

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

**Consolidated Financial Statements
March 31, 2006**

ENKA İNŞAAT VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED BALANCE SHEET

As at March 31, 2006

(Currency -- U.S. Dollars)

ASSETS

| | Notes | March 31, 2006 | December 31, 2005 |
|--|-------|----------------------|----------------------|
| Current assets | | | |
| Cash and cash equivalents | 4 | 699,251,540 | 590,212,836 |
| Investments available-for-sale | 5 | 184,247,711 | 163,324,087 |
| Trade and other accounts receivable | 6 | 432,135,115 | 487,922,817 |
| Inventories | 7 | 141,222,172 | 147,664,872 |
| Other current assets | 8 | 105,431,927 | 105,845,550 |
| Company's share in current assets of joint ventures | 9 | 107,487,327 | 107,789,020 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 10 | 36,262,853 | 5,455,001 |
| Total current assets | | 1,706,038,645 | 1,608,214,183 |
| Non-current assets | | | |
| Trade and other accounts receivable | 6 | 32,269,001 | 31,160,653 |
| Investments in associates | 11 | 4,542,365 | 4,771,175 |
| Investments available-for-sale | 5 | 1,236,499 | 1,256,571 |
| Property, plant and equipment Company | | | |
| <i>Buildings</i> | 13 | 322,688,188 | 312,973,096 |
| <i>Other property, plant and equipments</i> | 13 | 1,722,769,355 | 1,714,691,536 |
| Company's share in joint ventures | 9 | 49,288,968 | 47,420,771 |
| Intangible assets | 14 | 18,290,654 | 18,350,153 |
| Goodwill | 21 | 55,151,210 | 55,151,210 |
| Investment properties | 15 | 709,144,719 | 693,848,532 |
| Other non-current assets | 8 | 44,788,453 | 43,972,998 |
| Deferred tax asset | 19 | 136,695,470 | 144,325,971 |
| Company's share in non-current assets of joint ventures | 9 | 43,223 | 44,534 |
| Total non-current assets | | 3,096,908,105 | 3,067,967,200 |
| Total assets | | 4,802,946,750 | 4,676,181,383 |

The accompanying policies and explanatory notes on pages 6 through 63 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED BALANCE SHEET

As at March 31, 2006

(Currency -- U.S. Dollars)

LIABILITIES AND EQUITY

| | Notes | March 31, 2006 | December 31, 2005 |
|---|-------|----------------------|----------------------|
| Current liabilities | | | |
| Short-term borrowings | 16 | 36,843,787 | 40,963,462 |
| Current portion of long-term borrowings | 16 | 251,103,929 | 225,371,287 |
| Trade and other payables | 17 | 349,918,465 | 387,288,064 |
| Other current liabilities and accrued expenses | 18 | 83,800,031 | 90,056,709 |
| Taxation on income | 19 | 8,462,496 | 8,075,168 |
| Company's share in current liabilities of joint ventures | 9 | 49,547,956 | 63,666,031 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 10 | 13,849,306 | 14,711,782 |
| Total current liabilities | | 793,525,970 | 830,132,503 |
| Non-current liabilities | | | |
| Trade and other payables | 17 | 30,718,990 | 36,128,399 |
| Long-term borrowings | 16 | 1,292,550,199 | 1,267,855,754 |
| Employee termination benefit | 20 | 9,855,943 | 10,279,263 |
| Deferred tax liability | 19 | 170,493,393 | 167,899,481 |
| Deferred revenue | 18 | 488,226,055 | 457,234,091 |
| Company's share in non-current liabilities of joint ventures | 9 | 21,479,040 | 8,973,342 |
| Total non-current liabilities | | 2,013,323,620 | 1,948,370,330 |
| Equity | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | 22 | 189,180,014 | 189,180,014 |
| Revaluation surplus | 13 | 79,055,260 | 78,929,893 |
| Currency translation difference | | 35,865,528 | 22,869,977 |
| Other reserves | | (3,229,612) | (1,541,739) |
| Legal reserves and accumulated profit | 23 | 1,506,145,073 | 1,427,352,942 |
| Minority interest | | 189,080,897 | 180,887,463 |
| Total equity | | 1,996,097,160 | 1,897,678,550 |
| Total equity and liabilities | | 4,802,946,750 | 4,676,181,383 |

The accompanying policies and explanatory notes on pages 6 through 63 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the period ended March 31, 2006

(Currency -- U.S. Dollars)

| | Notes | March 31, 2006 | March 31, 2005 |
|---|-------|--------------------|--------------------|
| Revenues | | 822,873,149 | 648,648,619 |
| Cost of revenues | | (661,737,345) | (513,029,328) |
| Gross profit | | 161,135,804 | 135,619,291 |
| Selling and administrative expenses | | (48,915,045) | (41,511,020) |
| Other operating income | 26 | 3,492,482 | 8,442,301 |
| Other operating expense | 26 | (5,073,421) | (2,800,941) |
| Profit from operations | | 110,639,820 | 99,749,631 |
| Financial income | 26 | 16,393,662 | 17,337,513 |
| Financial expenses | 26 | (25,743,556) | (27,763,820) |
| Income from associates | | (296,186) | 1,326,878 |
| Profit from operations before taxes | | 100,993,740 | 90,650,202 |
| Taxation charge | | | |
| Current | 19 | (10,918,958) | (7,953,618) |
| Deferred | 19 | (6,516,105) | (9,317,432) |
| Net profit for the period | | 83,558,677 | 73,379,152 |
| Attributable to : | | | |
| Equity holders of the parent | | 78,560,031 | 65,934,616 |
| Minority interest | | 4,998,646 | 7,444,536 |
| Net profit | | 83,558,677 | 73,379,152 |
| Weighted average number of shares | 22 | 30,000,000,000 | 30,000,000,000 |
| Basic earnings per share attributable to equity holders of the parent - U.S. Dollar | 24 | 0.0026 | 0.0022 |

The accompanying policies and explanatory notes on pages 6 through 63 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 period ended March 31, 2006

(Currency -- U.S. Dollars)

| | Attributable to equity holders of the parent | | | | | Total | Minority interest | Total equity |
|---|--|---------------------|---------------------------------|--------------------|---------------------------------------|----------------------|--------------------|----------------------|
| | Share Capital | Revaluation Surplus | Currency Translation Difference | Other Reserves | Legal Reserves and Accumulated Profit | | | |
| Balances, January 01, 2005 | 115,952,128 | 14,819,725 | 45,936,648 | 1,824,533 | 1,221,658,854 | 1,400,191,888 | 167,646,372 | 1,567,838,260 |
| Currency translation difference | - | 1,901 | (23,066,671) | - | - | (23,064,770) | (5,074,685) | (28,139,455) |
| Share capital increase from general reserve | 73,227,886 | - | - | - | (73,227,886) | - | - | - |
| Transfer of depreciation difference (net of deferred tax) of revaluation effect | - | (867,513) | - | - | 867,513 | - | - | - |
| Revaluation of buildings | - | 64,975,780 | - | - | - | 64,975,780 | 20,157,644 | 85,133,424 |
| Fair value adjustment on derivative assets | - | - | - | (285,251) | - | (285,251) | - | (285,251) |
| Net change in unrealized loss on available-for-sale investments | - | - | - | (3,081,021) | - | (3,081,021) | - | (3,081,021) |
| Acquisition of minority interest in a subsidiary | - | - | - | - | - | - | (21,740,744) | (21,740,744) |
| Dividends paid | - | - | - | - | (26,607,055) | (26,607,055) | (28,015,516) | (54,622,571) |
| Net profit | - | - | - | - | 304,661,516 | 304,661,516 | 47,914,392 | 352,575,908 |
| Balances, December 31, 2005 | 189,180,014 | 78,929,893 | 22,869,977 | (1,541,739) | 1,427,352,942 | 1,716,791,087 | 180,887,463 | 1,897,678,550 |
| Currency translation difference | - | 357,467 | 12,995,551 | - | - | 13,353,018 | 5,922,738 | 19,275,756 |
| Share capital increase from general reserve | - | - | - | - | - | - | - | - |
| Transfer of depreciation difference (net of deferred tax) of revaluation effect | - | (232,100) | - | - | 232,100 | - | - | - |
| Revaluation of buildings | - | - | - | - | - | - | - | - |
| Fair value adjustment on derivative assets | - | - | - | 218,391 | - | 218,391 | - | 218,391 |
| Net change in unrealized loss on available-for-sale investments | - | - | - | (1,906,264) | - | (1,906,264) | - | (1,906,264) |
| Acquisition of minority interest in a subsidiary | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | (2,727,950) | (2,727,950) |
| Net profit | - | - | - | - | 78,560,031 | 78,560,031 | 4,998,646 | 83,558,677 |
| Balances, March 31, 2006 | 189,180,014 | 79,055,260 | 35,865,528 | (3,229,612) | 1,506,145,073 | 1,807,016,263 | 189,080,897 | 1,996,097,160 |

The accompanying policies and explanatory notes on pages 6 through 63 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

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 30, 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. After the merger, shares of Enka İnşaat are traded publicly in İstanbul Stock Exchange.

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 natural gas fired electrical energy generation facilities.

Russian Federation and Kazakhstan: engaged in construction activities in Russia, Kazakhstan 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, and also plans to construct further hyperstores and smaller shopping centers.

Africa : engaged in construction activities in different countries.

Asia : engaged in construction activities in Nepal.

Europe : engaged in construction and trading activities in Croatia, Romania, Germany and Holland.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

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 |
|--|-------------------------------|--------------------------|
| Çimtaş Çelik İmalat Montaj ve Tesisat Anonim Şirketi (Çimtaş) | Construction | Turkey |
| Enmar Closed Joint-Stock Company (Enmar) | Construction | Russia |
| Kasktaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit Anonim Şirketi (Kasktaş) | Construction | Turkey |
| Titaş Toprak İnşaat ve Taahhüt Anonim Şirketi (Titaş) | Construction | Turkey |
| Enka Teknik Genel Müteahhitlik, Bakım, İşletme, Sevkiyat ve İdare Anonim Şirketi (Enka Teknik) | Construction | Turkey |
| Pimaş Plastik İnşaat Malzemeleri Anonim Şirketi (Pimaş) | Manufacturing | Turkey |
| Kelebek Mobilya ve Kontrplak Sanayi Anonim Şirketi (Kelebek Mobilya) | Manufacturing | Turkey |
| Altaş El Aletleri Dövme Çelik Sanayi ve Ticaret Anonim Şirketi (Altaş) | Trade | Turkey |
| Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama) | Trade | Turkey |
| Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş) | Trade | Turkey |
| Entrade GmbH (Entrade) | Trade | Germany |
| Air Enka Hava Taşımacılığı A.Ş. (Air Enka) | Trade | Turkey |
| Enka Holding B.V. | Investment Company | Holland |
| Enka Holding Investment S.A. | Investment Company | Switzerland |
| Moskva Krosnye Holmy (MKH) | Rental | Russia |
| Opened Joint-Stock Company Mosenka (Mosenka) | Rental | Russia |
| İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) | Energy | Turkey |
| Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) | Energy | Turkey |
| Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı Elektrik) | Energy | Turkey |
| Enka Adapazarı Power Investment B.V (Adapazarı B.V) | Investment Company | Holland |
| Enka Gebze Power Investment B.V (Gebze B.V) | Investment Company | Holland |
| Enka İzmir Power Investment B.V (İzmir B.V) | Investment Company | Holland |
| Enka Power Investment B.V. | Investment Company | Holland |

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 project, as listed below:

Bechtel-Enka Joint Venture (Kazakhstan)
Bechtel-Enka Joint Venture Bautino (Kazakhstan)
Bechtel-Enka Joint Venture Okioc (Kazakhstan)
Bechtel-Enka joint Venture (Holland)
Bechtel International Incorporation (Croatia)
Bechtel-Enka Power Projects (Turkey)
Cadell Construction Company Inc. (Asia)
Cadell Construction Company Inc. (Africa)
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin / Russia)
Bechtel-Enka Joint Venture (Romania)
Bechtel-Kentech International Limited (Grand-Cayman Islands)

Enka İnşaat has also 50% ownership in Limited Liability Company Ramenka, which is domiciled in Russia and operates retail supermarkets and rents floor spaces of the shopping malls to other trading companies.

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint ventures are hereinafter referred to as “the Group”. İzmir Elektrik, Adapazarı Elektrik and Gebze Elektrik here and after are also referred to as “Power Companies”.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings and available-for-sale financial assets which are measured at fair value. The consolidated financial statements are presented in U.S. Dollars. The Group adopted all standards, which were mandatory as of March 31, 2006.

Enka İnşaat and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in New Turkish Lira (YTL) 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 in U.S. Dollars 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 application of IAS 29 ("Financial Reporting in Hyperinflationary Economies").

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new/revised standards mandatory for financial years beginning on or after January 1, 2005.

In summary:

IAS 1 (revised) "Presentation of Financial Statements" has affected the presentation of minority interest and other disclosures.

IAS 21 (revised) "The Effects of Changes in Foreign Exchange Rates" had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. The term 'functional currency' replaced 'measurement currency', but has essentially the same meaning.

IAS 24 (revised) "Related Party Disclosures" has affected the identification and definition of related parties and some other related party disclosures.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 40 (revised 2004) Investment Property; In accordance with the transitional provisions the Company can now classify operating leases as investment property under the fair value model provided that the rest of the definition of investment property is met. Such operating leases would be accounted for as if they were finance leases. This classification alternative is available on a property-by-property basis.

IFRS 3 “Business Combinations”, IAS 36 (revised) “Impairment of Assets” and IAS 38 (revised) “Intangible Assets” resulted in the Group ceasing annual goodwill amortization and commencing testing for impairment at the cash-generating level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from January 1, 2005. Based on the transitional provision of IFRS 3, negative goodwill, net as of December 31, 2004 was credited to the opening balance of accumulated profit. The total effect resulted in an increase in opening accumulated profits at the amount of U.S. Dollar 17,037,868.

