Group will obtain ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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2.4. Summary of significant accounting policies (continued)

Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases, except long-term leasehold land classified as investment property. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

(b) The Group as lessor

Operating lease

The Group has entered into commercial and residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Lease income from operating leases is recognized in income statement on a straight-line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognized as an expense. Initial direct costs incurred by the Group in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Interest bearing loans and borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in income statement when the liabilities are derecognized, as well as through the amortization process.

Accounts payable

Liabilities for accounts payable are carried at amortised cost using the effective interest rate method. Trade payables are discounted with the contractual interest rates, and if such rates are not disclosed in the contracts, the related currency's Libor and Euribor rates are used.

Income tax

Tax expense / (income) is the aggregate amount included in the determination of net income statement for the period in respect of current and deferred tax.

The Group is subject to income taxes in various jurisdictions. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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2.4. Summary of significant accounting policies (continued)

Current 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 income statement.

Deferred tax

Deferred income tax is provided, using the liability method, 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 income statement.

Revenue and cost recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, returns and value added taxes. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Construction contract activities*

Contract revenue and costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. The percentage of completion method is used to recognize revenue on a contract as work progresses by matching contract revenue with contract costs incurred based on the proportion of work completed which is determined by the ratio of actual costs incurred through to the end of each reporting period divided by the total estimated contract costs of the project.

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December 31, 2008

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2.4. Summary of significant accounting policies (continued)

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.

Contracts to manage, supervise or coordinate the construction activity of others are recognized only to the extent of the fee revenue.

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 income statement 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.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized.

(b) Energy activities

The Power Companies have signed an "Electric Sales Agreement" (ESA) with Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) for the establishment, management and sale of electricity that will be produced for a period of 20 years in accordance with the Build-Own-Operate Law numbered 4283 and Build-Own-Operate regulation. As the period includes project development and construction phases, the contract dates of power plants are 16 years after the beginning of the operation. The sales price and quantity in terms of Kwh during the 16 years period are determined in the ESA. Average energy sales price is determined by dividing yearly sales revenues calculated over yearly sales amounts and unit prices by the 16 year-sales quantities. At the end of each year, the average price is recalculated over the realized amounts. Therefore, revenues from the sale of electricity under long-term contracts are recognized on the average charge per Kwh over the life of the contract. Both the 'investment' and the 'fuel cost' item revenues in the scope of the contract are levelised accordingly. Revenues in excess of the average are recorded as deferred revenue in the consolidated balance sheet and are recognized over the life of the project.

(c) Sale of goods

Revenue is recognized when significant risks and rewards of ownership of the goods have been transferred to the buyer.

(d) 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.

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2.4. Summary of significant accounting policies (continued)

(e) Rendering of services

Revenue is recognized by reference to the stage of completion.

(f) Interest income

Interest income and expenses are recognized in the consolidated income statement on an accrual basis taking into account the effective yield on the asset. When loans provided by the Group are considered doubtful by the management of the Group, the interest accrual is not recognized in the consolidated income statement.

(g) Dividends

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

Borrowing costs

Interest costs on borrowings to finance the construction of shopping malls in Russia are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowings costs are recognized as an expense when incurred.

Earnings per share

Basic earnings per share (EPS) disclosed in the consolidated income statement 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.

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Notes to consolidated financial statements (continued)

December 31, 2008

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2.4. Summary of significant accounting policies (continued)

Segment reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns.

Subsequent events

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

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.

3. Segment information

The Group's operating businesses are organized and managed separately according to the nature of services and products provided.

The segmental information of the Group is based on two formats. The first format represents information regarding business segments: construction, rental, retail, energy and trading and manufacturing. The second format represents information regarding four geographical segments for the years ended December 31, 2008 and 2007.

Transfer prices between business segments are set out on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

3. Segment information (continued)

(a) Business segments :

							2008
	Construction contracts	Rental	Retail	Trade manufacturing and others	Energy	Eliminations	Consolidated
Revenues earned	2,793,989	277,111	515,174	443,434	2,926,558	-	6,956,266
Inter-segment revenues earned	154,708	-	1,200	20,222	-	(176,130)	-
Cost of revenues	(2,505,481)	(52,500)	(283,747)	(367,612)	(2,701,285)	-	(5,910,625)
Inter-segment cost of revenues	(166,900)	-	(1,200)	(5,303)	(210)	173,613	-
Gross profit	276,316	224,611	231,427	90,741	225,063	(2,517)	1,045,641
Selling and administrative expense	(76,607)	(33,324)	(181,858)	(52,240)	(13,362)	-	(357,391)
Other operating income	203,137	100,204	35,328	16,965	2,423	(9,662)	348,395
Other operating expense	(12,480)	(5,746)(*)	(29,367)	(9,066)	(32)	15,219	(41,472)
Profit from operations	390,366	285,745	55,530	46,400	214,092	3,040	995,173
Financial income	162,231	4,323	352	1,908	15,082	(26,907)	156,989
Financial expense	(186,120)	(2,875)	(47,101)	(43,982)	(45,979)	20,882	(305,175)
Income from associates	132	-	-	(2,987)	2,131	-	(724)
Profit from operations before taxes	366,609	287,193	8,781	1,339	185,326	(2,985)	846,263
Taxation charge							
Current	(70,847)	(25,844)	(7,099)	(2,844)	-	-	(106,634)
Deferred	(6,751)	(26,275)	15,550	2,346	(62,157)	-	(77,287)
Net profit for the year	289,011	235,074	17,232	841	123,169	(2,985)	662,342

(*) Includes operating expenses of investment properties

							2008
	Construction contracts	Rental	Retail	Trade, manufacturing and others	Energy		Consolidated
Assets and liabilities (**)							
Segment assets	2,638,546	1,210,210	1,049,928	537,346	2,320,196		7,756,226
Investment in associates	-	-	-	39	-		39
Unallocated assets							11,286
Total assets	2,638,546	1,210,210	1,049,928	537,385	2,320,196		7,767,551
Segment liabilities	1,410,204	208,774	310,477	409,732	1,903,935		4,243,122
Unallocated liabilities							835
Total liabilities	1,410,204	208,774	310,477	409,732	1,903,935		4,243,957
Other segment information							
Capital expenditures							
Property, plant and equipment (***)	122,460	22,157	29,016	4,927	35,172		213,732
Intangible assets	241	71	252	340	125		1,029
Investment properties	-	936	-	-	-		936
Total capital expenditures	122,701	23,164	29,268	5,267	35,297		215,697
Depreciation expense (***)	81,627	3,825	14,150	5,466	53,553		158,621
Amortisation	123	144	287	332	150		1,036
Fair value adjustments of investment property		83,870	1,867				85,737
Goodwill written off	109,883	-	-	-	-		109,883
Negative goodwill	(767)	(15,079)	-	-	-		(15,846)

(**) Includes balances after elimination.

(***) Include capital expenditures and depreciation of joint ventures.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

3. Segment information (continued)

	2007						
	Construction contracts	Rental	Retail	Trade, manufacturing and others	Energy	Eliminations	Consolidated
Revenues earned	2,075,487	188,264	398,913	483,763	2,136,345	-	5,282,772
Inter-segment revenues earned	176,357	-	-	11,240	-	(187,597)	-
Cost of revenues	(1,735,451)	(41,369)	(263,711)	(407,652)	(1,915,136)	-	(4,363,319)
Inter-segment cost of revenues	(179,384)	-	-	(6,766)	(183)	186,333	-
Gross profit	337,009	146,895	135,202	80,585	221,026	(1,264)	919,453
Selling and administrative expense	(65,500)	(29,858)	(113,828)	(48,030)	(13,826)	-	(271,042)
Other operating income	21,303	48,059	5,108	16,202	652	(3,472)	87,852
Other operating expense	(26,345)	(1,138) (*)	(8,926)	(8,729)	(2,045)	3,838	(43,345)
Profit from operations	266,467	163,958	17,556	40,028	205,807	(898)	692,918
Financial income	136,977	5,643	13,384	10,670	31,444	(3,750)	194,368
Financial expense	(43,177)	(4,247)	(14,639)	(22,023)	(86,254)	2,689	(167,651)
Income from associates	-	-	-	(43)	4,767	-	4,724
Profit from operations before taxes	360,267	165,354	16,301	28,632	155,764	(1,959)	724,359
Taxation charge							
Current	(91,877)	(20,805)	(7,802)	(4,532)	(4,187)	-	(129,203)
Deferred	10,946	(10,220)	(2,267)	1,497	23,020	-	22,976
Net profit for the year	279,336	134,329	6,232	25,597	174,597	(1,959)	618,132

(*) Includes operating expenses of investment properties

	2007						
	Construction contracts	Rental	Retail	Trade, manufacturing and others	Energy		Consolidated
Assets and liabilities (**)							
Segment assets	2,418,771	1,381,767	1,397,429	515,340	2,136,756		7,850,063
Investment in associates	-	-	-	3,306	6,751		10,057
Unallocated assets							5,797
Total assets	2,418,771	1,381,767	1,397,429	518,646	2,143,507		7,865,917
Segment liabilities	1,679,417	196,025	711,729	364,162	1,695,424		4,646,757
Unallocated liabilities							767
Total liabilities	1,679,417	196,025	711,729	364,162	1,695,424		4,647,524

Other segment information

Capital expenditures							
Property, plant and equipment (**)	168,111	99,204	71,350	13,008	13,891		365,564
Intangible assets	142	47	399	204	1		793
Investment properties	-	-	-	-	-		-
Total capital expenditures	168,253	99,251	71,749	13,212	13,892		366,357
Depreciation expense (***)	61,620	4,352	17,187	4,796	53,402		141,357
Amortisation	52	207	205	223	145		832
Fair value adjustments of investment property	5,208	47,705	800	-	-		53,713
Goodwill written off	-	-	-	-	-		-
Negative goodwill	-	-	-	-	-		-

(**) Includes balances after elimination.