Due to adoption of revised IAS 39, the difference between interest calculated by using effective interest rate method and the fair value of available for sale portfolio as of December 31, 2004 are debited to opening accumulated profits at the amount of U.S. Dollar 4,218,432.

The adoption of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, IAS 10 “Events After the Balance Sheet Date”, IAS 16 “Property, Plant and Equipment”, IAS 17 “Leases”, IAS 27 “Consolidated and Separate Financial Statements”, IAS 28 “Investments in Associates”, IAS 32 “Financial Instruments: Disclosure and Presentation” (all revised) and IFRS 4 “Insurance Contracts” and IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” had no material effect on the Group’s financial position.

2.3 Summary of Significant Accounting Policies, Judgments and Estimates

Judgments and Estimates

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. Management 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 judgments and estimates that may have a significant effect on amounts recognized in the consolidated financial statements are discussed in the relevant sections of this note below.

Functional and Presentation Currency

As significant amount of construction 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 currency of the parent and the majority of its operating and the presentation currency of the Group in line with IAS 21 and IAS 29 - Financial Reporting in Hyperinflationary Economies. 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 U.S. Dollar) 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.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The functional currency of certain subsidiaries operating in Turkey is New Turkish Lira (YTL). Since Turkish Economy is considered as hyperinflationary in 2005 and 2004, such subsidiaries restated their financial statements under the provisions of IAS 29, before translating into U.S. Dollar. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (the U.S. Dollar) at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of these subsidiaries, the deferred cumulative amount recognised in equity relating to that particular operation is recognized in the income statement.

As a result of a long period of high inflation, the Turkish Lira (TL) has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted in January 31, 2004 to introduce Yeni Türk Lirası (New Turkish Lira, YTL), the new currency unit for the Republic of Turkey. Conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 through out the period until complete phase-out of TL.

The main guidelines for the translation within the context of IAS 21 are as follows:

Monetary assets and liabilities are translated from New Turkish Lira and other currencies into U.S. Dollar at exchange rates prevailing at the respective balance sheet dates. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at the transaction dates and revenues and costs are translated at the monthly average exchange rates.

Exchange gains and losses arising from translation of monetary assets and liabilities that are not denominated in U.S. Dollar are credited or charged to consolidated statement of income as net translation gain or loss.

Within Turkey, official exchange rates of the New Turkish Lira (YTL) 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.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The rates used as of March 31, 2006 and December 31, 2005, the rate for the preparation of the consolidated financial statements for one U.S. Dollar can be summarized as below:

| | March 31, 2006 | | December 31, 2005 | |
|-------------|-----------------------|---------------------|--------------------------|---------------------|
| U.S. Dollar | 1,3427 | YTL | 1.3418 | YTL |
| | 27.76 | RR | 28.78 | RR |
| | 0.82 | Euro | 0.85 | Euro |
| | 1.306 | Swiss Francs | 1.315 | Swiss Francs |

The translation of assets and liabilities denominated in New 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.

Basis of Consolidation and Goodwill

The consolidated financial statements comprise the financial statements of the Company, its joint ventures and its subsidiaries as at March 31, 2006 and December 31, 2005. The financial statements of the joint ventures and the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The subsidiaries included in consolidation and their shareholding percentages at March 31, 2006 and December 31, 2005 are as follows:

| Company Name | Direct / Indirect Ownership | |
|---|-----------------------------|-------------------|
| | March 31, 2006 | December 31, 2005 |
| Enka Holding B.V. | 100.00% | 100.00% |
| Enka Holding Investment S.A. | 100.00% | 100.00% |
| Enmar | 100.00% | 100.00% |
| Entrade | 100.00% | 100.00% |
| Adapazarı B.V | 100.00% | 100.00% |
| Gebze B.V | 100.00% | 100.00% |
| İzmir 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% |
| Air Enka | 99.99% | 99.99% |
| Enka Pazarlama | 99.97% | 99.97% |
| Metra Akdeniz Dış Ticaret Anonim Şirketi | 99.97% | 99.97% |
| Enmar Trading | 99.97% | 99.97% |
| Entaş | 99.93% | 99.93% |
| Kaskaş | 96.31% | 96.31% |
| Çimtaş | 95.26% | 95.26% |
| Çimtaş Mechanical Contracting B.V. | 95.26% | 95.26% |
| Çimtaş (Ningbo) Steel Processing Company Ltd. | 95.26% | 95.26% |
| Titaş | 91.91% | 91.91% |
| Burtrak Burdur Traktör ve Önyükleyici Sanayi Ticaret Anonim Şirketi (Burtrak) | 90.05% | 90.05% |
| Pimaş | 87.25% | 87.25% |
| Pimapen Joint Stock Company (*) | 87.25% | 87.25% |
| Pimapen Logistic Center SRL (*) | 87.25% | 87.25% |
| Envin Window Systems B.V.I. (*) | 87.24% | 87.24% |
| Altaş | 86.12% | 86.12% |
| Susanbaş Değirmencilik A.Ş. | 83.80% | 83.80% |
| Enka Teknik | 75.50% | 75.50% |
| Enka Oil and Gas B.V. (*) | 75.50% | 75.50% |
| Kaskaş Arabia Ltd. (*) | 64.23% | 64.23% |
| Kelebek Mobilya | 63.08% | 63.08% |
| ZAO Kelebek (*) | 63.08% | 63.08% |
| 2K Oturma Grupları San. ve Tic. A.Ş. (*) | 63.08% | 63.08% |
| 3K Mobilya Dekorasyon San. ve Tic. A.Ş. (*) | 63.08% | 63.08% |
| Mosenska | 55.00% | 55.00% |
| MKH | 52.00% | 52.00% |

(*) In 2005 Kaskaş Moscow branch and Kaskaş Arabia Ltd. were consolidated in Kaskaş financial statements, Enka Oil and Gas B.V. were consolidated in Enka Teknik financial statements, Pimapen Joint Stock Company (Pimapen Moscow), Pimapen Logistic Center SRL (Pimapen Romania) and Envin Window Systems B.V.I. (Pimapen Hollanda) were consolidated in Pimaş's financial statements and ZAO Kelebek, 2K Oturma Grupları San. ve Tic. A.Ş. and 3K Mobilya Dekorasyon San. ve Tic. A.Ş. were consolidated in Kelebek Mobilya's financial statements. As of December 31, 2005, the effect of first time consolidation of such entities amounting U.S. Dollars 7,040,633 were reflected in the other operating income.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture

The Group has interests in joint ventures which include jointly controlled operations and a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. The Group recognizes its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets and liabilities of the jointly controlled operations with the similar items on aggregate basis in its consolidated financial statements.

The financial statements of the joint venture 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.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

In respect of the Group's interests in jointly controlled entity which is a joint venture that involves the establishment of a separate entity in which each venturer has an interest, the Group combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its consolidated financial statements.

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

| Joint Venture | March 31, 2006 | December 31, 2005 |
|--|-------------------|----------------------|
| Bechtel-Enka Joint Venture (Kazakhstan) | 50 | 50 |
| Bechtel -Enka Joint Venture Bautino (Kazakhstan) | 50 | 50 |
| Bechtel -Enka Joint Venture Okioc (Kazakhstan) | 50 | 50 |
| Bechtel-Enka Joint Venture (Holland) | 35 | 35 |
| Bechtel International Incorporation (Croatia) | 50 | 50 |
| Bechtel - Enka Power Projects (Turkey) | 50 | 50 |
| Cadell Construction Company Inc. (Asia) | 50 | 50 |
| Cadell Construction Company Inc. (Africa) | 50 | 50 |
| Bechtel-Enka Technostroyexport Joint Venture (Sakhalin / Russia) | 50 | 50 |
| Bechtel-Enka Joint Venture (Romania) | 50 | 50 |
| Bechtel-Kentech International Limited (Grand Cayman Islands) | 50 | 50 |
| Limited Liability Company Ramenka (Russia) | 50 | 50 |

The Company has combined its share of the assets, liabilities, income and expense of Ramenka with the similar items in the consolidated financial statements on a line by line basis.

The financial statements of Enka-Ayyıldızlar Müşterek Teşebbüs Ortaklığı, a joint venture of the Company, has not been consolidated on a proportional basis, since the Company does not have power to govern their financials and operating policies so as to obtain benefits from their activities.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

The purchase method of accounting is used for acquired businesses. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of an acquired subsidiary or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is reflected separately in the balance sheets. Following initial recognition goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units. The carrying amount of goodwill at March 31, 2006 and December 31, 2005 was U.S. Dollar 55,151,210 (see Note 21) while based on the impairment tests performed no impairment issue was identified. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to that entity sold. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference (negative goodwill) is recognized directly in the income statement. On December 1, 2005, the Company acquired the remaining 10% of the shares of Power Companies and now owns 100% shares of the Power companies. As a result of this acquisition of minority interest, the Company has recorded an amount of U.S. Dollar 13,793,620 of negative goodwill which is included in Other Operating Income.

Investments in Associates

The Group's investments in associates are accounted for under the equity method of accounting. The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The 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 statement of changes in equity.

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

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

| Company Name | March 31, 2006 | December 31, 2005 |
|---|----------------|-------------------|
| Gretsch- Unitaz Yapı Elemanları San. ve Tic. A.Ş. (Gretsch- Unitaz) | 36.00% | 36.00% |
| Gedora – Atlas El Aletleri Dövme Çelik ve San. Tic. Ltd. (Gedore-Atlas) | 38.20% | 38.20% |
| Azen Oil Company B.V. (Azen Oil) | 37.75% | 37.75% |
| Wall Şehir Dizaynı ve Ticaret Limited Şirketi (Wall Sehir) (*) | - | - |

(*) On 19 December 2005, Enka İnşaat sold its shares in Wall Sehir at an amount of Euro 9,000,000 and recorded U.S. Dollar 6,868,713 gain which is included in Other Operating Income.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Accounts Receivable

Trade receivables of the Group are initially recognized at original invoice amount and are subsequently carried at amortised cost using the effective interest rate method less an allowance for any uncollectible amounts. The collection terms of the long-term trade receivables could extend up to the year of 2010 depending upon the agreement. The average collection term of short term trade receivables are between 30 and 120 days.

Collection terms of contract receivables (billed receivables from execution of construction contracts) vary depending upon the agreement that is generally 30 days.

The allowance for doubtful receivables is established through a provision charged to expense. The allowance is an estimated amount that management believes will be adequate to absorb potential losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables.

Inventories

Inventories are stated 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 first-in, first-out (FIFO) method
- Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity.

The Group also provides an allowance for the slow moving 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

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after 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 settlement date i.e. the date that the asset is delivered to or by the Group. 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.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and payables

Loans and 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 loans and receivables are derecognized or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale. 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 income statement. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models. The cumulative effect of the revision of IAS 39 with respect to available-for-sale investments was accounted for in the accumulated profit as of January 1, 2005.

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.

Where 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. 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. Where 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 profit or loss.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and payables 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 (ie the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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.

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. 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 profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derivative Financial Instruments and Hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency 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 net profit or loss for the year. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or hedges of a net investment in a foreign operation. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge. 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 fair value or 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. 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 or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Power Companies have borrowings with variable interest rates and the Company have derivative assets to hedge the exposure to variability in cash flows due to the change in interest rates. 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. The due dates of the derivative assets are 3 November 2012 and 15 April 2013.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

With the exception of buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. 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.

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 and land improvements | 5-50 years |
| Buildings and barracks | 5-50 years |
| Power plant equipment | 35 years |
| Pipelines | 16 years |
| Electrical interconnection lines | 16 years |
| Machinery and equipment | 5-10 years |
| Motor vehicles | 3-10 years |
| Furniture and fixtures | 5-10 years |
| Scaffolding and formworks | 5 years |
| Others | 5-10 years |

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, 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. Upon disposal, any remaining revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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.

Intangible Assets

Intangible assets include the land lease right and other intangible assets which represent various softwares that are amortized over 2 to 5 years. Land lease rights were amortized over 49 years in accordance with the terms of the land lease agreement.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets

The carrying values of non financial assets, other than goodwill and intangible assets with indefinite life which are 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 statement of income 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 recorded in income or as a revaluation increase.

Investment Properties

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 consolidated 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 profit or loss. 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 profit or loss.

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 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 with the Group companies 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 consolidated income statement.

(b) Defined Contribution Plans

For defined contribution plans the Group pays contributions to publicly administered Social Security Funds 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.

For the Company and its subsidiaries provision was made for maximum amounts payable to employees, based on their accumulated periods of service at the balance sheet dates.

In the normal course of business, 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 consolidated 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

(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. Capitalized leased assets are depreciated over the estimated useful life of the asset or the lease term.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. 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. Lease payments under an operating lease are recognized as an expense on a straight-line basis (except for prepayments) 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

Lease income from operating leases is recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. 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 net profit or loss when the liabilities are derecognized, as well as through the amortisation process.

Accounts Payable

Liabilities for accounts payable which are settled with changing terms up to two years are carried at amortised cost using the effective interest rate method, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Income Tax

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss 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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 for financial reporting purposes. 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.

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.

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 statement of income 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Currency -- U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Revenues from the sale of electricity under long-term contracts are recognized on the average charge per kilowatt-hour over the life of the contract. Both the investment item revenues and the fuel cost item revenues under the contract are levelised accordingly. Revenues in excess of the average are recorded as deferred revenue in the balance sheet and are recognized over the life of the project when actual charges are below the average.

(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.

(e) Rendering of services

Revenue is recognized by reference to the stage of completion.

(f) Interest income

Revenue is recognized as the interest accrues unless collectibility is in doubt.

Borrowing Costs

Interest costs on borrowings to finance the construction of investment property 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 capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic earnings per share for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented is based on the new number of shares.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

3. SEGMENT INFORMATION

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

The segmental information of the Company 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 period ended March 31, 2006 and for the year ended December 31, 2005.