(***) Include capital expenditures and depreciation of joint ventures.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

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December 31, 2008

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3. Segment information (continued)

(b) Geographical segments:

	Turkey	Russian Federation Kazakhstan, Tajikistan and Ukraine	Europe	North Africa and other (*)	Eliminations	Consolidated
2008						
Net sales	3,700,329	2,770,574	429,910	55,453	-	6,956,266
Inter-segment sales	148,234	8,504	19,392	-	(176,130)	-
Segment assets	4,221,397	3,235,324	196,967	102,538	-	7,756,226
Capital expenditures	82,481	98,906	17,863	16,447	-	215,697

	Turkey	Russian Federation Kazakhstan, Tajikistan and Ukraine	Europe	North Africa and other (*)	Eliminations	Consolidated
2007						
Net sales	2,843,302	2,163,720	218,924	56,826	-	5,282,772
Inter-segment sales	94,902	88,152	4,543	-	(187,597)	-
Segment assets	3,966,733	3,480,103	307,538	95,689	-	7,850,063
Capital expenditures	58,413	239,824	53,382	14,738	-	366,357

(*) The Group presented this segment for information purposes although the segment revenue, profit of loss and asset is below 10% of total.

4. Cash and cash equivalents

	2008	2007
Cash on hand	2,689	4,126
Cash in bank-Demand deposits	246,612	310,820
Cash in bank-Time deposits	388,067	730,966
Other	2,578	13,000
Total	639,946	1,058,912
Less: time deposits with maturity over one year classified as non current financial assets (Note 5)	(49,983)	(175,643)
Cash and cash equivalents on balance sheet	589,963	883,269
Less: time deposits with maturity over three months less than one year	(38,333)	(84,789)
Less: time deposits with maturity less than three months which are blocked in bank accounts as collateral	(2,857)	(5,714)
Cash and cash equivalents at consolidated cash flow statement	548,773	792,766

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Notes to consolidated financial statements (continued)

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4. Cash and cash equivalents (continued)

Interest rates of bank deposits are as follows:

	2008	2007
Time deposits with maturities less than three months		
<i>Variable interest rate</i>		
U.S. Dollars	Libor+3.55%	Libor + 3.55%
<i>Fixed interest rate</i>		
U.S. Dollars	0.02%-7.00%	2.25%-5.40%
Russian Ruble	2.00%-9.50%	0.75%-6.25%
Euro	1.50%-6.75%	3.50%-5.40%
British Pound	-	6.35%
Swiss Franc	-	2.15%-2.55%
TL	11.00%-23.30%	12.00%-17.50%
Japanese Yen	0.20%- 0.35%	0.30%-0.45%
Time deposits with maturities over three months		
U.S. Dollars - Variable interest rate	Libor+2.25%-Libor+3.55%	Libor + 3.55%
U.S. Dollars - Fixed interest rate	0.50%-3.29%	-
Russian Ruble - Fixed interest rate	-	3.50%-4.25%
TL – Fixed interest rate	19.50%-19.75%	-
Euro - Fixed interest rate	5.10%	5.05%-5.10%
Chinese Yuan – Fixed interest rate	3.33%	-

As of December 31, 2008, time deposits with maturity over three months and less than one year have the maximum maturity of November 30, 2009 (2007 – November 28, 2008). Amongst those time deposits, U.S. Dollars 23,782 (2007 – U.S. Dollars 72,214) of time deposit with maturity over three months and U.S. Dollars 2,857 (2007 – U.S. Dollars 5,714) of time deposit with maturity less than three months are blocked as collateral against the bank borrowings obtained for subsidiaries.

5. Investments available for sale and financial assets

The breakdown of current investments available for sale is as follows:

	2008		2007	
	Effective interest rate	Amount	Effective interest rate	Amount
Private sector bonds				
(international markets)	0.73% - 4.10%	32,893	3.29% - 4.10%	3,208
Foreign Government bonds				
(international markets)	0.37%-7.83%	420,148		-
Turkish Government bonds				
(domestic market)	16.69% - 23.84%	21,551	16.44%-16.57%	3,665
Equity securities				
(international markets)	-	37,553	-	42,484
(domestic market)	-	1,970	-	8,374
Mutual funds				
(international markets)	-	31,263	-	52,161
(domestic market)	-	1,956	-	199
		547,334		110,091

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5. Investments available for sale and financial assets (continued)

Non-current financial assets:

	2008		2007	
	Effective interest rate	Amount	Effective interest rate	Amount
Investments available for sale				
Private sector bonds				
(international markets)	0.21% - 7.10%	50,537	2.75%-6.02%	61,539
Foreign Government bonds				
(international markets)	2.46% - 4.47%	27,779	3.88%-4.53%	17,109
Turkish Government bonds				
(domestic market)	16.99% - 22.99%	34,587	15.89%-17.36%	62,083
(international markets)	10.10% - 20.13%	5,505	-	-
Equity securities	-	952	-	1,570
		119,360		142,301
Loan and receivables				
Time deposits (Note 6)				
U.S. Dollars - Variable interest rate	Libor + (%2.55% -3.55%)	49,983	Libor + (%2.55 - %3.55)	175,643
		169,343		317,944

As of December 31, 2008, time deposit with maturity over one year has the maximum maturity of July 31, 2012 (2007 - July 31, 2012). Amongst those time deposits, U.S. Dollars 49,983 (2007 - U.S. Dollars 175,643) of time deposit with maturity over one year is blocked as collateral against the bank borrowings obtained for subsidiaries.

Maximum maturities of the investments available for sale are as follows:

	2008	2007
Private Sector Bonds (international markets)	May 18, 2015	March 10, 2015
Foreign Government Bonds (international markets)	April 25, 2019	April 25, 2019
Turkish Government Bonds (domestic market)	January 19, 2011	February 28, 2010
Turkish Government Bonds (international markets)	March 15, 2015	-

The details of non-current equity securities available for sale are as follows:

	2008		2007	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Yapı ve Kredi Bankası A.Ş. (YKB) - listed	less than 1	508	less than 1	1,030
Bursa Serbest Bölge Kurucu ve İşleticisi A.Ş. - unlisted	1.00	150	1.00	150
Türk Sınai Kalkınma Bankası (TSKB) – listed	less than 1	103	less than 1	208
Sınai Mali Yatırım Holding – unlisted	less than 1	81	less than 1	82
Others – unlisted		110		100
		952		1,570

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5. Investments available for sale (continued)

As of December 31, 2008 and 2007, the fair value of TSKB and YKB, whose shares are traded at the ISE, are determined by reference to ISE quoted market bid prices at the close of business at balance sheet dates.

The investments in the remaining companies are carried at cost since their fair value could not be measured reliably. Those investments do not have quoted market prices and other methods of reasonably estimating fair value are inappropriate and unworkable.

As of December 31, 2008, significant decline in the fair values of the equity securities and mutual funds classified as investments available for sale amounting to U.S. Dollars 18,158 (Note 27) has been included in "financial expense" in the consolidated income statement. Also remaining balance of the decrease in the fair values of the investments available for sale amounting to U.S. Dollars 8,014 has been included in "other reserves" in equity. Furthermore in 2008, U.S. Dollars 1,130 has been reclassified from equity to "financial income" as a result of the sale of a portion of investments available for sale.

As of December 31, 2007, the net increase in the fair values of the investments available for sale amounting to U.S. Dollars 10,531 has been included in "other reserves" in equity. Furthermore in 2007, U.S. Dollars 9,300 has been removed from equity and included under "financial income" as a result of the sale of a portion of investments available for sale.

6. Trade and other accounts receivables

The breakdown of short-term trade and other receivables is as follows:

	2008	2007
Trade receivables, net	784,772	397,921
Notes and cheques receivables	105,447	101,732
Contract receivables	402,849	227,368
Retention receivables	34,291	25,172
Other receivables	11,286	7,172
	1,338,645	759,365
Less : Allowance for doubtful receivables	(22,383)	(24,721)
	1,316,262	734,644

Trade receivables which are withheld by the customers until the contracts are completed or, in certain instances for even longer periods, are classified as retention receivables.

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6. Trade and other receivables (continued)

Movement of allowance for doubtful receivables is as follows:

	2008	2007
Balance at beginning of year	24,721	19,286
Additional provision	3,310	8,750
Change in the scope of the consolidation (*)	-	1,510
Foreign currency translation effect	(3,129)	1,604
Write-offs	(1,072)	(6,315)
Reversal of provision	(1,447)	(114)
Balance at end of year	22,383	24,721

(*) The change occurred due to the purchase of 50% of shares of Enka TC in 2007.

The breakdown of long-term trade and other receivables is as follows:

	2008	2007
Accrued receivables from Iraq	115,116	115,116
Notes and cheques receivables	31,340	27,521
Trade receivables	2,342	1,829
Allowance for accrued receivables for Iraq losses	(53,093)	(53,093)
Money received from UNCC for the repayment of bank borrowings (Note 17)	(30,160)	(30,160)
Money received from UNCC by Eximbank (Note 17)	(31,863)	(31,863)
	33,682	29,350

Accrued receivables for Iraq losses

The Group's operations in Iraq ceased since August 6, 1990, due to invasion of Iraqi forces to Kuwait. The Turkish Government provided long-term loan facilities through Turkish Eximbank (Eximbank) to companies, which suffered losses resulting from the invasion. Accordingly, loans due to various banks aggregating to U.S. Dollars 80,699 and Deutsche Marks 4,382 (Euro 2,241) were transferred to Eximbank and, additionally, with respect to certain other bank loans amounting to U.S. Dollars 30,160, Eximbank provided letters of guarantee for the same amount to the related banks.

The Group had accrued for Iraq receivables in its consolidated financial statements at an amount of U.S. Dollars 115,116 on a conservative basis keeping the total amount at the level of cash facilities provided by Eximbank. As a result of the claim amounting to U.S. Dollars 264,301 filed to the United Nations Compensation Commission (UNCC) to compensate for its losses, the Group was entitled to receive compensation at the amount of U.S. Dollars 62,023 that was received by Eximbank.

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6. Trade and other receivables (continued)

Accordingly, Eximbank closed the loans amounting to U.S. Dollars 30,160 secured by itself using the transferred amounts. The remaining amount of the compensation received is still kept in Eximbank against the bank borrowings provided to the Group.

As of December 31, 2008, the money received by Eximbank, after the closing down of the above mentioned secured loans, at an amount U.S. Dollars 31,863 (2007 - U.S. Dollars 31,863) was netted off from the receivable balance as well as the long term bank borrowings in the consolidated balance sheet. Also, the Group provided full provision for the receivable amount which was not compensated by UNCC at the amount of U.S. Dollars 53,093. The provision for Iraq losses was accounted for at U.S. Dollars 20,293 U.S. Dollars 15,000, U.S. Dollars 15,848, U.S. Dollars 1,952 in the income statements of the years 2002, 2001, 2000 and before 2000, respectively.