(a) Business Segments :

| | March 31, 2006 | | | | | | Consolidated |
|---|------------------------|-------------|--------------|-------------------------|---------------|--------------|---------------|
| | Construction Contracts | Rental | Retail | Trade and Manufacturing | Energy | Eliminations | |
| Revenues earned | 161,873,448 | 37,489,260 | 69,165,227 | 69,917,653 | 484,427,561 | - | 822,873,149 |
| Inter-segment revenues earned | 32,029,305 | - | - | 1,033,224 | - | (33,062,529) | - |
| Cost of revenues | (124,345,163) | (6,266,737) | (47,082,102) | (60,567,923) | (423,475,420) | - | (661,737,345) |
| Inter-segment cost of revenues | (30,799,328) | - | - | - | - | 30,799,328 | - |
| Gross profit | 38,758,262 | 31,222,523 | 22,083,125 | 10,382,954 | 60,952,141 | (2,263,201) | 161,135,804 |
| Selling and administrative expense | (12,888,937) | (5,834,285) | (16,928,798) | (10,013,680) | (3,249,345) | - | (48,915,045) |
| Other operating income and expense, net | 521,347 | (688,357) | (98,743) | (795,914) | 1,049,720 | (1,568,992) | (1,580,939) |
| Profit from operations | 26,390,672 | 24,699,881 | 5,055,584 | (426,640) | 58,752,516 | (3,832,193) | 110,639,820 |
| Financial income and expense, net | 7,192,271 | 204,365 | 2,396,217 | (1,481,470) | (18,584,536) | 923,259 | (9,349,894) |
| Income from associates | (193,007) | - | - | (103,179) | - | - | (296,186) |
| Profit from operations before taxes | 33,389,936 | 24,904,246 | 7,451,801 | (2,011,289) | 40,167,980 | (2,908,934) | 100,993,740 |
| Taxation charge | | | | | | | |
| Current | | | | | | | (10,918,958) |
| Deferred | | | | | | | (6,516,105) |
| Net profit for the period | | | | | | | 83,558,677 |
| Assets and Liabilities | | | | | | | |
| Segment assets | 513,499,803 | 843,784,273 | 338,240,275 | 252,341,537 | 1,866,596,886 | (56,869,080) | 3,757,593,694 |
| Investment in associates | - | - | - | 5,778,864 | - | - | 5,778,864 |
| Unallocated assets | | | | | | | 1,039,574,192 |
| Total assets | 513,499,803 | 843,784,273 | 338,240,275 | 258,120,401 | 1,866,596,886 | (56,869,080) | 4,802,946,750 |
| Segment liabilities | 376,430,935 | 192,832,657 | 193,130,065 | 206,984,202 | 1,682,796,312 | (24,280,466) | 2,627,893,705 |
| Unallocated liabilities | | | | | | | 178,955,889 |
| Total liabilities | 376,430,935 | 192,832,657 | 193,130,065 | 206,984,202 | 1,682,796,312 | (24,280,466) | 2,806,849,594 |
| Other Segment Information | | | | | | | |
| Capital expenditures | | | | | | | |
| Property, plant and equipment | 12,822,067 | 8,827,891 | 11,515,064 | 1,300,678 | 309,222 | - | 34,774,922 |
| Intangible fixed assets | 737 | 18,751 | - | 63,392 | 41,299 | - | 124,179 |
| Investment properties | - | - | - | - | - | - | - |
| Total capital expenditures | 12,822,804 | 8,846,642 | 11,515,064 | 1,364,070 | 350,521 | - | 34,899,101 |
| Depreciation expense | 7,128,359 | 852,930 | 2,123,291 | 1,052,223 | 13,231,216 | - | 24,388,019 |
| Amortisation | 97,045 | 55,440 | - | 34,451 | 33,737 | - | 220,673 |
| Fair value adjustments | - | - | - | - | - | - | - |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

3. SEGMENT INFORMATION (continued)

| | March 31, 2005 | | | | | | |
|---|------------------------|-------------|--------------|-------------------------|---------------|--------------|---------------|
| | Construction Contracts | Rental | Retail | Trade and Manufacturing | Energy | Eliminations | Consolidated |
| Revenues earned | 123,777,810 | 25,473,527 | 58,310,000 | 58,050,177 | 383,037,105 | | 648,648,619 |
| Inter-segment revenues earned | 45,836,326 | | | 1,055,662 | | (46,891,988) | |
| Cost of revenues | (100,083,362) | (3,670,928) | (41,921,000) | (48,942,012) | (318,412,026) | | (513,029,328) |
| Inter-segment cost of revenues | (40,599,077) | | | | (395,031) | 40,994,108 | |
| Gross profit | 28,931,697 | 21,802,599 | 16,389,000 | 10,163,827 | 64,230,048 | (5,897,880) | 135,619,291 |
| Selling and administrative expense | (12,310,458) | (2,844,969) | (12,554,458) | (9,559,009) | (4,242,126) | - | (41,511,020) |
| Other operating income and expense, net | 7,280,034 | (54,063) | 46,747 | 214,684 | 1,328,778 | (3,174,820) | 5,641,360 |
| Profit from operations | 23,901,273 | 18,903,567 | 3,881,289 | 819,502 | 61,316,700 | (9,072,700) | 99,749,631 |
| Financial income and expense, net | 8,436,045 | (2,107,050) | (619,012) | (1,648,312) | (14,049,887) | (438,091) | (10,426,307) |
| Income from associates | - | - | - | 1,326,878 | - | - | 1,326,878 |
| Profit from operations before taxes | 32,337,318 | 16,796,517 | 3,262,277 | 498,068 | 47,266,813 | (9,510,791) | 90,650,202 |
| Taxation charge | | | | | | | |
| Current | | | | | | | (7,953,618) |
| Deferred | | | | | | | (9,317,432) |
| Net profit for the period | | | | | | | 73,379,152 |

| December 31, 2005 | | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|---------------|--------------|---------------|
| Assets and Liabilities | | | | | | | |
| Segment assets | 482,452,479 | 801,485,865 | 326,364,733 | 265,600,530 | 1,934,871,415 | (57,772,880) | 3,753,002,142 |
| Investment in associates | - | - | - | 4,771,175 | - | - | 4,771,175 |
| Unallocated assets | | | | | | | 918,408,066 |
| Total assets | 482,452,479 | 801,485,865 | 326,364,733 | 271,628,276 | 1,934,871,415 | (57,772,880) | 4,676,181,383 |
| Segment liabilities | 359,695,818 | 184,713,769 | 189,343,000 | 218,491,062 | 1,687,531,754 | (37,217,770) | 2,602,557,633 |
| Unallocated liabilities | | | | | | | 175,945,200 |
| Total liabilities | 359,695,818 | 184,713,769 | 189,343,000 | 218,491,062 | 1,687,531,754 | (37,217,770) | 2,778,502,833 |

| March 31, 2005 | | | | | | | |
|----------------------------------|-----------|------------|-----------|-----------|------------|---|------------|
| Other Segment Information | | | | | | | |
| Capital expenditures | | | | | | | |
| Property, plant and equipment | 7,543,900 | 24,028,856 | 7,740,360 | 2,232,100 | 606,490 | - | 42,151,706 |
| Intangible fixed assets | 5,923 | 177,740 | - | 26,768 | - | - | 210,431 |
| Investment properties | - | - | - | 116,098 | - | - | 116,098 |
| Total capital expenditures | 7,549,823 | 24,206,596 | 7,740,360 | 2,374,966 | 606,490 | - | 42,478,235 |
| Depreciation expense | 6,576,611 | 152,931 | 1,534,500 | 705,685 | 13,297,891 | - | 22,267,618 |
| Amortisation | 2,396 | 133,701 | 28,153 | 61,354 | 23,230 | - | 248,834 |
| Fair value adjustments | - | - | - | - | - | - | - |

(b) Geographical Segments:

| | Turkey | Russian Federation and Kazakhstan | Europe | North Africa and Other | Eliminations | Consolidated |
|--------------------------|---------------|-----------------------------------|------------|------------------------|---------------|---------------|
| OTHER INFORMATION | | | | | | |
| March 31, 2006 | | | | | | |
| Net sales | 569,542,088 | 224,078,440 | 20,595,985 | 8,656,636 | - | 822,873,149 |
| Inter-segment sales | 12,733,544 | 20,027,618 | 301,367 | - | (33,062,529) | - |
| Segment assets | 2,285,523,378 | 1,401,109,551 | 29,221,087 | 98,608,758 | (56,869,080) | 3,757,593,694 |
| Capital expenditures | 4,812,779 | 26,360,309 | 9,223 | 3,716,790 | - | 34,899,101 |
| December 31, 2005 | | | | | | |
| Net sales | 2,073,068,696 | 784,041,052 | 51,751,804 | 93,631,517 | - | 3,002,493,069 |
| Inter-segment sales | 79,415,469 | 155,372,986 | 367,728 | - | (235,156,183) | - |
| Segment assets | 2,358,213,060 | 1,339,270,876 | 79,153,641 | 34,137,446 | (57,772,881) | 3,753,002,142 |
| Capital expenditures | 57,252,044 | 167,715,723 | 11,396,028 | 79,118,900 | - | 315,482,695 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

3. SEGMENT INFORMATION (continued)

| | Turkey | Russian Federation and Kazakhstan | Europe | North Africa and Other | Eliminations | Consolidated |
|-----------------------|---------------|--------------------------------------|-------------|---------------------------|--------------|---------------|
| March 31, 2005 | | | | | | |
| Net sales | 474,673,171 | 182,331,604 | 20,631,983 | 17,903,849 | | 648,648,619 |
| Inter-segment sales | 14,593,746 | 32,298,242 | - | - | (46,891,988) | - |
| Segment assets | 2,522,197,676 | 1,027,408,941 | 140,925,314 | 26,570,314 | (54,624,810) | 3,662,476,435 |
| Capital expenditures | 4,635,072 | 35,155,414 | 1,147,017 | 1,540,732 | - | 42,478,235 |

4. CASH AND CASH EQUIVALENTS

| | March 31, 2006 | December 31, 2005 |
|---|-----------------------|-------------------|
| Cash on hand | 2,950,325 | 2,217,005 |
| Cash in bank-Demand deposits | 291,905,084 | 182,517,755 |
| Cash in bank-Time deposits | 404,174,880 | 404,508,991 |
| Other | 221,251 | 969,085 |
| Total | 699,251,540 | 590,212,836 |
| Less: time deposits with maturity over three months which are blocked in bank accounts as collateral | (219,027,770) | (199,066,601) |
| Cash and cash equivalents at consolidated cash flow statement | 480,223,770 | 391,146,235 |

Interest rates of bank deposits are as follows:

| | March 31, 2006 | December 31, 2005 |
|---|--------------------------|-----------------------|
| Time deposits with maturities less than three months | | |
| U.S. Dollars | | |
| - fixed interest rate | 2.25%-5.50% | 1.85%-4.50% |
| Russian Rouble | 1.00%-5.00% | 1.00%-7.50% |
| Euro | 2.25%-3.25% | 0.50%-3.50% |
| British Pound | 4.35% | 4.35% |
| Swiss Franc | 0.60% | 0.60% |
| YTL | 11.00%-16.50% | 11.00%-14.90% |
| Time deposits with maturities over three months | | |
| U.S. Dollars | | |
| - fixed interest rate | 2.35%-12.90% | 3.00%-12.90% |
| - variable interest rate | Libor+4.25%-5.55% | Libor+4.25%- 5.55% |

As of March 31, 2006, time deposit with maturity over three months has the maximum maturity of March 10, 2011 (December 31, 2005 - September 30, 2010) and they are blocked as collateral against the bank borrowings obtained for various projects and subsidiaries.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

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5. INVESTMENTS AVAILABLE FOR SALE

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

| | March 31, 2006 | | December 31, 2005 | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| | Effective Interest Rate | Amount | Effective Interest Rate | Amount |
| Private sector bonds (international markets) | 1.99%-5.85% | 67,877,206 | 1.99%-5.85% | 66,930,540 |
| Foreign government bonds (international markets) | 3.08%-6.02% | 44,183,541 | 3.08%-6.02% | 45,005,026 |
| Equity securities (international markets) | - | 22,900,684 | - | 21,107,038 |
| (domestic market) | - | 734,791 | - | 2,465,188 |
| Turkish Government Bonds (international markets) | - | - | - | - |
| (domestic market) | 10.26%-17.12% | 18,512,464 | 13.72%-22.92% | 17,730,738 |
| Mutual Funds (international markets) | - | 30,039,025 | - | 10,085,557 |
| (domestic market) | - | - | - | - |
| | | 184,247,711 | | 163,324,087 |

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

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|-------------------|
| Private sector bonds (international markets) | March 10, 2015 | March 10, 2015 |
| Foreign government bonds (international markets) | February 15, 2031 | February 15, 2031 |
| Turkish Government Bonds (international markets) | - | - |
| (domestic market) | February 28, 2010 | June 27, 2007 |

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

| | March 31, 2006 | | December 31, 2005 | |
|---|-------------------------|------------------|-------------------------|------------------|
| | Percentage of Ownership | Amount | Percentage of Ownership | Amount |
| Yapı ve Kredi Bankası A.Ş. (YKB) - listed | less than 1 | 627,366 | less than 1 | 556,256 |
| Bursa Serbest Bölge Kurucu ve İşleticisi A.Ş. – unlisted | 1.00 | 150,000 | 1.00 | 150,000 |
| Türk Sınai Kalkınma Bankası (TSKB) – listed | less than 1 | 296,794 | less than 1 | 387,976 |
| Sınai Mali Yatırım Holding – unlisted | less than 1 | 53,244 | less than 1 | 53,244 |
| Others – unlisted | | 109,095 | | 109,095 |
| | | 1,236,499 | | 1,256,571 |

Non-current Investments Available for Sale :

The fair value of the unlisted available-for-sale investments has been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation technique which are recorded in the balance sheet and the related changes in fair values recorded in the equity are reasonable and the most appropriate at the balance sheet date.

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(Currency -- U.S. Dollars unless otherwise indicated)

5. INVESTMENTS AVAILABLE FOR SALE (continued)

As of March 31, 2006 and December 31, 2005, fair value of TSKB and YKB, whose shares are traded at 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.

6. TRADE AND OTHER RECEIVABLES

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.

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

| | March 31, 2006 | December 31, 2005 |
|---|---------------------|-------------------|
| Trade receivables | 298,594,748 | 346,411,159 |
| Notes and cheques receivables | 63,391,980 | 71,600,714 |
| Contract receivables | 46,077,916 | 47,780,324 |
| Retention receivables | 1,091,303 | 1,105,338 |
| Other receivables | 46,647,796 | 45,093,885 |
| | 455,803,743 | 511,991,420 |
| Less : Allowance for doubtful receivables | (23,668,628) | (24,068,603) |
| | 432,135,115 | 487,922,817 |

Movement of allowance for doubtful receivables is as follows:

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|-------------------|
| Balance at beginning of year | 24,068,603 | 23,532,547 |
| Additional provision | 107,146 | 1,326,392 |
| Restatement and foreign currency translation effect | 39,967 | (32,819) |
| Write-offs | (161,504) | (117,996) |
| Reversal of provision | (385,584) | (639,521) |
| Balance at the end of year | 23,668,628 | 24,068,603 |

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March 31, 2006

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6. TRADE AND OTHER RECEIVABLES (continued)

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

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|-------------------|
| Accrued receivables from Iraq | 115,116,085 | 115,116,085 |
| Notes and cheques receivables | 26,239,658 | 25,140,018 |
| Trade receivables | 2,849,343 | 2,809,650 |
| Other Receivables | 3,180,000 | 3,210,985 |
| Allowance for accrued receivables for Iraq losses | (53,093,086) | (53,093,086) |
| Money received from UNCC to close the some bank borrowing | (30,159,644) | (30,159,644) |
| Money received -- from UNCC by Eximbank (Note 16) | (31,863,355) | (31,863,355) |
| | 32,269,001 | 31,160,653 |

As of March 31, 2006, total collaterals and letter of guarantees obtained to secure certain accounts receivable amounted to U.S. Dollars 29,921,994 (December 31, 2005 - U.S. Dollars 29,203,701). Furthermore, mortgages amounted to U.S. Dollars 5,950,526 (December 31, 2005 - U.S. Dollars 6,441,526).

Accrued receivables for Iraq losses

The Company'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 80,699,079 and Deutsche Marks 4,382,267 (Euro 2,240,617) were transferred to Eximbank and, additionally, with respect to certain other bank loans amounting to U.S. Dollars 30,159,644, Eximbank provided letters of guarantee for the same amount to the related banks.

The Company had accrued for Iraq receivables in its consolidated financial statements at an amount of U.S. Dollars 115,116,085 on a conservative basis keeping the total amount at the level of cash facilities provided by Eximbank. As a result of the claim filed to the United Nations Compensation Commission (UNCC) to compensate for its losses, the Company was entitled to receive compensation at the amount of U.S. Dollars 62,022,999 that was received by Eximbank. Accordingly, Eximbank closed the loans amounting to U.S. Dollars 30,159,644 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 Company.

As of March 31, 2006, the money received by Eximbank, after the closing down of the above mentioned secured loans, at an amount U.S. Dollars 31,863,355 (December 31, 2005 - U.S. Dollars 31,863,355) was netted off from the receivable balance as well as the long term bank borrowings in the consolidated balance sheet. Also, the Company provided full provision for the receivable amount which was not compensated by UNCC at the amount of U.S. Dollars 53,093,086. The provision for Iraq losses was accounted for at U.S. Dollars 20,293,191, U.S. Dollars 15,000,000, U.S. Dollars 15,847,595, U.S. Dollars 1,952,300 in the income statements of the years 2002, 2001, 2000 and before 2000, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

7. INVENTORIES

| | March 31, 2006 | December 31, 2005 |
|--|--------------------|----------------------|
| Raw materials and spare parts | 46,011,249 | 47,963,572 |
| Work in progress | 12,619,626 | 4,883,715 |
| Finished goods | 34,893,053 | 10,726,710 |
| Merchandise and goods for resale (machinery and others) | 37,001,847 | 61,814,928 |
| Construction materials | 3,168,183 | 2,099,206 |
| Goods in transit and advances for inventory purchases | 8,791,408 | 21,707,041 |
| | 142,485,366 | 149,195,172 |
| Less: Allowance for slow moving inventory and net realizable value | (1,263,194) | (1,530,300) |
| | 141,222,172 | 147,664,872 |

As of March 31, 2006, U.S. Dollars 20,400,097 (December 31, 2005 - U.S. Dollars 21,826,000) of the inventories are pledged as security for the IFC loan.

8. OTHER CURRENT AND NON-CURRENT ASSETS

The breakdown of other current assets is as follows:

| | March 31, 2006 | December 31, 2005 |
|------------------------|--------------------|----------------------|
| V.A.T. receivables | 59,199,967 | 62,316,418 |
| Prepaid tax | 12,296,848 | 13,793,838 |
| Advances given | 19,900,960 | 12,498,657 |
| Prepaid expenses | 6,171,030 | 6,425,552 |
| Deferred and other VAT | 3,812,472 | 4,749,096 |
| Job advances | 1,326,940 | 1,745,951 |
| Due from personnel | 407,239 | 876,495 |
| Income accruals | 261,883 | 208,710 |
| Miscellaneous | 2,054,588 | 3,230,833 |
| | 105,431,927 | 105,845,550 |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

8. OTHER CURRENT AND NON-CURRENT ASSETS (continued)

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

| | March 31, 2006 | December 31, 2005 |
|-------------------------------|-------------------|----------------------|
| Prepayment for land leases | 22,394,842 | 22,142,980 |
| Advances given | 8,002,745 | 7,386,000 |
| Restricted cash (*) | 6,210,000 | 5,730,000 |
| Prepaid expense | 5,357,039 | 5,144,733 |
| Derivative Assets(**) | 706,842 | 706,843 |
| Assets held for resale(***) | 628,621 | 519,130 |
| Deposits and guarantees given | 52,986 | 64,903 |
| Miscellaneous | 1,435,378 | 2,278,409 |
| | 44,788,453 | 43,972,998 |

(*) 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.

(**) Due dates of the derivative assets stated above are November 3, 2012 and April 15, 2013.

(***) Assets held for resale comprise land and building that are acquired from defaulted customers receivables and are held for disposal through sale. These are stated at cost less reserve for impairment based on the valuations made by independent appraisal firms (impairment recorded as of March 31, 2006 and December 31, 2005 is nil).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

9. INTEREST IN JOINT VENTURES

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

| Balance Sheet | March 31, 2006 | | | December 31, 2005 | | |
|---|---|---|--------------------|---|---|--------------------|
| | Joint Ventures Followed Up On Aggregate Basis | Joint Venture Followed Up On Line By Line Basis | Total | Joint Ventures Followed Up On Aggregate Basis | Joint Venture Followed Up On Line By Line Basis | Total |
| Cash and cash equivalents | 20,846,718 | 1,857,800 | 22,704,518 | 26,825,096 | 7,960,000 | 34,785,096 |
| Investment available for sale | - | - | - | - | - | - |
| Accounts receivable | 52,680,199 | 6,275,423 | 58,955,622 | 44,864,476 | 4,499,000 | 49,363,476 |
| Inventories | 6,708,572 | 20,400,097 | 27,108,669 | 7,885,781 | 21,826,000 | 29,711,781 |
| Other current assets | 18,007,346 | 28,777,927 | 46,785,273 | 16,832,148 | 27,380,718 | 44,212,866 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 9,244,492 | - | 9,244,492 | 11,381,519 | - | 11,381,519 |
| Company's Share in Joint Venture's Current Assets | 107,487,327 | 57,311,247 | 164,198,574 | 107,789,020 | 61,665,718 | 169,454,738 |
| Investment properties | - | 99,062,624 | 99,062,624 | - | 95,544,167 | 95,544,167 |
| Other non-current assets | 43,223 | 20,677,390 | 20,720,613 | 44,534 | 20,549,000 | 20,593,534 |
| Company's Share in Joint Venture's Non-Current Assets | 43,223 | 119,740,014 | 119,783,237 | 44,534 | 116,093,167 | 116,137,701 |
| Cost | 84,158,258 | 191,220,112 | 275,378,370 | 79,134,416 | 173,540,931 | 252,675,347 |
| Accumulated depreciation | (34,869,290) | (23,973,208) | (58,842,498) | (31,713,645) | (21,093,852) | (52,807,497) |
| Company's Share in Joint Venture's Property Plant and Equipment | 49,288,968 | 167,246,904 | 216,535,872 | 47,420,771 | 152,447,079 | 199,867,850 |
| Short term liabilities | 2,175,000 | 10,000,000 | 12,175,000 | 1,000,000 | 2,250,000 | 3,250,000 |
| Current portion of long-term borrowings | - | 16,191,147 | 16,191,147 | - | 13,692,000 | 13,692,000 |
| Accounts payable | 17,218,508 | 38,555,083 | 55,773,591 | 22,867,926 | 41,511,000 | 64,378,926 |
| Other current liabilities and accrued expenses | 17,505,432 | 6,810,242 | 24,315,674 | 18,534,542 | 7,758,668 | 26,293,210 |
| Taxation on income | 523,006 | 620,059 | 1,143,065 | 6,206,989 | - | 6,206,989 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 12,126,010 | - | 12,126,010 | 15,056,574 | - | 15,056,574 |
| Company's Share in Joint Venture's Current Liabilities | 49,547,956 | 72,176,531 | 121,724,487 | 63,666,031 | 65,211,668 | 128,877,699 |
| Long-term borrowings | - | 121,573,594 | 121,573,594 | - | 126,641,000 | 126,641,000 |
| Advances payable | 21,955,260 | - | 21,955,260 | 9,516,224 | - | 9,516,224 |
| Deferred tax liabilities | (476,220) | 26,882,800 | 26,406,580 | (542,882) | 26,163,749 | 25,620,867 |
| Company's Share in Joint Venture's Non-Current Liabilities | 21,479,040 | 148,456,394 | 169,935,434 | 8,973,342 | 152,804,749 | 161,778,091 |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

9. INTEREST IN JOINT VENTURES (continued)

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

| | March 31, 2006 | March 31, 2005 |
|--------------------------------------|-------------------|------------------|
| Revenues | 122,927,804 | 120,882,723 |
| Cost of revenues | (93,799,402) | (94,178,334) |
| Selling and administrative expense | (17,864,229) | (15,151,418) |
| Other operating income and (expense) | (932,237) | (753,934) |
| Financial income and (expense) | 3,553,458 | (923,041) |
| Taxation charge | (2,866,615) | (705,589) |
| Translation gain | | - |
| Net profit | 11,018,779 | 9,170,407 |

10. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

| | March 31, 2006 | December 31, 2005 |
|---|--------------------|----------------------|
| Costs incurred on uncompleted contracts | 201,390,807 | 262,751,948 |
| Estimated earnings | 58,584,036 | 66,825,349 |
| | 259,974,843 | 329,577,297 |
| Less: Billings to date | (237,561,296) | (338,834,078) |
| | 22,413,547 | (9,256,781) |

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

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|----------------------|
| Costs and estimated earnings in excess of billings on uncompleted contracts | 36,262,853 | 5,455,001 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | (13,849,306) | (14,711,782) |
| | 22,413,547 | (9,256,781) |

As of March 31, 2006, the amount of advances received and retention receivable are U.S Dollars 83,188,926 (December 31, 2005 –U.S. Dollars 52,049,486) and U.S Dollars 1,091,303 (December 31, 2005 – U.S Dollars 1,105,338), respectively.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

11. INVESTMENTS IN ASSOCIATES

| | March 31, 2006 | | December 31, 2005 | |
|--|-----------------------------|------------------|-----------------------------|------------------|
| | Percentage of Ownership (%) | Amount | Percentage of Ownership (%) | Amount |
| <i>accounted for using the equity method</i> | | | | |
| Gretsch-Unitas | 36.00 | 1,588,858 | 36.00 | 1,895,604 |
| Wall Şehir (**) | - | - | - | - |
| Gedore-Altaş (*) | 38.20 | 1,384,122 | 38.20 | 1,180,555 |
| Azen Oil | 37.75 | 1,569,385 | 37.75 | 1,695,016 |
| Other associates | | | | - |
| Total | | 4,542,365 | | 4,771,175 |

(*) The Company has provided a full provision for Gedore-Altaş in 2004. As of December 31, 2004, the total amount of provision set was U.S. Dollars 2,521,029. As of December 31, 2005, the Company reversed the provision set in 2004 and consolidated under the equity method.

(**) The Company sold its shares of Wall Şehir on December 19, 2005 at the amount of Euro 9 million. The resulting gain is reflected to the consolidated income statement as other operating income at the amount of U.S. Dollars 6,868,713.

The following table illustrates summarised financial information of the Group's investments:

| | GEDORE-ALTAŞ | | GRETSCH-UNITAS | | AZEN OIL | |
|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|
| | March 31, 2006 | December 31, 2005 | March 31, 2006 | December 31, 2005 | March 31, 2006 | December 31, 2005 |
| Total assets | 19,661,030 | 22,366,941 | 29,279,128 | 22,521,725 | 9,167,361 | 7,717,196 |
| Total liabilities | 16,039,686 | 19,276,485 | 24,865,633 | 17,256,159 | 6,028,589 | 3,227,088 |
| Revenue | 7,541,400 | 24,839,698 | 3,793,472 | 31,390,334 | 2,766,321 | 2,203,160 |
| Net profit/(loss) | 534,990 | 3,288,723 | (1,004,447) | 1,556,976 | (853,806) | (3,428,422) |

12. BUSINESS COMBINATION

Acquisition of Power Companies

On June 24, 2004 Enka İnşaat acquired an additional 25.00% interest stake of Power Companies, giving a total interest stake of 74.00%. As of the above date, on the basis of obtaining control, the Parent commenced to fully consolidate the financial statements of Power Companies. As of December 28, 2004, the Company acquired an additional 16.00% shareholding in these Power Companies, thus the shareholding increased to 90.00%.