7. Inventories

	2008	2007
Raw materials and spare parts	99,582	79,537
Work in progress	6,451	8,984
Finished goods	30,154	21,895
Merchandise and goods for resale (machinery and others)	136,205	123,300
Construction materials	35,324	9,231
Goods in transit and advances for inventory purchases	45,508	34,607
	353,224	277,554
Less: Allowance for slow moving inventory and net realizable value (*)	(1,397)	(4,401)
	351,827	273,153

(*) As of December 31, 2008 and 2007, write-down of finished goods and merchandise and goods for resale is recognized as an expense in cost of sales.

As of December 31, 2008, there is not any pledge on inventories (2007 - U.S. Dollars 45,464).

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Notes to consolidated financial statements (continued)

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8. Other current and non-current assets

The breakdown of other current assets is as follows:

	2008	2007
Advances given	131,749	69,721
Deferred V.A.T.	15,231	11,068
V.A.T. receivable	12,790	87,644
Prepaid taxes and funds	12,071	14,313
Prepaid expenses	11,833	9,505
Other (*)	9,589	12,643
	193,263	204,894

(*) As of December 31, 2008 the Group does not have any derivative assets from the foreign currency forward purchase and sale contracts (2007 – U.S. Dollars 3,287). Derivative liability amounting to U.S. Dollars 2,903 (2007 - None) is included in “other current liabilities”. Also derivative liability amounting to U.S. Dollars 3,260 (2007 – U.S. Dollars 11,162) is included in “Company’s share in current liabilities of joint ventures”. These contracts are reflected in the consolidated financial statements as disclosed in Note 29.

The breakdown of other non-current assets is as follows:

	2008	2007
Prepayment for land leases	31,315	32,280
Prepaid expense	5,012	12,054
Restricted cash (*)	4,616	11,070
Derivative assets (**)	-	691
Miscellaneous	5,369	3,267
	46,312	59,362

(*) The balance is related with cash held by the Group as blocked deposit in banks for maintenance purposes for the Steam turbines of the Power Companies.

(**) In 2002 the Group entered into Libor interest cap transactions to hedge itself from the cash flow risk of certain bank borrowings with floating interest rates. Such derivative instruments are reflected with their fair value of U.S. Dollars 197 (full amount) (2007 - U.S. Dollars 691) under “Other non-current assets” as stated above. In 2008, effect of net change (net of deferred tax) in the fair values of derivatives amounting to U.S. Dollars 587 (2007 – U.S. Dollars 1,032) are reflected in the “other reserves” under equity. The amount before deferred taxation is U.S. Dollars 734 (2007 – U.S. Dollars 1,290). Due dates of derivative instruments stated above are December 31, 2012 and April 30, 2013, respectively.

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9. Assets held for sale

As of December 31, 2007 assets held for sale consists of the trade goods, machinery, equipment and building that are planned to be sold by Enka TC amounting to U.S. Dollars 49,097. In accordance with the declaration of the Group on September 14, 2007, Enka Holding BV signed an agreement on December 15, 2007 with Auchan Group amounting to Euro 181,000 in order to sell AMOS BV (the consolidated subsidiary) that owns one store, lease rights of thirteen hypermarkets and related machinery and equipment to Meelakker BV a subsidiary of Auchan Group. The related goodwill allocated to such assets amounting to U.S. Dollars 110,996 is also presented in assets held for sale (Note 22). As of December 31, 2008 all of these assets are transferred to Auchan Group and disposed from assets, gain on such disposal including goodwill amounting to U.S. Dollars 109,883 is reflected in other operating income (Note 27).

10. Interest in joint ventures

The Group's share in the assets and liabilities of the joint ventures using the proportionate consolidation method is as follows :

	2008	2007
	Joint ventures followed up on aggregate basis	Joint ventures followed up on aggregate basis
Balance sheet		
Cash and cash equivalents	122,969	136,363
Investment available for sale	-	-
Accounts receivable	113,771	163,669
Inventories	10,321	-
Other current assets	13,214	16,752
Costs and estimated earnings in excess of billings on uncompleted contracts	15	13,840
Company's share in joint venture's current assets	260,290	330,624
Cost	199,602	160,580
Accumulated depreciation	(102,470)	(65,305)
Company's share in joint venture's property plant and equipment	97,132	95,275
Accounts receivable	3,267	-
Company's share in joint venture's non-current assets	3,267	-
Accounts payable	46,967	43,386
Other current liabilities and accrued expenses	37,923	154,911
Taxation on income	4,954	13,334
Billings in excess of costs and estimated earnings on uncompleted contracts	100,380	85,619
Company's share in joint venture's current liabilities	190,224	297,250
Long-term borrowings	-	-
Advances payable	48,530	60,830
Deferred tax liabilities	1,276	(2,414)
Company's share in joint venture's non-current liabilities	49,806	58,416

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10. Interest in joint ventures (continued)

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

	2008	2007
Revenues	792,360	533,812
Cost of revenues	(593,101)	(419,249)
Selling and administrative expense	(62)	(130)
Other operating income and (expense)	1,576	408
Other operating income and (expense)	(645)	(912)
Financial income	9,752	1,254
Financial expense	(3,506)	(5,222)
Taxation charge	(37,759)	(41,191)
Net profit	168,615	68,770

11. Costs and billings on uncompleted contracts

	2008	2007
Costs incurred on uncompleted contracts	2,717,264	1,428,493
Estimated earnings	222,036	216,272
	2,939,300	1,644,765
Less: Billings to date	(2,971,525)	(1,468,126)
	(32,225)	176,639

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

	2008	2007
Costs and estimated earnings in excess of billings on uncompleted contracts	95,911	249,475
Billings in excess of costs and estimated earnings on uncompleted contracts	(128,136)	(72,836)
	(32,225)	176,639

As of December 31, 2008, the amount of advances received and retention receivables are U.S. Dollars 660,843 (2007 – U.S. Dollars 834,219) and U.S Dollars 34,291 (2007 – U.S. Dollars 25,172), respectively.

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12. Investments in associates

	2008		2007	
	Effective ownership percentage (%)	Amount	Effective ownership percentage (%)	Amount
<i>Accounted for using the equity method</i>				
Azen Oil	-	-	37.75	6,751
Gedore-Altaş	38.59	-	38.59	1,839
Gretsch-Unitas	36.00	39	36.00	1,467
Total		39		10,057

The following table illustrates summarized financial information of the Group's investments in associates:

	Gedore-Altaş		Gretsch-Unitas		Azen Oil	
	2008	2007	2008	2007	2008	2007
Total assets	27,372	31,245	32,747	38,800	-	28,793
Total liabilities	28,035	26,480	32,637	34,724	-	15,291
Revenue	28,184	34,887	72,496	60,309	-	30,954
Net profit/(loss)	(5,051)	948	(3,521)	(1,570)	-	9,590

As of December 31, 2008, the equity of Gedore –Altaş is negative. No provision for additional losses book for Gedore-Altaş as the Group has not incurred legal or constructive obligations or made payments on behalf of Gedore-Altaş.

As also mentioned in Note 1, the Group has sold 50% shares of Azen Oil Company BV (Azen Oil) for U.S. Dollars 64,580 on April 14, 2008. The gain on sale of U.S. Dollars 54,940 is presented in "other operating income" in the consolidated financial statements.

13. Business combination

The Group purchased 50% of the shares in Enka TC (formerly Ramenka), a joint venture followed up on line by line basis, from Migros Türk A.Ş. (Migros) with the agreement dated September 11, 2007. Total value of Enka TC has been determined as U.S. Dollars 1,365,000 based on various valuation techniques subject to negotiations. After deducting the financial indebtedness of U.S. Dollars 335,706 total value of the remaining 50% shares of Enka TC was calculated between the parties as U.S. Dollars 514,647, out of which U.S. Dollars 25,000 was paid on the agreement date at September 11, 2007 and U.S. Dollars 362,250 was paid on the closing date and the remaining U.S. Dollars 127,397 was paid on June 11, 2008. The irrevocable letter of guarantee amounting to U.S. Dollars 127,397 due dated June 30, 2008 given to Migros has been released back to the Group.

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13. Business combination (continued)

Such business combination has been initially accounted for on a provisional basis by the Group in accordance with the IFRS 3 "Business Combinations". After the finalization of the sales transaction, no change is deemed as necessary in the goodwill calculated as of December 31, 2007 amounting to U.S. Dollars 173,432. After the finalization of the provisional accounting, the Group classified the goodwill amounting to U.S. Dollars 110,996 as "assets held for sale" as of December 31, 2007 (Note 22).