The fair values of the net assets acquired were lower than the purchase price by U.S. Dollar 55,151,210 and have been recorded as goodwill in the consolidated balance sheet as of December 31, 2004. Positive goodwill arising from the acquisition of Power Companies is being amortised over 20 years. As of December 31, 2004, the Company has amortised this positive goodwill at the amount of U.S. Dollar 1,176,748 as expense and the negative goodwill caused due to the 9.00% share purchase as of December 31, 2003 at an amount of U.S. Dollar 16,327,623 was amortised at an amount of U.S. Dollar 466,503 as income as of December 31, 2004.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

12. BUSINESS COMBINATION (continued)

As of January 1, 2005, due to the change in the accounting policy, the Company reversed the negative goodwill and recorded in accumulated profit as income and no longer amortizes the positive goodwill.

As of November 30, 2005, the Company purchased 10.00% shares of Power Companies at an amount of U.S. Dollar 7,947,124 and the share percentages increased to 100.00%. The negative goodwill amounting to U.S. Dollar 13,793,620 derived from 10.00% acquisition were recorded in other operating income.

| | June 30, 2004 | December 31, 2004 |
|---|--------------------|--------------------|
| Cash and cash equivalents | 98,071,813 | 96,334,420 |
| Accounts receivable | 208,023,200 | 191,978,779 |
| Other current assets | 11,785,031 | 88,809,040 |
| Property, plant and equipment-net | 1,620,546,107 | 1,593,984,088 |
| Deferred tax asset | 135,503,189 | 153,950,129 |
| Other non-current assets | 104,428,711 | 98,606,204 |
| Current portion of long-term borrowings | (277,484,793) | (232,179,919) |
| Accounts payable | (195,535,963) | (132,110,755) |
| Other current liabilities and accrued expenses | (8,369,548) | (82,032,012) |
| Other non-current liabilities and accrued expenses | (247,742,457) | (324,971,347) |
| Taxation on income | (26,110,387) | (25,642,894) |
| Long-term borrowings | (1,185,693,519) | (1,107,095,180) |
| Fair value of net assets of Power Companies | 237,421,384 | 319,630,553 |
| Company's share in the Net Assets of Power Companies | 59,355,346 | 51,140,888 |
| Positive / (Negative) Goodwill – Note 21 | 47,069,892 | 8,081,318 |
| Total purchase consideration | 106,425,238 | 59,222,206 |
| Cash paid | 106,425,238 | 59,222,206 |
| Cost associated with the acquisition | - | - |
| Total purchase consideration | 106,425,238 | 59,222,206 |

The cash outflow on acquisition is as follows:

| | June 30, 2004 | December 31, 2004 |
|-----------------------------------|--------------------|-------------------|
| Net cash acquired with subsidiary | 98,071,813 | 96,334,420 |
| Cash paid | (106,425,238) | (59,222,206) |
| Net cash outflow | (8,353,425) | 37,112,214 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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13. PROPERTY, PLANT AND EQUIPMENT

| | Land and Land Improvements | Buildings and Barracks | Machinery and Equipment | Motor Vehicles | Furniture and Fixtures | Scaffolding and Formworks | Others | Construction in Progress | Leased Assets | Total |
|---|----------------------------|------------------------|-------------------------|-------------------|------------------------|---------------------------|------------------|--------------------------|------------------|----------------------|
| COST | | | | | | | | | | |
| At January 1, 2006 | 54,725,783 | 340,691,786 | 1,867,811,023 | 11,526,081 | 57,546,123 | 6,398,305 | 8,261,873 | 54,306,855 | 9,653,717 | 2,410,921,546 |
| Exchange and remeasurement adjustment | 41,171 | 9,052,245 | 1,207,282 | (18,884) | 804,311 | - | (7,987) | 728,332 | - | 11,806,470 |
| Additions | 2,568 | 1,114,518 | 4,910,353 | 600,445 | 571,199 | 922,558 | 81,676 | 21,547,763 | - | 29,751,080 |
| Disposals | (597,518) | (240,938) | (1,012,389) | (291,967) | (125,568) | - | (15) | 0 | - | (2,268,395) |
| Transfers from construction in progress | 71,006 | 2,531,315 | 988,959 | - | 1,096,601 | - | - | (4,687,881) | - | - |
| At March 31, 2006 | 54,243,010 | 353,148,926 | 1,873,905,228 | 11,815,675 | 59,892,666 | 7,320,863 | 8,335,547 | 71,895,069 | 9,653,717 | 2,450,210,701 |
| ACCUMULATED DEPRECIATION | | | | | | | | | | |
| At January 1, 2006 | 9,008,787 | 27,718,690 | 293,439,457 | 7,906,137 | 32,912,811 | 1,813,434 | 5,326,852 | 0 | 5,130,746 | 383,256,914 |
| Exchange and remeasurement adjustment | (1,190) | 308,908 | 364,448 | (8,702) | 219,227 | 0 | (641) | 0 | 1,525 | 883,575 |
| Charge for the year | 615,794 | 2,525,402 | 15,882,595 | 235,894 | 1,430,851 | 410,654 | 57,513 | 0 | 73,670 | 21,232,373 |
| Disposals | 0 | (92,262) | (179,659) | (223,888) | (123,880) | 0 | (15) | 0 | 0 | (619,704) |
| At March 31, 2006 | 9,623,391 | 30,460,738 | 309,506,841 | 7,909,441 | 34,439,009 | 2,224,088 | 5,383,709 | - | 5,205,941 | 404,753,158 |
| NBV at January 1, 2006 | 45,716,996 | 312,973,096 | 1,573,834,481 | 3,619,944 | 24,633,316 | 4,584,871 | 2,935,021 | 54,306,855 | 4,522,971 | 2,027,127,551 |
| NBV at March 31, 2006 | 44,619,619 | 322,688,188 | 1,564,398,387 | 3,906,234 | 25,453,657 | 5,096,775 | 2,951,838 | 71,895,069 | 4,447,776 | 2,045,457,543 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land and Land Improvements | Buildings and Barracks | Machinery and Equipment | Motor Vehicles | Furniture and Fixtures | Scaffolding and Formworks | Others | Construction in Progress | Leased Assets | Total |
|---|-------------------------------|---------------------------|----------------------------|-------------------|---------------------------|------------------------------|------------------|-----------------------------|------------------|----------------------|
| COST | | | | | | | | | | |
| At January 1, 2005 | 51,708,446 | 234,442,830 | 1,834,917,069 | 12,541,478 | 44,174,534 | 4,455,203 | 9,413,224 | 79,352,952 | 9,653,717 | 2,280,659,453 |
| Exchange and remeasurement adjustment (*) | (3,628) | (4,951,772) | 1,652,868 | (55,178) | (445,079) | - | (930,146) | (2,682,644) | - | (7,415,579) |
| Additions | 1,801,720 | 3,820,958 | 34,606,194 | 1,830,513 | 14,582,788 | 2,009,592 | 2,632,743 | 162,920,669 | - | 224,205,177 |
| Disposals | (1,096,704) | (2,833,495) | (12,848,430) | (2,790,732) | (766,120) | (66,490) | (537,999) | - | - | (20,939,970) |
| Transfers to investment property | 2,315,949 | - | - | - | - | - | (2,315,949) | (65,587,535) | - | (65,587,535) |
| Transfers from construction in progress | - | 110,213,265 | 9,483,322 | - | - | - | - | (119,696,587) | - | - |
| At December 31, 2005 | 54,725,783 | 340,691,786 | 1,867,811,023 | 11,526,081 | 57,546,123 | 6,398,305 | 8,261,873 | 54,306,855 | 9,653,717 | 2,410,921,546 |
| ACCUMULATED DEPRECIATION | | | | | | | | | | |
| At January 1, 2005 | 6,780,828 | 138,075,347 | 232,281,798 | 9,307,815 | 29,657,943 | 1,094,764 | 5,021,741 | - | 4,829,964 | 427,050,200 |
| Exchange and remeasurement adjustment (*) | (2,518) | (113,073,906) | 2,109,986 | 106,180 | (185,135) | - | (660,566) | - | - | (111,705,959) |
| Charge for the year | 2,230,477 | 4,670,996 | 68,293,421 | 1,026,956 | 3,850,651 | 725,927 | 1,151,061 | - | 300,782 | 82,250,271 |
| Disposals | - | (1,953,747) | (9,245,748) | (2,534,814) | (410,648) | (7,257) | (185,384) | - | - | (14,337,598) |
| At December 31, 2005 | 9,008,787 | 27,718,690 | 293,439,457 | 7,906,137 | 32,912,811 | 1,813,434 | 5,326,852 | - | 5,130,746 | 383,256,914 |
| NBV at January 1, 2005 | 44,927,618 | 96,367,483 | 1,602,635,271 | 3,233,663 | 14,516,591 | 3,360,439 | 4,391,483 | 79,352,952 | 4,823,753 | 1,853,609,253 |
| NBV at December 31, 2005 | 45,716,996 | 312,973,096 | 1,574,371,566 | 3,619,944 | 24,633,312 | 4,584,871 | 2,935,021 | 54,306,855 | 4,522,971 | 2,027,664,632 |

(*) Pimaş's factory and administrative buildings in Kocaeli Gebze, Kelebek Mobilya's administrative building in Duzce and factory in Balıkesir Edremit, Enka Pazarlama's administrative building and warehouse in İstanbul Tuzla and Balıkesir Bandırma, Çimtas's factory and administrative buildings in Gemlik İstanbul, MKH's hotel building and Ramenka's miscellaneous buildings have been revalued at fair value by independent professionally qualified valuers and the fair value has been set as YTL 22,660,237 (U.S. Dollar 16,887,940) , YTL 14,710,000 (U.S. Dollar 10,962,886) , YTL 6,748,926 (U.S. Dollar 5,029,756), ve YTL 11,514,994 (U.S. Dollar 8,581,751), U.S. Dollar 140,443,962 and U.S. Dollar 96,239,034 respectively. Therefore net book values of the mentioned buildings have been adjusted to its fair value amount and revaluation difference arised from book value and fair value are netted of with the related deferred tax and classified as revaluation surplus and included within equity.

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Revalued buildings

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

| | March 31, 2006 | December 31, 2005 |
|--------------------------|----------------|-------------------|
| Cost | 325,298,635 | 312,822,814 |
| Accumulated depreciation | (138,738,798) | (136,069,376) |
| Net book value | 186,559,837 | 176,753,438 |

The movement of the revaluation surplus is as follows:

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|-------------------|
| January 1, | 78,929,893 | 14,819,725 |
| Currency translation difference | 357,467 | 1,901 |
| Revaluation of buildings | | 88,523,793 |
| Deferred tax effect of revaluation surplus | | (23,548,013) |
| Transfer of depreciation difference (net of deferred tax) of revaluation effect | (232,100) | (867,513) |
| March 31/December 31, | 79,055,260 | 78,929,893 |

Market Valuations

The Company's buildings have been revalued as a result of appraisal studies carried out in 2006 by international appraisal firms to the extent of a total amount at U.S. Dollars 88,523,793. The revaluation surplus is included within equity netted off with the related deferred tax and depreciation effects at a total amount of U.S. Dollars 78,929,893. Such revaluation surplus is not available for distribution.

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. Further, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is realized from the revaluation surplus to retained earnings on annual basis as the asset is used by the Company.

Construction in Progress

As of March 31, 2006 and December 31, 2005, construction in progress account mainly represents activities in Moscow; for construction of new hyperstores of Ramenka and a new business center. Upon completion, these constructions in progress will be transferred mainly to investment property.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Leased Assets

Leased assets include mainly an airplane and they are all pledged as securities for the related finance lease obligation.

Pledge on Property Plant and Equipment

Under the terms of the loan agreement signed with the International Finance Corporation (IFC) the property, plant and equipment with a net book value of U.S. Dollars 165,387,062 (December 31, 2005 - U.S. Dollar 154,708,000) are pledged for security. Also the Company has collateralized the plant facilities with an amount of U.S. Dollars 3,338,525 (December 31, 2005 - U.S. Dollar 3,340,765) as guarantee to Ministry of Finance for the possible penalty charges.

Under the terms of the loan agreements signed by the Power Companies, the property, plant and equipment of those companies are pledged for security at the amount of U.S. Dollars 3,998,352,922 (December 31, 2005-U.S. Dollar 3,998,836,982).

14. INTANGIBLE ASSETS

| | Land Lease Rights | Others | Total |
|---|-------------------|------------------|-------------------|
| At January 1, 2006, net of accumulated amortization | 15,410,955 | 2,939,197 | 18,350,152 |
| Exchange and remeasurement adjustment | 16,134 | 20,862 | 36,996 |
| Additions | - | 124,179 | 124,179 |
| Disposals | - | - | - |
| Amortisation charge for the year | (99,492) | (121,181) | (220,673) |
| At March 31, 2006, net of accumulated amortization | 15,327,597 | 2,963,057 | 18,290,654 |
| At December 31, 2005 | | | |
| Cost | 19,579,156 | 5,060,147 | 24,639,303 |
| Accumulated amortization | (4,168,200) | (2,120,950) | (6,289,150) |
| Net carrying amount | 15,410,956 | 2,939,197 | 18,350,153 |
| At March 31, 2006 | | | |
| Cost | 19,474,399 | 5,217,731 | 24,692,130 |
| Accumulated amortization | (4,146,802) | (2,254,674) | (6,401,476) |
| Net carrying amount | 15,327,597 | 2,963,057 | 18,290,654 |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

14. INTANGIBLE ASSETS (continued)

| | Land Lease Rights | Others | Total |
|--|-------------------|------------------|-------------------|
| At January 1, 2005, net of accumulated amortization | 15,683,550 | 1,924,321 | 17,607,871 |
| Exchange and remeasurement adjustment | (12,102) | (1,280) | (13,382) |
| Additions | 156,276 | 1,520,024 | 1,676,300 |
| Disposals | - | - | - |
| Amortisation charge for the year | (416,768) | (503,868) | (920,636) |
| At December 31, 2005, net of accumulated amortization | 15,410,956 | 2,939,197 | 18,350,153 |
| At December 31, 2004 | | | |
| Cost | 19,434,984 | 3,541,403 | 22,976,387 |
| Accumulated amortization | (3,751,434) | (1,617,082) | (5,368,516) |
| Net carrying amount | 15,683,550 | 1,924,321 | 17,607,871 |
| At December 31, 2005 | | | |
| Cost | 19,579,156 | 5,060,147 | 24,639,303 |
| Accumulated amortization | (4,168,200) | (2,120,950) | (6,289,150) |
| Net carrying amount | 15,410,956 | 2,939,197 | 18,350,153 |

Land lease rights mainly represent the rights to use plots of land in the city of Moscow for the purpose of constructing buildings, for a period of 49 years. These rights are amortized over a 49 year period.