Fair market values of the assets and liabilities at acquisition date and total purchase considerations are as follows:

Cash and cash equivalents	6,991
Trade and other accounts receivable	8,839
Inventories	19,449
Other current assets	20,470
Property, plant and equipment and intangible assets	441,138
Investment properties	201,733
Other non-current assets	2,500
Current portion of long-term borrowings	(57,026)
Trade and other payables	(56,937)
Other current liabilities and accrued expenses	(24,289)
Long-term borrowings	(141,051)
Deferred tax liability	(80,602)
Fair value of net assets acquired	341,215
Positive goodwill – Note 21	173,432
Total purchase consideration	514,647

The cash outflow on acquisition is as follows:

Net cash acquired	6,991
Cash paid	(387,250)
Cash, to be paid	(127,397)
Net cash outflow at the end of the transaction	(507,656)

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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
Cost										
At January 1, 2008	110,663	1,030,708	1,962,502	21,831	86,414	27,823	4,420	11,641	33,525	3,289,527
Currency translation differences	(6,322)	(160,514)	(28,330)	(1,554)	(9,100)	(246)	-	(1,259)	(5,186)	(212,511)
Revaluation (**)	3,111	(9,888)	-	-	-	-	-	-	-	(6,777)
Additions	5,122	19,241	49,331	5,113	6,889	11,064	-	3,933	76,162	176,855
Disposals	(39)	(22,084)	(57,799)	(3,400)	(13,746)	(4,728)	-	(1,721)	(1,806)	(105,323)
Other Transfers	-	-	(3,242)	113	3,129	-	-	-	-	-
Netting off	(1,441)	(481)	-	-	-	-	-	76	-	(1,846)
Transfers from construction in progress	2,786	1,610	1,281	810	6,400	-	-	159	(13,046)	-
Transfer to investment properties	-	(562,544)	-	-	-	-	-	-	-	(562,544)
At December 31, 2008	113,880	296,048	1,923,743	22,913	79,986	33,913	4,420	12,829	89,649	2,577,381
Accumulated depreciation										
At January 1, 2008	12,742	9,276	424,397	10,363	56,130	8,798	1,769	6,751	-	530,226
Currency translation difference	(287)	(876)	(19,168)	(708)	(5,506)	(46)	-	(701)	-	(27,292)
Revaluation (**)	-	(846)	-	-	-	-	-	-	-	(846)
Current year depreciation	2,535	12,891	85,432	3,386	6,865	8,331	294	873	-	120,607
Disposals	-	(6,649)	(24,724)	(1,820)	(7,898)	(662)	-	(808)	-	(42,561)
Other Transfers	-	-	(3,242)	113	3,129	-	-	-	-	-
Netting off	(1,441)	(481)	-	-	-	-	-	76	-	(1,846)
At December 31, 2008	13,549	13,315	462,695	11,334	52,720	16,421	2,063	6,191	-	578,288
NBV at January 1, 2008	97,921	1,021,432	1,538,105	11,468	30,284	19,025	2,651	4,890	33,525	2,759,301
NBV at December 31, 2008	100,331	282,733	1,461,048	11,579	27,266	17,492	2,357	6,638	89,649	1,999,093

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

(**) Land and buildings of Enka Pazarlama, Pımaş, Çimtaş, Cimtas Boru, hotel building of MKH, various real estate of Enka TC, buildings of Enka İnşaat are revalued by independent qualified valuers as of December 31, 2008. The land and buildings of Enka Pazarlama, land and buildings of Pımaş, Çimtaş and Enka İnşaat, hotel building of MKH, various real estate of Enka TC and the factory of Pımaş in Russia have been revalued by Turyap Gayrimenkul Değerleme A.Ş., Artı Gayrimenkul Değerleme A.Ş., Dtz Holdings PLC Russia branch and K.O.M.I.T. Invest respectively. Revaluations are made on the basis of market value and where there is not any reference price in the market, cost method is used. Revaluation differences arising from difference between book value and fair value are netted of with the related deferred tax and classified as revaluation surplus and included under equity.

As of December 31, 2008, an impairment assessment on the carrying amount of lands recorded under construction in progress and land and land improvements belonging to Enka TC at the amount of Ruble 395,583 (13,464 U.S. Dollars) and Ruble 109,763 (3,736 U.S. Dollars), respectively, can not be made since no benchmark or reference price exists in the market, recently. Such assets are recorded in the consolidated financial statements with the historical amounts carried from December 31, 2007. The Group management does not anticipate any impairment on those fixed assets.

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14. Property, plant and equipment (continued)

	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										
At January 1, 2007	56,449	409,790	1,893,456	13,179	59,556	10,878	4,420	8,939	156,562	2,613,229
Currency translation differences	543	28,497	14,546	541	3,150	-	-	135	2,155	49,567
Scope change (***)	1,463	397,424	36,777	-	21,740	-	-	-	41,861	499,265
Revaluation (**)	36,581	203,961	-	-	-	-	-	-	-	240,542
Additions	12,000	42,709	59,653	10,530	4,986	17,407	-	5,430	143,847	296,562
Disposals	(54)	(1,189)	(19,463)	(2,175)	(5,321)	(462)	-	(118)	(17,965)	(46,747)
Netting off	-	(58,643)	-	-	-	-	-	-	-	(58,643)
Transfers from construction in progress	3,681	56,333	4,843	(244)	2,303	-	-	(2,745)	(64,171)	-
Transfer to investment properties	-	(29,357)	-	-	-	-	-	-	(216,175)	(245,532)
Transfers to other non-current assets	-	-	-	-	-	-	-	-	(12,589)	(12,589)
Assets held for sale (****)	-	(18,817)	(27,310)	-	-	-	-	-	-	(46,127)
At December 31, 2007	110,663	1,030,708	1,962,502	21,831	86,414	27,823	4,420	11,641	33,525	3,289,527
Accumulated depreciation										
At January 1, 2007	10,548	36,955	337,717	7,256	34,056	3,654	1,474	5,930	-	437,590
Currency translation difference	68	1,384	11,559	394	1,718	-	-	776	-	15,899
Scope change (***)	-	15,268	19,410	-	11,377	-	-	-	-	46,055
Charge for the year	2,126	13,405	79,091	3,444	8,832	5,169	295	2,163	-	114,525
Disposals	-	(151)	(7,107)	(684)	(2,055)	(25)	-	(25)	-	(10,047)
Transfer to investment properties	-	1,058	(1,120)	(47)	2,202	-	-	(2,093)	-	-
Netting off	-	(58,643)	-	-	-	-	-	-	-	(58,643)
Assets held for sale (****)	-	-	(15,153)	-	-	-	-	-	-	(15,153)
At December 31, 2007	12,742	9,276	424,397	10,363	56,130	8,798	1,769	6,751	-	530,226
NBV at January 1, 2007	45,901	372,835	1,555,739	5,923	25,500	7,224	2,946	3,009	156,562	2,175,639
NBV at December 31, 2007	97,921	1,021,432	1,538,105	11,468	30,284	19,025	2,651	4,890	33,525	2,759,301

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

(**) Land and buildings of Enka Pazarlama, Pimaş, Çimtaş, hotel building of MKH, various real estate of Enka TC, buildings of Enka İnşaat are revalued by independent qualified valuers as of December 31, 2008. The land and buildings of Enka Pazarlama, land and buildings of Pimaş, Çimtaş and Enka İnşaat, hotel building of MKH, various real estate of Enka TC and the factory of Pimaş in Russia have been revalued by Turyap Gayrimenkul Degerleme A.S., Artı Gayrimenkul Degerleme A.S., Dtz Holdings PLC Russia branch and K.O.M.I.T. Invest respectively. Revaluations are made on the basis of market value. Revaluation differences arising from difference between book value and fair value are netted off with the related deferred tax and classified as revaluation surplus and included under equity.

(***) The change occurred from the purchase of 50% shares of Enka TC in 2007.

(****) Consists of machinery, equipment and building that are planned to be sold by Enka TC.

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14. Property, plant and equipment (continued)

Revalued buildings

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

	2008	2007
Cost	364,209 (*)	731,423
Accumulated depreciation	(164,966)	(178,787)
Net book value	199,243	552,636

(*) Decrease in historical cost of the buildings is related with the current year transfers to investment properties.

As of December 31, 2008, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to U.S. Dollars 9,076 (December 31, 2007 - 9,076) and U.S. Dollars 7,424 (December 31, 2007 – U.S. Dollars 5,068).

Pledge on property plant and equipment

Under the terms of the loan agreement signed by Enka TC and Power Companies, the property, plant and equipment of those companies are pledged for security at the amount of U.S. Dollars 2,387,746 (2007 - U.S. Dollars 3,397,113).

15. Intangible assets

	Land lease rights	Software rights	Total
At January 1, 2008, net of accumulated amortization	-	2,981	2,981
Exchange and remeasurement adjustment	-	(281)	(281)
Additions	-	1,029	1,029
Amortisation charge for the year	-	(1,036)	(1,036)
At December 31, 2008, net of accumulated amortization	-	2,693	2,693
At January 1, 2007, net of accumulated amortization	15,052	2,674	17,726
Exchange and remeasurement adjustment	21	202	223
Other transfers	(15,075)	146	(14,929)
Additions	2	791	793
Amortisation charge for the year	-	(832)	(832)
At December 31, 2007, net of accumulated amortization	-	2,981	2,981
At December 31, 2008			
Cost	-	6,857	6,857
Accumulated amortization	-	(4,164)	(4,164)
Net carrying amount	-	2,693	2,693
At December 31, 2007			
Cost	-	6,563	6,563
Accumulated amortization	-	(3,582)	(3,582)
Net carrying amount	-	2,981	2,981

As of December 31, 2008, no pledge exists on the intangible assets of the Group (2007 - U.S. Dollars 508, pledge as collateral for IFC borrowings).

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16. Investment properties

The movement of investment properties is as follows :

	2008	2007
Opening balance as at January 1	1,394,309	833,568
Exchange and remeasurement adjustment	(157,422)	41,353
Transfers from property, plant and equipment and construction in progress	562,544	245,532
Effect of adoption of IAS 40	-	36,910
Change in consolidation scope (*)	-	187,826
Additions	936	
Disposals	(5,994)	(4,593)
Change in present value of lease obligations	2,746	-
Change in fair value, net	85,737	53,713
Closing balance as at December 31	1,882,856	1,394,309

(*) The change occurred from the purchase of 50% shares of Enka TC in 2007.

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of December 31, 2008 and 2007 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 U.S. Dollars 12,365 (December 31, 2007 – U.S. Dollars 12,832).

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, by using a combination of income, market and cost approaches and on the basis of calculations, considerations 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 December 31, 2008, the main reason of the increase in the fair value amount of investment properties is the transfers from owner occupied buildings to investment properties.

The fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 9.6 billion RR equivalent to U.S. Dollars 326,125 (2007 – 7.9 billion RR equivalent to U.S. Dollars 322,559), Mosenka; 3.8 billion RR equivalent to U.S. Dollars 128,681 (2007 – 3.6 billion RR equivalent to U.S. Dollars 146,525), and Enka TC; 26,7 billion RR equivalent to U.S. Dollars 910,683 (2007 – 10 billion RR equivalent to U.S. Dollars 407,395), determined at December 31, 2008.

The fair values of the investment properties of the Group in Russia, determined at December 31, 2008 as U.S. Dollars 505,000 (2007 - U.S. Dollars 505,000) are used as business centers and residential property. The fair values of the investment properties in Turkey are determined at December 31, 2008 as U.S. Dollars 12,365 (2007 - U.S. Dollars 12,832).

The fair values of 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.