The intangible assets of the Company at the amount of U.S. Dollars 82,233 (December 31, 2005 - U.S. Dollars 79,000) are pledged as security for IFC loan. No indication of impairment of the intangible assets exists as of the balance sheet date.

15. INVESTMENT PROPERTIES

The movement of investment properties is as follows :

| | March 31, 2006 | December 31, 2005 |
|---|--------------------|----------------------|
| Opening balance as at January 1 | 693,848,532 | 570,103,730 |
| Change in the scope of consolidation | | - |
| Exchange and remeasurement adjustment | 15,296,187 | (12,622,239) |
| Transfers from property, plant and equipment and construction in progress | - | 65,587,535 |
| Effect of adoption IAS 40 (revised 2004) | - | 4,700,530 |
| Additions | - | 21,447 |
| Disposals | - | (3,184,516) |
| Change in fair value, net | - | 69,242,045 |
| Closing balance as of March 31 / December 31 | 709,144,719 | 693,848,532 |

Investment properties include mainly (a) real estate properties in Russia which are leased to tenants (b) buildings in Turkey which are either rented to related parties or held for capital appreciation and (c) a land in Turkey which is kept for investment purposes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

15. INVESTMENT PROPERTIES (continued)

The investment properties owned by MKH, located in central Moscow, Russia on land are leased from the Moscow City Authorities under a 49 year operating lease which is renewable at the option of MKH. The property was last valued on December 31, 2005 at fair value by an independent professionally qualified value and the fair value has been set as 6,4 billion Ruble equivalent to U.S. Dollars 231,364,742. The basis used for the appraisal was the income capitalization approach.

Bank borrowings of MKH are secured by investment property with a value of U.S. Dollars 75,117,064 (December 31, 2005 - U.S. Dollars 74,035,264).

The fair values of the investments in leased properties of Mosenka amounting at a total of 2,8 billion Ruble equivalent to U.S. Dollars 100,449,482 have been determined based on valuations performed by independent professionally qualified valuers on the basis of market value, supported by market evidence, in accordance with International Valuation Standards.

Part of the premises owned by Ramenka and leased to tenants on a continuing basis are treated as an investment property. The fair value of investment properties as of December 31, 2005 based on an independent appraiser's report is 2,7 billion Ruble equivalent to U.S. Dollars 99,062,624. It was evaluated using a combination of income, market and cost approaches. As comparable sales of property, plant and equipment are infrequent, the valuation is supported by market evidence to the extent that market rental rates were used in the income approach. The valuation was also based on other factors such as proposed transactions on the market. The valuation includes land that is under operating lease by Ramenka as it cannot be separated from the valuation of investment property. The investment property of Ramenka is shown as a security for the IFC loan.

The fair values of the investment properties in Russia at a total amount of U.S. Dollars 272,000,000 (December 31, 2005 - U.S. Dollars 272,000,000) which are used as business centers and apartment complexes as well as the remaining investment properties owned by Enka İnşaat are determined based on the valuations performed by independent, professionally qualified valuers on the basis of the calculations, considerations and other information obtained in the course of market research.

In 2005, the Group adopted the provisions of IAS 40 (revised 2004). The effect of adopting this standard is that land and buildings held under an operating lease of U.S. Dollars 4,700,530 is classified and accounted for as investment property.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

16. BORROWINGS

| March 31, 2006 | | | | |
|--|-----------------------|-------------------|---------------|------------------------|
| | Interest Rate | Original Currency | | U.S. Dollar Equivalent |
| Short-term | | | | |
| Short-term bank borrowings | 3.24% - 4.75% | EUR | 11,400,000 | 13,763,669 |
| | 14.5% - 18.5% | YTL | 2,041,550 | 1,520,481 |
| | 4.00% - 8.00% | USD | 16,400,322 | 16,400,322 |
| | 11% | DA | 325,759,116 | 4,453,912 |
| Obligations under finance leases | 1.27% | EUR | 25,703 | 31,032 |
| | 3.81% - 4.33% | USD | 39,951 | 39,951 |
| Obligations under factoring transactions | | YTL | | 634,420 |
| Total short-term borrowings | | | | 36,843,787 |
| Long-term | | | | |
| Eximbank loans | Libor+0.1% - 4.26% | USD | 601,760,340 | 601,760,340 |
| OPIC loan | 7.54% - 7.90% | USD | 229,049,069 | 229,049,069 |
| Hermes loan | Libor+0.625% | USD | 84,486,707 | 84,486,707 |
| Iraq related Eximbank loans | | USD | 80,699,079 | 80,699,079 |
| | | EUR | 2,240,618 | 2,705,194 |
| OND loan | Libor+0.7% | USD | 65,442,971 | 65,442,971 |
| IFC Loan | Libor+(2.35% - 5.83%) | USD | 34,907,598 | 34,907,598 |
| ABN Amro loan | Libor+(2.6% - 5.8%) | USD | 123,390,910 | 123,390,910 |
| Commercial loan | Libor+4% | USD | 27,915,864 | 27,915,864 |
| Hermes loan | 3.10% | EUR | 34,654,759 | 41,838,691 |
| Other long-term bank borrowings | 2.25% - 13.00% | USD | 175,636,007 | 175,636,007 |
| | Euribor+2.25%, 4.48% | EUR | 52,575,992 | 63,475,435 |
| | 2.77% | JPY | 4,219,147,009 | 35,910,685 |
| Obligations under finance leases | 3.81% - 4.33% | USD | 4,822,530 | 4,822,530 |
| | 15% | RBL | 96,513,958 | 3,476,403 |
| | | | | 1,575,517,483 |
| Less: Current portion of long-term bank borrowings and financial lease obligations | | | | (251,103,929) |
| Less: Money received from UNCC by Eximbank (Note 6) | | | | (31,863,355) |
| Total long-term borrowings | | | | 1,292,550,199 |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

16. BORROWINGS (continued)

| | December 31, 2005 | | | |
|--|-----------------------|-------------------|---------------|------------------------|
| | Interest Rate | Original Currency | | U.S. Dollar Equivalent |
| Short-term | | | | |
| Short-term bank borrowings | 3.24% - 4.75% | EUR | 9,650,707 | 11,417,870 |
| | 14.5% - 18.5% | YTL | 15,030,705 | 11,201,896 |
| | 4.85% - 7.75% | USD | 10,053,709 | 10,053,709 |
| | 11% | DA | 179,949,560 | 2,460,344 |
| Obligations under finance leases | 1.27% | EUR | 107,090 | 126,699 |
| | 3.81% - 4.33% | USD | 44,875 | 44,875 |
| | 15% | RBL | 7,091,691 | 246,389 |
| Obligations under factoring transactions | | YTL | | 5,411,680 |
| Total short-term borrowings | | | | 40,963,462 |
| Long-term | | | | |
| Eximbank loans | Libor+0.1% - 4.26% | USD | 591,999,957 | 591,999,957 |
| OPIC loan | 7.54% - 7.90% | USD | 224,575,787 | 224,575,787 |
| Hermes loan | Libor+0.625% | USD | 83,066,809 | 83,066,809 |
| Iraq related Eximbank loans | | USD | 80,699,079 | 80,699,079 |
| | | EUR | 2,240,618 | 2,650,901 |
| OND loan | Libor+0.7% | USD | 64,323,191 | 64,323,191 |
| IFC Loan | Libor+(2.35% - 5.83%) | USD | 40,333,000 | 40,333,000 |
| ABN Amro loan | Libor+(2.6% - 5.8%) | USD | 120,175,266 | 120,175,266 |
| Commercial loan | Libor+4% | USD | 27,306,702 | 27,306,702 |
| Hermes loan | 3.57% | EUR | 28,916,696 | 34,211,697 |
| Other long-term bank borrowings | 3.81% - 13.00% | USD | 166,580,635 | 166,580,635 |
| | 1.48% - Euribor+2.25% | EUR | 48,040,555 | 56,837,369 |
| | 1.48% - 3.70% | JPY | 2,860,607,335 | 24,303,864 |
| Obligations under finance leases | 3.81% - 4.33% | USD | 4,823,086 | 4,823,086 |
| | 15% | RBL | 92,191,873 | 3,203,053 |
| | | | | 1,525,090,396 |
| Less: Current portion of long-term bank borrowings and financial lease obligations | | | | (225,371,287) |
| Less: Money received from UNCC by Eximbank (Note 6) | | | | (31,863,355) |
| Total long-term borrowings | | | | 1,267,855,754 |

IFC Loan

Ramenka signed five 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. As of March 31, 2006 and December 31, 2005, the Company complied with all covenants. Under the terms of the loan agreement, the loans are secured by the entire amount of the Ramenka's assets. In addition, the shares of the Company in Ramenka with nominal value of RR 155,286,560 (December 31, 2005 – RR 155,286,560) have been pledged based on the amendment of IFC loan agreement conditions. All IFC loans are repayable in equal installments every six months and libor is fixed every six months.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

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March 31, 2006

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16. BORROWINGS (continued)

Iraq Related Eximbank Loans

Iraq related loans are secured by Eximbank. Iraq progress billings amounting to U.S. Dollars 55,230,457, treasury bills amounting to U.S. Dollars 1,611,437, machinery and equipment amounting to U.S. Dollars 101,587,253 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 31,863,355 (December 31, 2005 - U.S. Dollars 31,863,355) 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 Company has not accrued any interest for these borrowings. Management's expectation is that those interests will not be collected from the Company and this issue will ultimately be resolved among Eximbank and the Turkish Undersecretariat of Treasury.

Hermes Loans

The Hermes loan of the consolidated subsidiary Enka Pazarlama (in Euro) has an interest rate of 3.10% (December 31, 2005 – 3.57%).

POWER COMPANIES' BANK LOANS

The long-term borrowings of the Power Companies have been obtained under a project financing structure. These borrowings have recourse to the Power Companies only without any recourse to Enka İnşaat. The only liability of Enka İnşaat under these long-term borrowings is to issue 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 İzmir Elektrik. Adapazarı Elektrik Exim loan bears 4.26% fixed rate for the full life of the loan. Interest is paid semi-annually.

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. (December 31, 2005 - 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 6-month LIBOR plus a margin of 0.625% (December 31, 2005 - 6-month LIBOR plus a margin of 0.625%).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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16. BORROWINGS (continued)

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 6-month LIBOR plus a margin of 0.7% (December 31, 2005 - 6-month LIBOR plus a margin of 0.7%).

Commercial Facilities

The commercial loans have a 5-year term of principal repayment in 10 semi-annual installments commencing on the first principal date, which will occur as the construction is completed and are provided by a syndicate of commercial banks. The debts incur interest at 6-month LIBOR plus 4% margin (December 31, 2005 - 6-month LIBOR plus a margin of 4%).

Other Long Term Bank Borrowings

As of March 31, 2006, U.S. Dollars 105.000.000 (December 31, 2005 – U.S. Dollars 95.000.000) of the long-term bank borrowings are secured with the bank deposit at the same amount. Also, ABN Amro loans are secured with the bank deposit at an amount of U.S. Dollars 100.000.000 (December 31, 2005 – U.S. Dollars 10.000.000).

On 5 November 2003, the consolidated subsidiary MKH obtained a loan for the financing of the construction of a hotel complex with final repayment on 5 December 2011. As of March 31, 2006, the Company has draw down U.S. Dollars 61,663,165 (December 31,2005 - U.S. Dollars 63,548,253) of the loan in accordance with the drawdown schedule. As of March 31, 2006, these long-term bank borrowings are secured by the pledge of rental revenues, investment property to the value of U.S Dollars 75,117,064 December 31,2005 - U.S. Dollars 74,035,264) and leasehold rights on land.

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

| | March 31, 2006 | December 31, 2005 |
|--|----------------------|----------------------|
| Less than 1 year | 251,103,929 | 225,371,287 |
| 1-5 years | 1,068,988,411 | 1,044,348,257 |
| More than 5 years | 172,020,870 | 172,020,872 |
| Less : Current portion of long term borrowings | (251,103,929) | (225,371,287) |
| Total long term borrowings | 1,241,009,281 | 1,216,369,129 |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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17. TRADE AND OTHER PAYABLES

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

| | March 31, 2006 | December 31, 2005 |
|-------------------|--------------------|----------------------|
| Trade payables | 280,508,218 | 338,336,390 |
| Advances received | 54,034,099 | 38,719,369 |
| Notes payable | 9,422,023 | 9,578,509 |
| Other payables | 5,954,125 | 653,796 |
| | 349,918,465 | 387,288,064 |

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

| | March 31, 2006 | December 31, 2005 |
|-------------------|-------------------|----------------------|
| Trade payables | 1,564,163 | 18,836,109 |
| Advances received | 29,154,827 | 17,292,290 |
| | 30,718,990 | 36,128,399 |

18. OTHER CURRENT AND NON-CURRENT LIABILITIES AND ACCRUED EXPENSES

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

| | March 31, 2006 | December 31, 2005 |
|---------------------------|-------------------|----------------------|
| Deferred revenue | 29,789,936 | 33,576,603 |
| Payroll payable | 12,119,111 | 8,127,912 |
| Bonus accrual | 13,070,947 | 9,905,337 |
| VAT payable | 10,546,184 | 20,111,794 |
| Taxes and funds payable | 9,105,402 | 8,660,515 |
| Deposit taken | 2,497,518 | 1,970,954 |
| Accrued expenses | 2,193,447 | 1,533,707 |
| Provision for legal cases | 854,708 | 854,708 |
| Personnel income tax | 544,264 | 1,504,022 |
| Other liabilities | 3,078,514 | 3,811,157 |
| | 83,800,031 | 90,056,709 |

The non current part is as follows :

| | March 31, 2006 | December 31, 2005 |
|----------------------|--------------------|----------------------|
| Deferred revenue (*) | 488,226,055 | 457,234,091 |
| | 488,226,055 | 457,234,091 |

(*) Power companies' revenues in excess of the average price are recorded as deferred revenue in the balance sheet and are recognized over the life of the project when actual charges are below the average.