Bank borrowings of the Group are secured by mortgage on investment property with a value of U.S. Dollars 3,625 (2007 - U.S. Dollars 50,000). As of December 31, 2007, the investment properties of Enka TC have been pledged in accordance with the loan agreement signed with ICF. Such pledge was released in 2008 after the repayment of the ICF loan.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

17. Borrowings

			2008	
	Interest rate	Original currency		U.S. Dollar equivalent
Short-term				
Short-term bank borrowings	5.90%-11.00%	EUR	10,875	15,394
	Libor +1%-9.00%	USD	6,524	6,524
	15.00%-24.00%	TL	25,431	16,816
	1.84%-1.86%	JPY	553,069	6,213
Total short-term borrowings				44,947
Long-term				
Eximbank loans	Libor + 0.10%-4.26%	USD	339,136	339,136
OPIC loan	7.54%-7.90%	USD	144,372	144,372
OND loan	Libor + 0.70%	USD	36,259	36,259
Hermes loan	Libor + 0.625%	USD	43,612	43,612
ABN Amro loan	Libor + 2.00%	USD	79,047	79,047
Hermes loan	Euribor+ (3.32%-6.19%)	EUR	68,375	96,791
Other long-term bank borrowings	Libor + 1.15%-9.00%	USD	85,373	85,374
	Euribor + 1.20%-6.19%	EUR	59,966	84,887
	1.91%-4.35%	JPY	11,174,882	125,529
Iraq related Eximbank loans		USD	80,699	80,699
		EUR	2,241	3,172
Obligations under finance leases	Libor + 1.90%	USD	1,994	1,994
	3.00%	RR	1,728,606	58,836
	4.00%-4.50%	EUR	79	113
				1,179,821
Less: Current portion of long-term bank borrowings and financial lease obligations				(352,701)
Less: Money received from UNCC by Eximbank (Note 6)				(31,863)
Total long-term borrowings				795,257

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17. Borrowings (continued)

				2007
				U.S. Dollar equivalent
	Interest rate	Original currency		
Short-term				
Short-term bank borrowings	4.90%-5.15%	EUR	6,784	9,961
	1.30%-8.30%	USD	11,346	11,346
	15.00%-16.60%	TL	31,561	27,098
Total short-term borrowings				48,405
Long-term				
Eximbank loans	Libor +0.10%-4.26%	USD	423,490	423,490
OPIC loan	7.54%-7.90%	USD	171,151	171,151
OND loan	Libor +0.70%	USD	45,608	45,608
Hermes loan	Libor +0.625%	USD	56,744	56,744
IFC Loan	Libor + 2.10% - 5.83%	USD	75,802	75,802
ABN Amro loan	Libor + 2.50 % - 3.80%	USD	260,153	260,153
Hermes loan	4.56%-5.99%	EUR	51,730	75,958
Other long-term bank borrowings	Libor+1.15%-5.58%	USD	164,132	164,132
	Euribor+1.20%-5.99%	EUR	59,526	87,406
	2.00%-5.58%	JPY	8,229,178	72,626
Iraq related Eximbank loans		USD	80,699	80,699
		EUR	2,241	3,291
Obligations under finance leases	Libor + 1.90%	USD	2,393	2,393
	3.00%	RR	1,577,166	64,253
	4.00%-4.50%	EUR	1,248	1,831
				1,585,537
Less: Current portion of long-term bank borrowings and financial lease obligations				(384,803)
Less: Money received from UNCC by Eximbank (Note 6)				(31,863)
Total long-term borrowings				1,168,871

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

17. Borrowings (continued)

IFC Loan

Enka TC signed six loan agreements with IFC which are utilised for the construction and development of hyperstores and supermarkets in Moscow. Loan agreements contain covenants on adequacy of free cash flow, liquidity and gearing ratios. In 2007, Enka TC violated certain covenants of the IFC loan and obtained a waiver from IFC that in spite of violation no trigger for earlier repayment will be made by the bank. As of December 31, 2007, the Company complied with all covenants. Under the terms of the loan agreement, the loans are secured by the entire amount of the Enka TC's assets. In addition, the shares of the Group in Enka TC have been pledged based on the amendment of IFC loan agreement conditions. In 2008, the Group paid of all IFC loans before their due dates, therefore no pledges and commitments exist for these loans as of December 31, 2008.

Iraq related Eximbank loans

Iraq related loans are secured by Eximbank. Iraq progress billings amounting to U.S. Dollars 55,230, treasury bills amounting to U.S. Dollars 1,611, machinery and equipment amounting to U.S. Dollars 101,587 that were left at Iraq jobsites, were assigned to Eximbank. As further explained in Note 6, a portion of the money received from UNCC at an amount of U.S. Dollars 31,863 (2007 - U.S. Dollars 31,863) is kept by Eximbank for the loans provided. Such amounts are netted of from the above-mentioned borrowing balance. There is not any repayment plan between the Company and Eximbank for the remaining balance and the Group has not accrued any interest for these borrowings. Management's expectation is that those interests will not be collected from the Group and this issue will ultimately be resolved among Eximbank and the Turkish Undersecretariat of Treasury.

Hermes loans

The Hermes loan belongs to the consolidated subsidiary Enka Pazarlama (in Euro).

Power Companies Bank loans

The long-term borrowings of the Power Companies have been obtained under a project financing structure. Enka İnşaat has given a letter of credit to support each Power Company's Debt Service Reserve up to a maximum amount of 6 months' senior debt service under these facilities. The letter of credit can only be called to meet senior debt service to the extent 6 months senior debt service is not met from operating cash flow.

Eximbank loans

A syndicate of commercial banks named as Eximbank Facility Lenders provides the funding. The interest is currently payable to the lender in 6 months' period and the applicable rate is determined as the 6-month LIBOR Rate plus 0.1% for Gebze Elektrik and Izmir Elektrik. Adapazarı Elektrik Exim loan bears 4.26% fixed rate for the entire life of the loan. Interest is paid semi-annually.

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(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

17. Borrowings (continued)

OPIC loans

The OPIC loans are funded with the issue of Government backed certificates in the US Capital Markets and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. In December 2002, the variable interest rates (3 months US Treasury bill rate plus a maximum of 4.25% and minimum of 3.80%) were converted to a fixed rate of 7.54%, 7.85% and 7.90% for İzmir Elektrik, Gebze Elektrik and Adapazarı Elektrik, respectively.

Hermes loans

The Hermes Loans are guaranteed by the Export Credit Agencies of the German Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. Interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0.625%.

OND loans

The OND Loans are guaranteed by the Export Credit Agencies of the Belgian Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. A syndicate of commercial banks provides the funding. The interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0.70%.

Other long term bank borrowings

As of December 31, 2008, ABN Amro loans are secured with the bank deposit at an amount of U.S. Dollars 75,821 (2007 – 253,571 U.S. Dollars).

On November 5, 2003, the consolidated subsidiary MKH obtained a loan for the financing of the construction of a hotel complex with final repayment on December 5, 2009. As of December 31, 2008, the remaining amount of the total loan amount is U.S. Dollars 3,638 (2007 - U.S. Dollars 22,255) of the loan in accordance with the drawdown schedule. As of December 31, 2008, these long-term bank borrowings are secured by the pledge of rental revenues, investment property to the value of U.S. Dollars 3,625 (2007 - U.S. Dollars 50,000) and leasehold rights on land. Principal and interest is paid quarterly.

Repayment schedule of long-term bank borrowings and finance lease obligations excluding Iraq related Eximbank loans are as follows:

	2008	2007
Less than 1 year	352,701	384,803
1-5 years	650,941	944,239
More than 5 years	92,308	172,505
Less : Current portion of long term borrowings	(352,701)	(384,803)
Total long term borrowings	743,249	1,116,744

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

18. Trade and other payables

The breakdown of current trade and other payables is as follows:

	2008	2007
Trade payables	759,537	687,509
Advances received	500,636	656,693
Notes payable	3,144	4,981
Other payables	4,460	1,034
	1,267,777	1,350,217

The breakdown of non-current trade and other payables is as follows:

	2008	2007
Trade payables	3,474	1,864
Advances received	123,198	54,284
	126,672	56,148

19. Other current liabilities and accrued expenses and non-current liabilities

The breakdown of other current liabilities and accrued expenses is as follows:

	2008	2007
Deferred rent revenue	71,643	52,625
Payroll payable	35,116	31,042
Accrual for construction costs	28,830	8,699
VAT payable	26,503	14,708
Deposit taken	12,731	12,769
Bonus accrual	12,182	17,709
Taxes and funds payable	10,634	23,797
Vacation pay liability	5,405	4,784
Accrued expenses	2,776	3,821
Other liabilities	6,917	1,859
	212,737	171,813

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

19. Other current liabilities and accrued expenses and non-current liabilities (continued)

The non current part is as follows :

	2008	2007
Deferred revenue (*)	766,074	675,738
Deposits taken	3,563	3,549
	769,637	679,287

(*) Represents the Power Companies' deferred revenues, which is the difference between the average price recognized over the life of the project and actual charges.

20. Taxation on income

Enka İnşaat and its consolidated subsidiaries are subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which they operate.

Tax legislation in Turkey

In Turkey, the corporation tax rate effective from January 1, 2007 is reduced to 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (December 2007 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate entity basis.

Effective from January 1, 2007 capital gains derived from cash sales of participation shares that have been held for at least two years are subject to effective corporation tax rate of 5% if the gains are added to share capital. Furthermore, in the event the profit arising from the dividend receipt is not distributed or included in capital, no withholding tax shall be applicable. As a result, the Group did not recognize a deferred tax liability on the undistributed profits of subsidiaries and associates and other temporary differences pertaining to other investments in shares issued by Turkish companies, if the Company does not have the intention to sell these shares in the future.

15% (2007 – 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

20. Taxation on income (continued)

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The "General Communiqué" on disguised profit distribution through transfer pricing was published on the Official Gazette on November 18, 2007 by the Ministry of Finance of Turkey, to clarify the procedures and applications of the new corporate tax law. According to the General Communiqué, tax-payers should submit the form "Transfer Pricing, Controlled Foreign Corporation and Thin Capitalization" as an attachment of annual corporate tax return, the deadline of which is April 25, 2008 and they have to provide the bases and related documentation to the tax inspectors, in case of a tax inspection.