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March 31, 2006

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19. 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 for the period ended March 31, 2006 is 30% (December 31, 2005 - 30%). Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 30% (December 31, 2005 -30%) 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 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from January 1, 2004, taxable income will be derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet will not be subject to corporation tax, and similarly accumulated deficits arising from such application will not be deductible for tax purposes. Moreover, accumulated tax loss carry-forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years. Starting by January 1,2005, inflation accounting is ceased to be applied by the Ministry of Finance in Turkey.

Regarding to the 5479 act, the Investment Incentive has been removed being effective as of January 1, 2006.

However, a 3-year transitional period until December 31, 2008, has been defined for the income and corporate tax-payers who has unused and deferred investment incentive as of December 31, 2005 or who has ongoing projects and would qualify for investment incentive with the investments going to be done in following years. In respect of this;

- The qualified investment incentive amounts until December 31, 2005, but not been deducted (deferred) from the year 2005 earnings (which is subject to withholding tax or subject to 40% investment incentive).
- The investment incentive amounts, for the investment expenditures made after January 1, 2006, for the investments started before January 1, 2006, with the Investment Incentive Certificates which has been issued with the applications before April 24, 2003, the investment incentive calculated according to the legislation in force on December 31, 2005, and if applied which would be subject to 19.8% withholding tax.
- For the investments started before January 1, 2006, and which creates an economical or technical integrity with the investments after April 24, 2003 but performed after January 1, 2006, according to the Corporate Tax Law's removed 19th article, the investment incentive amount of 40% which will be calculated according to the legislation in force on December 31, 2005.

Can only be deducted from the year 2006, 2007 and 2008 earnings regarding the legislation in force at December 31, 2005 (including 30% corporate tax rate). For the ones who has chosen the way of their right cannot change this until the end of the relevant year. For the corporates who has chosen to benefit from the incentives for the relevant year will be subject to tax rates of the old legislation.

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.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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19. TAXATION ON INCOME (continued)

10% withholding applies to dividends distributed by resident corporations to resident physical persons, those who are not liable to income and corporation tax, non-resident physical 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.

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.

Capital gains derived from cash sales of participation shares that have been held for at least two years are exempt from corporation tax 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.

Tax Legislations in Other Countries

As of March 31, 2006 and December 31, 2005, effective corporate tax rate in other countries are as follows:

| | March 31, 2006 | December 31, 2005 |
|-------------------|----------------|-------------------|
| Russia | 24% | 24% |
| Croatia | 20% | 20% |
| Holland | 34.5% | 34.5% |
| Kazakhstan | 30% -37% | 30% -37% |
| Nepal | 25% | 25% |
| African Countries | 30% - 38.5% | 30% - 38.5% |
| Germany | 25% | 25% |
| Romania | 16% | 16% |

A reconciliation of the nominal (on the basis of the income tax rate of the parent and the Turkish subsidiaries) to the effective tax rate for the periods ended March 31, 2006 and March 31, 2005 is provided below:

| | March 31, 2006 | | March 31, 2005 | |
|---|-------------------|------------|-------------------|------------|
| | Amount | | Amount | |
| Tax per statutory tax rate | 30,051,901 | 30% | 27,195,060 | 30% |
| Effect of lower tax rates in foreign jobsites and in subsidiaries | (7,864,958) | (8%) | (3,509,697) | (4%) |
| Effect of investment incentive | (3,668,969) | (4%) | (591,279) | (1%) |
| Effect of equity pick up revenue | 88,8 | (0%) | (398,063) | (0%) |
| Jobsites exempt from income tax | (2,380,978) | (2%) | (4,294,086) | (5%) |
| Permanent differences | | | (497,492) | (1%) |
| Effect of tax rate change and others | 1,209,211 | 1% | (633,393) | (1%) |
| Taxation charge | 17,435,063 | 15% | 17,271,050 | 18% |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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19. TAXATION ON INCOME (continued)

As of March 31, 2006 and December 31, 2005, the breakdown of temporary differences which give rise to deferred taxes is as follows:

| | Consolidated Balance Sheet | | Consolidated Income Statement | |
|---|----------------------------|----------------------|-------------------------------|-------------------|
| | March 31, 2006 | December 31, 2005 | March 31, 2006 | March 31, 2005 |
| Deferred income tax liabilities | | | | |
| Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property | (169,012,301) | (148,942,619) | (16,361,374) | (21,351,256) |
| Adjustment for percentage of completion method application on construction projects | (12,023,844) | (12,960,195) | 936,351 | 1,650,801 |
| Adjustment of revenue levelization | (5,327,855) | (4,923,423) | (404,432) | (431,337) |
| Deferred financial expenses | (421,572) | (245,114) | (176,458) | (236,995) |
| Income accrual adjustments | (830,480) | - | (830,480) | 735,109 |
| Inventories | (7,191,369) | (8,703,871) | 1,512,502 | - |
| Others | (578,684) | (257,922) | (320,762) | 929,649 |
| Gross deferred income tax liabilities | (195,386,105) | (176,033,144) | (15,644,653) | (18,704,029) |
| Adjustment of revenue levelization | 101,879,389 | 95,455,772 | 6,423,617 | 7,402,903 |
| Investment incentive | - | - | - | (591,279) |
| Tax loss carry-forward | 50,619,291 | 50,106,347 | 512,944 | 122,688 |
| Reserve for employee termination benefit | 2,412,494 | 2,347,776 | 64,718 | 79,958 |
| Financial expense accrual adjustments | 1,171,727 | 1,181,191 | (9,464) | 217,398 |
| Allowance for doubtful receivables | 2,164,538 | 307,760 | 1,856,778 | 338,430 |
| Remeasurement of inventories | 144,590 | 482,710 | (338,120) | (228,458) |
| Lease obligation | - | - | - | (34,255) |
| Others | 3,196,153 | 2,578,078 | 618,075 | 2,079,212 |
| Gross deferred income tax assets | 161,588,182 | 152,459,634 | 9,128,548 | 9,386,597 |
| Net deferred tax asset (liability) | (33,797,923) | (23,573,510) | (6,516,105) | (9,317,432) |

Reflected as:

| | March 31, 2006 | December 31, 2005 |
|---|----------------------|----------------------|
| Deferred tax assets | 136,695,470 | 144,325,971 |
| Deferred tax liabilities | (170,493,393) | (167,899,481) |
| Net deferred tax assets / (liabilities) | (33,797,923) | (23,573,510) |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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19. TAXATION ON INCOME (continued)

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

| | March 31, 2006 | December 31, 2005 |
|--|-------------------|----------------------|
| Balance at January 1, of Enka İnşaat and its subsidiaries | (2,590,239) | (45,703,063) |
| Balance at January 1, of the joint ventures followed up on line by line basis | 26,163,749 | 18,394,779 |
| Balance at January 1, of the joint ventures | (542,882) | (366,817) |
| Balance at January 1 | 23,030,628 | (27,675,101) |
| Deferred income tax benefit recognized in income statement | 6,516,105 | 26,294,061 |
| Deferred income tax benefit recognized in equity | 83,394 | 29,697,630 |
| Translation loss | 3,858,364 | (5,285,962) |
| Balance at March 31 / December 31 of Enka İnşaat and its subsidiaries | 6,915,123 | (2,590,239) |
| Balance at March 31 / December 31, of the joint ventures followed up on line by line basis | 26,882,800 | 26,163,749 |
| Balance at March 31 / December 31, of the joint ventures | (476,220) | (542,882) |
| | 33,321,703 | 23,030,628 |

20. 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 YTL 1.771 and YTL 1.727 at March 31, 2006 and December 31, 2005 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of March 31, 2006 and December 31, 2005, 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.

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

| | March 31, 2006 | December 31, 2005 |
|--|-------------------|----------------------|
| Discount rate | 12 % | 12 % |
| Expected rates of salary/limit increases | 6.175 % | 6.175 % |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Currency -- U.S. Dollars unless otherwise indicated)

20. EMPLOYEE TERMINATION BENEFIT (continued)

The movement of provision for employee termination is as follows:

| | March 31, 2006 | December 31, 2005 |
|--|----------------|----------------------|
| Opening balance as at January 1 | 10,279,263 | 9,342,449 |
| Interest cost | 308,377 | 1,121,094 |
| Charge for the year, net | 171,645 | 416,821 |
| Translation loss | (5,641) | 2,358 |
| Utilized / paid | (897,701) | (603,459) |
| Closing balance as at March 31 / December 31 | 9,855,943 | 10,279,263 |

21. GOODWILL

Up to December 31, 2004, goodwill was set to be amortized over a period of 20 years based on the management expectation on the economic value of the goodwill while negative goodwill was recognized as income over the remaining average useful lives of the identifiable acquired depreciable assets (35 years). As from 1 January 2005, based on the transitional provisions of IFRS 3, goodwill is no longer amortised but is now subject to annual impairment testing. As a result of change in the accounting standard, negative goodwill as of December 31, 2004 has been reversed and credited into general reserve. On 1 January 2005, the negative goodwill reversed into general reserve amounted to U.S. Dollar 17,037,868.

During 2003 the Company acquired 9.00% interest stake in Power Companies. Upon acquisition of the initial 9.00% of Power Companies in 2003, a negative goodwill of U.S. Dollars 16,327,623 occurred which was recorded in the consolidated financial statements. On June 24, 2004 and December 28, 2004, the Company acquired additional 25.00% and 16.00% shares of Power Companies respectively as a result of these purchases, a positive goodwill of U.S. Dollars 47,069,892 and U.S. Dollars 8,081,318, respectively occurred, has been recorded in the consolidated financial statements respectively. As a result of those acquisitions in 2003 and 2004 the Company's interest stake in Power Companies increased from 40% to 90%.

On November 30, 2005, the Company acquired the remaining 10% of Power Companies and as of December 31, 2005 was the sole shareholder of the subject companies. As a result of this purchase, the Company has recorded U.S. Dollar 13,793,620 negative goodwill.

As of March 31, 2006 and December 31, 2005 the movement of sources of goodwill and details of respective amortization are as follows:

| | Goodwill | |
|--|-------------------|----------------------|
| | March 31, 2005 | December 31, 2005 |
| Beginning of the year, net book value | 55,151,210 | 38,113,342 |
| Application of UFRS-3, reversal of negative goodwill | - | 17,037,868 |
| Goodwill on new acquisitions | - | - |
| Charge for the year | - | - |
| Less : provision for impairment | - | - |
| Balance as of March 31 / December 31 | 55,151,210 | 55,151,210 |

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Currency -- U.S. Dollars unless otherwise indicated)

22. SHARE CAPITAL

| | March 31, 2006 | | December 31, 2005 | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| | Percentage of Ownership | Amount | Percentage of Ownership | Amount |
| Tara Holding | %47.39 | 89,652,409 | %47.35 | 89,576,736 |
| Tara and Gülçelik families | %29.72 | 56,224,300 | %29.70 | 56,186,464 |
| Publicly traded | %12.34 | 23,344,814 | %12.39 | 23,439,404 |
| Enka Spor Eğitim ve Sosyal Yardım Vakfı | %6.18 | 11,691,325 | %6.19 | 11,710,243 |
| Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti. | %4.37 | 8,267,166 | %4.37 | 8,267,167 |
| | %100.00 | 189,180,014 | %100.00 | 189,180,014 |

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

As of March 31, 2006, the Company's historical issued share capital in the statutory books is YTL 300,000,000 (December 31, 2005 – YTL 300,000,000), which consisted of 30,000,000,000 (December 31, 2005 – 30,000,000,000) authorized and fully paid shares.

The movement of the share capital (in numbers and in historical YTL) of the Company during 2005 and 2006 is as follows:

| | March 31, 2006 | | December 31, 2005 | |
|--|-----------------------|--------------------|-----------------------|--------------------|
| | Number | YTL | Number | YTL |
| At January 1, | 30,000,000,000 | 300,000,000 | 20,000,000,000 | 200,000,000 |
| Shares issued in | | | | |
| - restatement of share capital | - | - | - | - |
| - transfer from extraordinary reserve | - | - | 3,000,000,000 | 30,000,000 |
| - bonus shares issued out of general reserve | - | - | 7,000,000,000 | 70,000,000 |
| - investment sales profit | - | - | - | - |
| At March 31 / December 31, | 30,000,000,000 | 300,000,000 | 30,000,000,000 | 300,000,000 |

Within the above mentioned shares, founders of Enka İnşaat and Enka Holding have one thousand founders share each. The founders' share of Enka İnşaat and the founders share of 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.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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23. 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 YTL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

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

Effective from January 1, 2004, based on the profits calculated in financial statements prepared in accordance with the accounting policies promulgated by CMB, appropriation of 30% of the distributable profit is obligatory if a statutory financial statement has sufficient reserve to distribute. Based on the General Assembly's decision, this appropriation may be on cash basis or through the distribution of free shares not less than 30% of the distributable profit, or may be distributed both as cash and free shares.

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

Enka İnşaat decided to make dividend distribution for year out of 2005 net income. YTL 40,000,000 will be distributed as a dividend after the appropriation of the first legal reserve. Out of this amount, YTL 30,000,000 will be distributed in cash proportionally and the remaining YTL 10,000,000 will be injected into the capital .