Tax legislations in other countries

As of December 31, 2008 and 2007, effective corporation tax rate in other countries are as follows:

	2008	2007
Russia	(*) 24%	24%
Netherlands	25.5%	25.5%
Kazakhstan	30% - 37%	30% - 37%
Nepal	25%	25%
African Countries	25%	30% - 38.5%
Germany	25%	25%
Ukraine	25%	25%
Tajikistan	25%	25%
Romania	16%	16%
Albania	10%	20%
Oman	12%	12%

(*) Effective from January 1, 2009, corporation tax rate in Russia has been decreased to 20%.

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

	31 Aralık 2008	31 Aralık 2007
January 1	27,592	8,967
Current year tax expense	106,634	129,203
Taxes paid	(110,379)	(110,578)
December 31	23,847	27,592

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20. Taxation on income (continued)

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 December 31, 2008 and 2007 is provided below:

	2008		2007	
	Amount		Amount	
Profit from operations before taxes	846,263		724,359	
Tax per statutory tax rate 20% (2007 - 20%)	169,252	20%	144,872	20%
Effect of unrealized financial expense	(26,090)	(3%)	(29,057)	(4%)
Effect of equity pick up revenue	-	(0%)	(945)	(0%)
Jobsites exempt from income tax	(19,438)	(2%)	(4,868)	(1%)
Effect of tax rate change and others	60,197	6%	(3,775)	(0%)
Taxation charge	183,921	21%	106,227	15%

As of December 31, 2008 and 2007, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	Consolidated balance sheet		Consolidated income statement, revaluation surplus and currency translation difference and change in scope of consolidation	
	2008	2007	2008	2007
Deferred income tax liabilities				
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(418,584)	(421,545)	2,961	(189,420)
Adjustment for percentage of completion method on construction projects	-	(55)	55	6,556
Adjustment of revenue levelization	-	(6,307)	6,307	(151)
Deferred financial expenses	-	(18)	18	957
Inventories	(17,347)	(3,262)	(14,085)	7,180
Others	-	-	-	2,406
Gross deferred income tax liabilities	(435,931)	(431,187)	(4,744)	(172,472)
Adjustment of revenue levelization	153,215	144,682	8,533	25,274
Tax loss carry-forward	65,884	90,115	(24,231)	28,975
Reserve for employee termination benefit	2,072	2,254	(182)	439
Allowance for doubtful receivables	362	465	(103)	(508)
Remeasurement of inventories	-	2,712	(2,712)	2,340
Fair value adjustments on AFS portfolio	4,233	1,211	3,022	(401)
Deferred financial expenses	841	-	841	-
Others	7,851	4,441	3,410	3,621
Gross deferred income tax assets	234,458	245,880	(11,422)	59,740
Net deferred tax liability	(201,473)	(185,307)	(16,166)	(112,732)

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Notes to consolidated financial statements (continued)

December 31, 2008

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20. Taxation on income (continued)

Reflected as:

	2008	2007
Deferred tax assets	69,743	133,508
Deferred tax liabilities	(271,216)	(318,815)
Net deferred liabilities	(201,473)	(185,307)

Movement of net deferred tax asset (liability) can be presented as follows:

	2008	2007
Balance at January 1, of Enka İnşaat and its subsidiaries	185,307	37,902
Balance at January 1, of the joint ventures followed up on line by line basis	-	34,672
Balance at January 1, of the joint ventures	(2,414)	(467)
Balance at January 1	182,893	72,107
Change in the scope of the consolidation (*)	-	80,602
Deferred income tax benefit / (expense) recognized in income statement	77,287	(22,976)
Effect of change in tax rate for deferred income tax charge recognized in equity	(14,275)	-
Deferred income tax expense / (benefit) recognized in equity	(2,696)	50,142
Translation loss	(40,460)	3,018
	202,749	182,893
Of which:		
Balance at December 31, of Enka İnşaat and its subsidiaries	201,473	185,307
Balance at December 31, of the joint ventures	1,276	(2,414)

(*) The scope change is related with the acquisition of the 50% shares of Enka TC in 2007.

21. Employee termination benefit

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 TL 2,173 and TL 2,030 at December 31, 2008 and 2007 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the consolidated financial statements as of December 31, 2008 and 2007, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

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21. Employee termination benefit (continued)

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

Effective from January 1, 2009, the retirement pay ceiling has been increased from U.S. Dollars 1,436 (TL 2,173) (full) to U.S. Dollars 1,495 (TL 2,260) (full).

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	2008	2007
Discount rate	12%	11%
Expected rates of salary/limit increases	5.4%	5%

Movements of the provision for employee termination benefits during years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Opening balance as at January 1	13,071	9,777
Interest cost	1,408	1,076
Charge for the year, net	1,810	2,172
Translation loss	(4,501)	652
Utilized / paid	(788)	(606)
Closing balance as at December 31	11,000	13,071

The Group does not provide any other post employment benefits other than the termination benefits described above. The current year charge consisting of interest cost and charge for the year amounting to U.S. Dollars 3,218 have been charged to cost of revenues and selling and administrative expenses.

22. Goodwill

The Group purchased 50% of the shares in Enka TC (formerly Ramenka), a joint venture followed up on line by line basis, from Migros with the agreement dated September 11, 2007. Total value of Enka TC has been determined as U.S. Dollars 1,365,000 based on various valuation techniques subject to negotiations. After deducting the financial indebtedness of U.S. Dollars 335,706 total value of the remaining 50% shares of Enka TC was calculated between the parties as U.S. Dollars 514,647, out of which U.S. Dollars 25,000 was paid on the agreement date at September 11, 2007 and U.S. Dollars 362,250 was paid on the closing date and the remaining U.S. Dollars 127,397 was paid on June 11, 2008. The irrevocable letter of guarantee amounting to U.S. Dollars 127,397 due dated June 30, 2008 given to Migros has been voided. The goodwill arised as a result of this transaction amounting to U.S. Dollars 173,432. The main component of the goodwill is the market share of Enka TC in the Russian retail market.

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22. Goodwill (continued)

On April 9, 2008, the Group has sold AMOS B.V., fully owned subsidiary which took over certain hypermarkets from Enka TC previously, to Meelakker B.V. at Euro 173,572. The Group also handed over three of its rental stores to O'KEY LLC with respect to the protocol signed with O'KEY LLC at July 11, 2008. As a result, goodwill at the amount of U.S. Dollars 109,883 including the currency translation effect has been reflected to the consolidated income statement and the Group has recorded U.S. Dollars 133,013 gain on sale of investment in other operating income.

The Group performed an impairment test on the remaining amount of goodwill amounting to U.S. Dollars 51,949 (after currency translation effect) which is carried in the consolidated balance sheet for the retail assets of Enka TC as of December 31, 2008, by comparing the total carrying amount with the "fair value less costs to sell" amount obtained from the highest offer received for these assets. As a result of the test performed, it was concluded that no impairment exists on goodwill as of December 31, 2008.

The Group had acquired the remaining 60% interest stake in the Power Companies between the years 2003 to 2005, where the Company had 40% shareholding. As a result of these acquisitions goodwill amounting to U.S. Dollars 55,151 was recorded in the consolidated financial statements.

The Group purchased net 1% share of its consolidated subsidiary Çimtaş at an amount of U.S. Dollars 3,230 and recognized goodwill amounting to U.S. Dollars 1,441 in its consolidated financial statements. As a result of this purchase the Group increased the shareholding percentage to 96.34%.

In 2008, the Group acquired the 32.07% share of its consolidated subsidiaries Kaskaş Arabia Ltd at an amount of U.S. Dollars 1,596 and increased the shareholding percentage to 96.31%. As a result of this acquisition of minority interest, the Group has reflected negative goodwill amounting to U.S. Dollars 767 to the consolidated income statement, which is included in other operating income.

On April 28, 2008, the Group acquired 1.9% share of its consolidated subsidiaries Enka Teknik at an amount of U.S. Dollars 300 and increased the shareholding percentage to 77.40%

The Group purchased net 4% share of its consolidated subsidiary MKH at an amount of U.S. Dollars 1,069 and recognized negative goodwill amounting to U.S. Dollars 15,079 in its consolidated financial statements. As a result of this purchase the Group increased the shareholding percentage to 56%.

As of December 31, 2008 and 2007, the movement of sources of goodwill is as follows:

	2008	2007
Beginning of the year, net book value	117,587	55,151
Additions (Note 13)	1,441	173,432
Transfers to asset held for sale	-	(110,996)
Translation gain/loss	(10,487)	-
End of the year, net book value	108,541	117,587

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23. Share capital

	2008		2007	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding	48.34%	400,657	47.85%	281,276
Tara and Gülçelik families	28.97%	240,112	28.88%	169,765
Publicly traded	12.27%	101,698	12.82%	75,360
Enka Spor Eğitim ve Sosyal Yardım Vakfı	6.05%	50,144	6.08%	35,740
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	36,220	4.37%	25,687
	100.00%	828,831	100.00%	587,828

The percentages of ownership of the shareholders are computed over the nominal value of shares.

As of December 31, 2008, the Company's historical issued share capital in the statutory books, is TL 1,200,000 (2007 - TL 900,000), which consisted of 120,000,000,000 (2007 - 90,000,000,000) authorized and fully paid shares each having 0.01 TL nominal value.

The movement of the share capital (in numbers and in historical TL) of the Company during 2008 and 2007 is as follows:

	2008		2007	
	Number	TL	Number	TL
At January 1,	90,000,000,000	900,000	60,000,000,000	600,000
Shares issued in				
- transfer from extraordinary reserve	-	-	976,346,100	9,763
- bonus shares issued out of general reserve	30,000,000,000	300,000	29,023,653,900	290,237
At December 31,	120,000,000,000	1,200,000	90,000,000,000	900,000

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.

24. Legal reserves and accumulated profit

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

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.

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

24. Legal reserves and accumulated profit (continued)

Public companies in Turkey (only applicable for Enka İnşaat and Pimaş) make profit distributions in accordance with the regulations of CMB as described below:

Based on the CMB Decree 7/242, dated February 25, 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. There will be no profit distribution when loss of the period is reported either in the financial statements in accordance with CMB regulations or in the statutory financial statements.

In accordance with the CMB decision number 1/6 dated January 9, 2009, it was resolved that the distribution of the income from operations in 2008 of publicly traded companies would be applied as 20% which is the minimum dividend distribution rate as disclosed in Communiqué IV- 27 article No:5. Corresponding distribution could be made by means of cash, non-cash or bonus share according to resolution taken in annual general meetings.

It was also announced in the CMB decision number 1/6 that without considering the fact that a profit distribution has been declared in the general assemblies of the subsidiaries, joint ventures and associates, which are consolidated into the parent company's financial statements, the net income from these companies that are consolidated into the financial statements of the parent company can be considered when calculating the distributable amount, as long as the statutory reserves of these entities are sufficient for a such profit distribution. After completing these requirements, the parent company may distribute profit by considering the net income included in the consolidated financial statements prepared in accordance with Communiqué No. XI-29 of CMB.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above.

Dividends paid and proposed

During 2008, the dividend distributed by the Company amounted to U.S. Dollars 57,103 (2007 - U.S. Dollars 45,836).

Final dividends are not accounted for until they have been approved at the Annual General Meeting.

The Company did not declare or pay dividends out of the profit for 2008 as of the date of preparation of these financial statements.

Dividend paid per ordinary and founder shares attributable for to equity holders of the parent were Cent 0.031 (full) and U.S. Dollars 2,531 (full) respectively for the year 2007.

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25. 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 December 31, 2008.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

The calculation of basic earnings per share presented are as follows:

	December 31, 2008	December 31, 2007
Earning per share		
- ordinary share certificate (full cent)	0.4952	0.4788
- founder shares	- (*)	2.53
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	120,000,000,000	120,000,000,000
- founder shares	2,000	2,000

(*) Since 2008 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earning per share is reflected on ordinary share certificates.

26. Related party balances and transactions

Related parties

Parties are considered related to the Group if;

- (a) directly, or indirectly through one or more intermediaries, the party:
- (I) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Company;

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26. Related party balances and transactions

- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

The Group is controlled by Tara Holding (48.34%) and Tara and Gülçelik families (28.97%). 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:

(a) Trade receivables/payables

	2008		2007	
	Receivables	Payables	Receivables	Payables
Associates				
Gretch Unitas	-	126	-	2
Azen Oil BV	-	-	4,964 (*)	-
Other				
Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş. (Derince)	865		833 (*)	-
	865	126	5,797	2

(*) Funds provided by the Group (in U.S. Dollars) with interest rates Libor + 0.5%.

(b) Other receivables/payables

	2008		2007	
	Receivables	Payables	Receivables	Payables
Shareholders	10,420 (*)	710	-	764
	10,420	710	-	764

(*) Funds provided by the Group (in U.S. Dollars) to shareholders with interest rates Libor + 2%.

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26. Related party balances and transactions (continued)

(c) Transactions during the year

	2008	2007
Sales and services to related parties		
Sales	28	30
Associates	28	30
Rent income	271	257
Associates	259	247
Other	12	10

The Group obtained U.S. Dollars 1,976 (2007 – U.S. Dollars 1,285) dividend income in 2008.

Directors' remuneration

The executive management of the Group received remuneration totaling U.S. Dollars 21,794 (2007 – U.S. Dollars 20,189). As of December 31, 2008, the social security payment and accrued full retirement pay liability is U.S. Dollars 1,545 (2007 – U.S. Dollar 437) and U.S. Dollar 1,686 (2007 – U.S. Dollar 1,203) respectively.

27. Revenues and expenses

	2008	2007
Other operating income		
Gain from sale of investment	187,954 (*)	-
Gain from change in fair value of investment property (Note 16)	85,737	53,713
Gain from sales of property, plant and equipment	37,892	16,566
Negative goodwill (Note 22)	15,846	-
Commission income	7,534	8,856
Machinery rent income	3,672	2,728
Insurance compensation income	-	655
Service income	496	495
Other	9,264	4,839
	348,395	87,852

(*) Including the goodwill amounting U.S. Dollars 109,883 disposed of during the sale of Enka TC assets held for sale.

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Notes to consolidated financial statements (continued)

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27. Revenues and expenses (continued)

	2008	2007
Other operating expense		
Expenses of closed stores	22,058	3,849
Donations	5,811	3,413
Loss from sales of property, plant and equipment	5,249	711
Provision for doubtful receivables	3,310	8,750
Cost of contracts completed in prior years	2,645	4,361
Depreciation expense	458	1,816
Bonus accrual	217	3,572
Allowance for the change in fair value in asset held for sale	153	4,875
Provision for condemnation	-	4,631
Commission expense	60	2,480
Others	1,511	4,887
	41,472	43,345
Financial income		
Foreign exchange gains	77,998	99,409
Interest income	50,580	63,987
Income from sale of investment securities	18,464	22,401
Forward income	5,424	6,077
Dividend income	1,976	1,285
Others	2,547	1,209
	156,989	194,368
Financial expenses		
Foreign exchange losses	180,992	53,212
Interest expenses	80,448	90,755
Impairment on the available for sale equity securities	18,158	-
Deferred financing cost	11,960	12,889
Bank commission expenses	5,571	3,604
Forward losses	3,870	5,224
Commission expenses of letters of guarantee	2,886	1,876
Others	1,290	91
	305,175	167,651

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27. Revenues and expenses (continued)

Depreciation, amortisation and cost of inventories recognized as expense included in consolidated income statement is as follows:

	2008	2007
Depreciation included in		
Cost of revenues	137,403	114,214
Selling and administrative expenses	20,318	25,048
Other operating expense	458	1,816
Inventory	442	279
	158,621	141,357
Amortization included in		
Selling and administrative expenses	893	746
Cost of revenues	143	86
	1,036	832
Staff costs		
Wages and salaries	470,348	331,668
Social security costs	104,269	53,098
Other benefits	33,999	22,908
Provision for employee termination benefits	3,218	3,248
	611,834	410,922

28. Commitments and contingencies

Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group due to its operations in Russia are as follows as of December 31:

	2008	2007
Within one year	14,130	27,214
After one year but not more than five years	45,955	84,663
More than five years	60,327	66,467
	120,412	178,344

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28. Commitments and contingencies (continued)

Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at December 31, 2008 and 2007 is as follows:

	2008	2007
Within one year	288,506	210,639
After one year but not more than five years	688,095	601,194
More than five years	9,326	-
	985,927	811,833

Finance lease commitments

The Group has finance leases for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease, Future minimum lease payments under finance leases are as follows:

	2008		2007	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
Within one year	2,608	2,539	3,977	3,892
After one year but not more than five years	9,202	9,088	10,338	10,159
More than five years	49,316	49,316	54,430	54,426
Total financial lease debt	61,126	60,943	68,745	68,477
Less amounts representing finance charges	(183)	-	(268)	-
Present value of minimum lease payments	60,943	60,943	68,477	68,477

Litigations

- In the year 2004, a case is opened against Enka Pazarlama, one of the consolidated subsidiaries, regarding the non-compliance with respect to the payment of the period commissions of the guarantee given by a local bank in favor of Iran GTC Company. The Group management believes that the case will result in favor of the Group.
- As of December 31, 2008, the Group has unbilled progress claims from its foreign worksite job owners amounting to U.S. Dollars 71,429 which are currently in the legal process. The job owners have counter claims amounting to U.S. Dollars 69,400.

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Notes to consolidated financial statements (continued)

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28. Commitments and contingencies (continued)

Others

- The operations and financial positions of the companies operating in Russia may be impacted by the political, monetary and fiscal practices that may be applied in the Russian Federations. As of December 31, 2008, the Group does not believe that any material matters exist relating to fiscal and regulatory environment in Russia, including current pending or future governmental claims and demands, which would require adjustment to the consolidated financial statements in order for those statements not to be misleading.
- The Group has a progress billing amounting to 5,000 U.S. Dollars from its job owner in Tengiz, Kazakhstan project, PFD International LLP, which is in conflict. As of the date of the consolidated financial statements, related negotiations are still in progress.
- The Group has signed a pledge and assignment agreement dated as of October 27, 2000, with Westdeutsche Landesbank Girozentrale İstanbul Branch (Onshore Collateral Agent) in return of the loans obtained by the Power Companies. The Group has pledged and assigned all of its shares in these companies to the Onshore Collateral Agent for the benefit of the financial institutions.
- As of December 31, 2008, the Group has outstanding letters of guarantee and collaterals amounting to U.S. Dollars 1,476,037 (2007 – U.S. Dollars 1,786,733) obtained from various banks and given to local and foreign banks, custom authorities, local and foreign government institutions and contract parties for contract advances, project transactions and bank borrowings obtained, of which U.S. Dollars 302,861 (2007 - U.S. Dollars 355,275) are related to joint ventures.
- There are some existing and probable lawsuits against Enka TC by tax authorities with mainly respect to VAT and corporate tax calculations. The Group has reflected provision amounting to U.S. Dollars 7,188 related to those filings, in its consolidated financial statements.
- As of December 31, 2008, Pimaş has export commitments at the amount of U.S. Dollars 2,000 (2007 – U.S. Dollars 3,362), TL 14,125 (2007 - TL 10,875) and Euro 1,000 (2007 – Euro 2,500) with respect to the foreign currency loans with export commitments.

29. Derivatives

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. Derivative financial instruments include foreign currency forwards and interest rate caps.

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.

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29. Derivatives (continued)

The fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

	Unrecognized (Loss)	December 31, 2008		
		1 to 12 months	2 to 3 years	4 to 5 years
Derivative instruments	(6,163)	-	-	-
Forward contracts sales agreements	-	56,246	-	-
Forward contracts purchase agreements	-	50,894	-	-

	Unrecognized (Loss)	December 31, 2007		
		1 to 12 months	2 to 3 years	4 to 5 years
Derivative instruments	(7,875)	-	-	-
Forward contracts sales agreements	-	91,252	50,996	-
Forward contracts purchase agreements	-	95,783	60,674	-

30. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, investment securities, finance leases, 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 board / management reviews and agrees policies for managing each of these risks and they are summarized below. The Group monitors the market price risk arising from all financial instruments periodically.

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30. Financial risk management objectives and policies (continued)

Capital 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.

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 December 31, 2008 and 2007.

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 following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the floating rate borrowings of the Group's profit before tax for the years ended December 31, 2008 and 2007:

Increase in interest rates	Effects on profit before tax	
	December 31, 2008	December 31, 2007
1%	8,184	7,375

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 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.