5% of the remaining will be distributed to founders of Enka İnşaat and 2,5% of the remaining will be distributed the founder of Enka Holding and the remaining of 1% after all will be distributed proportionally to the Board of Directors. YTL 2,106,397 will be appropriated as a second legal reserve and YTL 236,649,677 will be transferred into general reserve.

As of March 31, 2006 and December 31, 2005, the Company's nominal value of the shares is YTL 30,000,000,000, each with YKR 1 nominal value.

Within the above mentioned shares, founders of Enka İnşaat and Enka Holding have one thousand founders share each. The founders' share of Enka İnşaat and the founders share of 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. 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 March 31, 2006.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

24. EARNINGS PER SHARE (continued)

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 number of ordinary shares outstanding has increased as a result of a bonus issue through retained earnings, the calculation of basic earnings per share presented are adjusted retrospectively.

25. RELATED PARTY TRANSACTIONS

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Tara Holding (47.39%) and Tara and Gülçelik families (29.72%). 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 includes management and members of the Company's Board of Directors.

In the course of conducting business, the Company 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

| | March 31, 2006 | | December 31, 2005 | |
|--|-------------------|----------|-------------------|---------------|
| | Receivables | Payables | Receivables | Payables |
| Entrade Limited | 11,302,125 | - | 14,322,262 | - |
| Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş. | 734,481 | - | 728,273 | - |
| Gretch Unitas | - | - | - | 23,245 |
| Azen Oil BV | 4,043,702 | - | 1,002,496 | - |
| Others | 119,163 | - | 24,583 | 4,380 |
| | 16,199,471 | - | 16,077,614 | 27,625 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

25. RELATED PARTY TRANSACTIONS (continued)

(b) Other receivables/payables

| | March 31, 2006 | | December 31, 2005 | |
|-------------------------|------------------|----------|-------------------|----------------|
| | Receivables | Payables | Receivables | Payables |
| Entrade Limited | 3,180,000 | - | 3,180,000 | - |
| Individual Shareholders | - | - | - | 306,410 |
| Others | - | - | 30,985 | - |
| | 3,180,000 | - | 3,210,985 | 306,410 |

As of March 31, 2006, U.S. Dollars 3,180,000 (December 31, 2005 - U.S. Dollars 3,180,000) of total receivables from Entrade Limited consists of long-term receivables.

(c) Transactions during the year

| | March 31, 2006 | March 31, 2005 |
|---|----------------|----------------|
| Sales and Services to Related Parties | | |
| Sales | 13,826 | 1,082,305 |
| Rent income | 56,747 | 377,361 |
| Purchases and Services from Related Parties | 4,728,111 | 8,032,441 |

Director's remuneration

The executive management of the Company received remuneration totaling U.S. Dollars 1,987,932 (March 31, 2005 - U.S. Dollars 2,074,022). As of March 31, 2006, the social security payment and accrued retirement pay liability is U.S. Dollars 75,678 (March 31, 2005 - U.S. Dollars 67,778) and U.S. Dollars 629,806 (March 31, 2005 - U.S. Dollars 577,841) respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2006

(Currency -- U.S. Dollars unless otherwise indicated)

26. REVENUES AND EXPENSES

| | March 31, 2006 | March 31, 2005 |
|---|-------------------|-------------------|
| Other Operating Income | | |
| Insurance compensation income | 1,198,641 | 82,548 |
| Gain from sales of property, plant and equipment, net | 972,585 | 248,503 |
| Machinery rent income | 412,811 | 155,670 |
| Reversal and collection of doubtful receivables | 385,584 | 26,904 |
| Rent income | 239,800 | 376,163 |
| Service income | 228,238 | 265,777 |
| Commission income | 19,354 | 175,715 |
| Term difference income | 11,886 | - |
| Previous Year Income | - | 2,498,602 |
| First time consolidation income | - | 2,460,397 |
| Reversal of excess tax expense | - | 274,059 |
| Goodwill amortization | - | - |
| Others | 23,583 | 1,877,963 |
| | 3,492,482 | 8,442,301 |
| Other Operating Expense | | |
| Loss from sales of property, plant and equipment | 1,002,728 | 1,022,578 |
| Depreciation expense | 613,419 | - |
| Donations | 469,698 | 96,554 |
| Idle time expenses | 166,667 | 387,793 |
| Machinery Rent Expense | 147,599 | - |
| Provision for doubtful receivables | 108,563 | - |
| Commission expense | 94,886 | - |
| Service expense | 51,714 | - |
| Others | 2,418,147 | 1,294,016 |
| | 5,073,421 | 2,800,941 |
| Financial Income | | |
| Interest income | 7,923,624 | 6,802,125 |
| Foreign exchange gains | 5,700,336 | 432,349 |
| Income from valuation and sale of investment securities | 2,397,727 | 9,458,094 |
| Forward income | 73,705 | - |
| Others | 298,270 | 644,945 |
| | 16,393,662 | 17,337,513 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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26. REVENUES AND EXPENSES (continued)

| | March 31, 2006 | March 31, 2005 |
|---|-------------------|-------------------|
| Financial Expenses | | |
| Interest expenses | 21,117,367 | 19,106,348 |
| Deferred financing costs | 3,333,265 | 2,718,437 |
| Commission expenses of letters of guarantee | 878,612 | 660,597 |
| Forward loss | - | 911,896 |
| Bank commission expenses | 380,859 | 304,389 |
| Losses from Valuation and sale of available for sale investment | - | 3,537,576 |
| Others | 33,453 | 524,577 |
| | 25,743,556 | 27,763,820 |

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

| | March 31, 2006 | March 31, 2005 |
|---|-------------------|-------------------|
| Depreciation included in | | |
| Cost of revenues | 19,760,990 | 19,179,065 |
| Selling and administrative expenses | 4,013,610 | 2,620,690 |
| Other operating expense | 613,419 | 338,798 |
| Inventory | - | 129,065 |
| | 24,388,019 | 22,267,618 |
| Amortization included in | | |
| Cost of revenues | 44,659 | 34,152 |
| Selling and administrative expenses | 176,014 | 214,682 |
| | 220,673 | 248,834 |
| Staff costs | | |
| Wages and salaries | 47,521,359 | 26,394,178 |
| Social security costs | 6,308,600 | 3,459,569 |
| Provision for employee termination benefits | 480,022 | 943,820 |
| Other benefits | 286,891 | 555,928 |
| | 54,596,872 | 31,353,495 |

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27. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments – Group as Lessee

Operating Lease Commitments

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

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|----------------------|
| Within one year | 5,985,444 | 7,371,165 |
| After one year but not more than five years | 19,937,362 | 26,449,224 |
| More than five years | 19,295,707 | 31,997,429 |
| | 45,218,513 | 65,817,818 |

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:

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|----------------------|
| Within one year | 843,654 | 896,038 |
| After one year but not more than five years | 4,652,277 | 4,674,081 |
| More than five years | 2,873,984 | 2,873,983 |
| Total finance lease commitments | 8,369,915 | 8,444,102 |

Litigations

- The Group has a tax dispute with the Croatian Tax Authorities related to the profit tax of the years 1998, 1999 and 2000 at an amount of U.S Dollars 11,669,550 including the interest of U.S Dollars 5,453,739. As the Group's Management currently believes that the case will result in favor of the Company, no provision is provided for this case in the consolidated financial statements. Furthermore, there are several lawsuits filed against the Group related to the quarries' permit through the construction of the motorway project. The Group has reflected a provision of U.S Dollars 2,700,000 in the consolidated financial statements for those lawsuits as of March 31, 2006.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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27. COMMITMENTS AND CONTINGENCIES (continued)

- In the year 2004, a case is opened against Enka Pazarlama, one of the consolidated subsidiary, 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 Management of the Company believes that the case will be resulted in favor of the Company.

Others

- The operations and financial positions of the companies operating in Russia will be significantly impacted by the political, monetary and fiscal practices that will be applied in the Russian Federations. As of March 31, 2006, 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 Company 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 Company has pledged and assigned all number of shares in these companies to the Onshore Collateral Agent for the benefit of the financial institutions.
- As of March 31, 2006, the Group has outstanding letters of guarantee and collaterals amounting to U.S. Dollars 544,794,822 (December 31, 2005 - U.S. Dollars 543,752,247) 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 113,658,706 (December 31, 2005 - U.S. Dollars 147,140,101) are related to joint ventures.
- As of March 31, 2006, Pimaş and Kelebek Mobilya have export commitments at the amount of U.S. Dollars 3,600,000 (December 31, 2005 - U.S. Dollars 4,952,750), YTL 1,500,000 (December 31, 2005 - YTL 1,500,000) and EURO 6,500,000 (December 31, 2005 - Euro 6,000,000) with respect to the foreign currency loans with export commitments.
- A lawsuit has been opened by KIGEM Foundation, against TETAŞ in 1998, for the cancellation of the Electricity Sales Agreements dated October 8, 1998 of the subsidiaries of the Company, İzmir Elektrik and Adapazarı Elektrik. The 13th Division of Council of State has decided on June 10, 2005 to suspend the agreement of İzmir Elektrik and on January 4, 2006 to suspend the agreement of the Adapazarı Elektrik. TETAŞ has appealed the Council of State against this decision and the judicial process is continuing as of the report date. İzmir Elektrik and Adapazarı Elektrik are not parties to the above mentioned lawsuit.

Regarding the Energy and Natural Resources Ministry's explanation sent to the İstanbul Stock Exchange on August 24, 2005, a cabinet decree dated August 22, 2005, and numbered P 2005/1, for the continuation of the production of İzmir Doğalgaz Kombine Çevrim Santrali, has been issued and came into force. Then, with the cabinet decree dated March 01, 2006 and numbered D 2006/1, the continuation of the production of Adapazarı Doğalgaz Kombine Çevrim Santrali has come into force. Furthermore, any rejection of Council of State to the appeal for the 13th Division's decision made by TETAŞ has not been received.

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28. 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.

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.

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.

As of March 31, 2006 and December 31, 2005, the notional amounts of forward transactions comprised:

| | March 31, 2006 | | | |
|-------------------------------------|-------------------|---------------|---------------|----------------|
| | Unrealized Profit | Up to 1 month | 1 to 3 months | 3 to 12 months |
| Derivatives held for trading | | | | |
| Forward sale contract | 7,500 | 1,000,000 | 2,613,050 | 3,423,600 |
| Forward purchase contract | | 993,090 | 2,632,385 | 3,418,675 |
| | | | | |
| | December 31, 2005 | | | |
| | Unrealized Loss | Up to 1 month | 1 to 3 months | 3 to 12 months |
| Derivatives held for trading | | | | |
| Forward sale contract | (94,873) | 1,200,000 | 5,000,000 | 3,036,650 |
| Forward purchase contract | - | 1,207,245 | 4,976,782 | 2,957,750 |

29. FINANCIAL INSTRUMENTS

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 Group is exposed mainly to interest rate, foreign currency, liquidity, price and credit risks derived from the financial instruments. The Management objectives and policies about the management of these risks are summarized below. Market risk of the financial instruments is also closely monitored by the management.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's portfolio available for sale and obligations under short-term and long-term bank borrowings. The Group manages interest rate risk through natural hedges that arise from offsetting the same interest bearing assets and liabilities.

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29. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

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.

Price Risk

The price risk is derived from the foreign currency, interest and market risks. The Group manages the price risk by using natural hedging that arise from offsetting foreign currency denominated receivables and payables and the same interest bearing assets and liabilities. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

Credit Risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instruments is generally limited to the amounts, if any, by their carrying values. 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.

Credit Risk Exposures

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations as of balance sheet date in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the balance sheets.

Significant Concentration of the Credit Risk

Concentration of credit risk exists when changes in economic, industrial or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As of March 31, 2006, the Group's portfolio of financial instruments is broadly diversified along product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Liquidity Risk

In order to carry on their operations, the companies are obliged to raise adequate funds to meet their commitments. The risk is monitored by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

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29. FINANCIAL INSTRUMENTS (continued)

Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Fair values of certain financial assets and liabilities carried at cost, including cash and cash equivalents, contract and trade receivables, retention receivables, short-term bank borrowings and obligation under the trade payables and other monetary assets and liabilities are considered to approximate their respective carrying values due to their short-term nature and due to their being denominated mostly in foreign currencies.

The carrying value of long-term funds borrowed also approximates the market value due to the variable interest rates with changing market conditions and due to their being denominated mostly in foreign currencies.

30. SUBSEQUENT EVENTS

- (a) Based on the protocol dated January 5, 2006, the Group decided on the sale of Kelebek Mobilya to Özbıyık and Gökınar families. With respect to the provisions of the protocol, the Company has resolved to participate to the compulsory paid-in capital increase of Kelebek Mobilya from YTL 8,400,000 to YTL 26,000,000, to pledge the exercise of unexercised rights issues, to sign a protocol with the buyer to sell all the shares hold by Enka İnşaat after the share capital increase, and to apply for the inclusion of call exemption to the agenda of Kelebek Mobilya's General Assembly Meeting.

By signing the protocol, the buyer claimed that the valuation of the purchased shares was based on the financial statements of Kelebek Mobilya dated October 31, 2005. The Company is responsible for any legal or financial liabilities that might arise prior the protocol. Parties will also be liable to pay any possible change if the change in the total value of monetary items of Kelebek Mobilya's financial statements dated October 31, 2005 is exceeding YTL 250,000.

If the protocol will not execute due to the missing approval from CMB or any other official procedure interruption without being the defect of any party and the procedures including the transfer of shares will not be completed by June 30, 2006, the protocol will be terminated.

- (b) It has been resolved on May 2006 that, based on the fourth Loan Agreement with a maximum amount of US Dollars 40,000,000, which will be signed by International Finance Corporation (IFC) and Ramenka; IFC, Ramenka, Migros Türk T.A.Ş., and Enka İnşaat ve Sanayi A.Ş. will sign the Amended and Restated Share Retention Agreement and Fourth Loan Agreement.