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30. Financial risk management objectives and policies (continued)

	December 31, 2008						
	TL	USD equivalent	Euro	USD equivalent	Other USD (*)	USD (**)	Total USD equivalent
Cash and cash equivalents	18,045	11,932	119,394	169,014	51,854	136,818	369,618
Investments available-for-sale	68,559	45,334	301,932	427,415	17,098	4,090	493,937
Trade and other receivables	137,659	91,026	75,460	106,821	57,001	5,020	259,868
Other current assets	32,938	21,781	19,004	26,902	4,540	9,588	62,811
Company's share in current assets of joint ventures	(1)	(1)	355	503	3,623	188	4,313
Current assets	257,200	170,072	516,145	730,655	134,116	155,704	1,190,547
Trade and other receivables	-	-	20,147	28,520	4,031	71	32,622
Other non-current assets	2,605	1,723	3,225	4,565	3,244	5,326	14,858
Non-current assets	2,605	1,723	23,372	33,085	7,275	5,397	47,480
Total assets	259,805	171,795	539,517	763,740	141,391	161,101	1,238,027
Short-term borrowings	260	172	73,173	103,584	45,305	67,276	216,337
Trade payables	138,910	91,853	18,483	26,165	41,610	5,061	164,689
Other payables (short-term)	61	40	64,871	91,831	19,566	17,528	128,965
Other current liabilities and accrued expenses	45,715	30,229	15,702	22,227	25,501	10,478	88,435
Company's share in current liabilities of joint ventures	1	1	242	343	16,693	6,750	23,787
Current liabilities	184,947	122,295	172,471	244,150	148,675	107,093	622,213
Trade payables	-	-	2,352	3,329	-	-	3,329
Company's share in non-current liabilities of joint ventures	-	-	68,400	96,827	72,038	103,668	272,533
Other payables (long-term)	-	-	464	657	-	-	657
Non-current liabilities	-	-	71,216	100,813	72,038	103,668	276,519
Total liabilities	184,947	122,295	243,687	344,963	220,713	210,761	898,732
Net foreign currency position	74,858	49,500	295,830	418,777	(79,322)	(49,660)	339,295
Net notional amount of derivatives	16,607	10,981	(6,000)	(8,494)	14,971	18,700	36,158
Hedging ratio of foreign exchange liabilities	22%		(2%)		(19%)	(38%)	
Export	-	-	68,491	96,956	623	3,996	101,575
Import	5,103	3,374	175,297	248,150	161,470	67,368	480,362

(*) 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.

	December 31, 2007						
	TL	USD equivalent	Euro	USD equivalent	Other USD (*)	USD (**)	Total USD equivalent
Cash and cash equivalents	113,895	97,789	107,115	157,283	144,773	205,301	605,146
Investments available-for-sale	86,134	73,954	35,666	52,371	7,447	-	133,772
Trade and other receivables	36,197	31,078	68,161	100,085	39,288	16,790	187,241
Other current assets	29,313	25,168	4,337	6,368	53,561	8,194	93,291
Company's share in current assets of joint ventures	-	-	105	154	34,554	459	35,167
Current assets	265,539	227,989	215,384	316,261	279,623	230,744	1,054,617
Trade and other receivables	-	-	16,623	24,409	3,640	93	28,142
Other non-current assets	2,580	2,215	4,267	6,265	1,773	-	10,253
Non-current assets	2,580	2,215	20,890	30,674	5,413	93	38,395
Total assets	268,119	230,204	236,274	346,935	285,036	230,837	1,093,012
Short-term borrowings	305	262	60,983	89,545	21,728	155,542	267,077
Trade payables	50,466	43,330	21,522	31,602	21,784	135,184	231,900
Other payables (short-term)	-	-	20,535	30,153	12,424	482	43,059
Other current liabilities and accrued expenses	19,151	16,443	794	1,166	62,849	(113)	80,345
Company's share in current liabilities of joint ventures	-	-	502	737	57,059	96,476	154,272
Current liabilities	69,922	60,035	104,336	153,203	175,844	387,571	776,653
Trade payables	-	-	1,270	1,865	-	-	1,865
Company's share in non-current liabilities of joint ventures	-	-	68,600	100,729	71,938	377,570	550,237
Other payables (long-term)	-	-	3,374	4,955	113	-	5,068
Non-current liabilities	-	-	73,244	107,549	72,051	377,570	557,170
Total liabilities	69,922	60,035	177,580	260,752	247,895	765,141	1,333,823
Net foreign currency position	198,197	170,169	58,694	86,183	37,141	(534,304)	(240,811)
Net notional amount of derivatives	-	-	(52,002)	(76,358)	49,441	16,352	(10,565)
Hedging ratio of foreign exchange liabilities			89%		133%	3%	
Export	-	-	31,220	45,842	1,707	3,767	51,316
Import	3,745	3,215	160,748	236,036	170,355	62,611	472,217

(*) 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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30. Financial risk management objectives and policies (continued)

The following table demonstrates the sensitivity to a reasonably possible increase of 10% in the exchange rates against functional currency, with all other variables held constant, of the Group's profit before tax and the Group's equity.

Currency	December 31, 2008		December 31, 2007	
	Increase rate	Effect on profit before tax	Increase rate	Effect on profit before tax
U.S. Dollar	10%	(3,096)	10%	(51,794)
Euro	10%	41,028	10%	982
TL	10%	6,048	10%	17,017

Currency	December 31, 2008		December 31, 2007	
	Increase rate	Effect on equity	Increase rate	Effect on equity
Russian Ruble (RR)	10%	13,056	10%	10,644
Euro	10%	28,950	10%	10,796
TL	10%	142	10%	3,116

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. With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and trade receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

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.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

30. Financial risk management objectives and policies (continued)

December 31, 2008	Receivables				Bank deposits	Derivative instruments	Investment available for sale
	Trade receivables		Other receivables				
	Related party	3rd party	Related party	3rd party			
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	-	1,338,659	11,285	1,341	639,295	-	716,677
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	736,948	-	-	-	-	-
A. Financial assets that are either past due or impaired	-	993,460	11,285	1,341	639,295	-	716,677
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	218	-	-	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.**	-	344,471	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	316,221	-	-	-	-	-
D. The amount of financial assets that are impaired	-	510	-	-	-	-	-
- Past due (Gross book value)	-	22,893	-	-	-	-	-
- The amount of impairment (-)	-	(22,383)	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	2,353	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-	-

(*) As of December 31, 2008, trade receivables from TETAS amounting to U.S. Dollar 682,636 are guaranteed by Turkish Treasury. Total guarantees and collaterals taken for the long and short term receivables amount to U.S. Dollar 35,205. The Group has also obtained mortgage from the debtors amounting to U.S. Dollar 19,107.

(**) As of December 31, 2008, the Group has past due receivable from TETAS amounting to U.S. Dollar 304,186 which were guaranteed by Turkish Treasury.

December 31, 2008	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue between 1 to 30 days	257,580	-	-	-	-
Overdue between 1 to 3 months	14,215	-	-	-	-
Overdue between 3 to 12 months	47,175	-	-	-	-
Overdue between 1 to 5 years	24,844	-	-	-	-
Overdue over 5 years	657	-	-	-	-
	344,471				

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

30. Financial risk management objectives and policies (continued)

December 31, 2007	Receivables				Bank deposits	Derivative instruments	Investment available for sale
	Trade receivables		Other receivables				
	Related party	3rd party	Related party	3rd party			
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	-	758,197	5,797	1,933	1,052,856	-	428,036
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	323,330	-	-	-	-	-
A. Financial assets that are either past due or impaired	-	716,528	5,797	1,933	1,052,856	-	428,036
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.	-	41,669	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	37,878	-	-	-	-	-
D. The amount of financial assets that are impaired	-	-	-	-	-	-	-
- Past due (Gross book value)	-	24,721	-	-	-	-	-
- The amount of impairment (-)	-	(24,721)	-	-	-	-	-
- 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	-	-	-	-	-	-	-

(*) As of December 31, 2007, trade receivables from TETAS amounting to U.S. Dollar 290,771 were guaranteed by Turkish Treasury. Total guarantees and collaterals taken for the long and short term receivables amount to U.S. Dollar 19,228. The Group has also obtained mortgage from the debtors amounting to U.S. Dollar 12,632.

(**) As of December 31, 2007, the Group has past due receivable from TETAS amounting to U.S Dollar 30,665 which were guaranteed by Turkish Treasury.

December 31, 2007	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue between 1 to 30 days	6,260	-	-	-	-
Overdue between 1 to 3 months	11,771	-	-	-	-
Overdue between 3 to 12 months	20,425	-	-	-	-
Overdue between 1 to 5 years	3,213	-	-	-	-
Overdue over 5 years	-	-	-	-	-
	41,669	-	-	-	-

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

30. Financial risk management objectives and policies (continued)

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 institution and shareholders.

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

	December 31, 2008				December 31, 2007			
	Less than 1 month	1 to 3 months	3 to 12 months	Total	Less than 1 month	1 to 3 months	3 to 12 months	Total
Current liabilities								
Short-term borrowings	15,379	7,825	23,957	47,161	18,722	16,589	13,886	49,197
Current portion of long-term borrowings	11,117	1,646	353,563	366,326	12,452	41,642	371,986	426,080
Trade and other payables	625,860	149,473	492,444	1,267,777	40,566	552,656	756,995	1,350,217
Company's share in current liabilities of joint ventures	147,549	29,373	13,303	190,225	94,825	48,070	154,355	297,250

	December 31, 2008				December 31, 2007			
	1 to 3 Years	3 to 5 Years	More than 5 years	Total	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-current liabilities								
Trade and other payables	126,672	-	-	126,672	56,148	-	-	56,148
Long-term borrowings	575,186	178,800	129,361	883,347	745,297	249,515	212,233	1,207,045
Company's share in non-current liabilities of joint ventures	-	49,806	-	49,806	58,416	-	-	58,416

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.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

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Notes to consolidated financial statements (continued)

December 31, 2008

(Amounts expressed in thousands of U.S. Dollars unless otherwise indicated. All other currencies are also expressed in thousands.)

30. Financial risk management objectives and policies (continued)

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

- 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.
- 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.

31. Subsequent events

Subsequent to December 31, 2008, with respect to the protocol signed with O'KEY LLC, the Group management continued its negotiations with the landlords, to handover the three rental stores.