Enka İnşaat ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
March 31, 2007

ENKA İNŞAAT VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

TABLE OF CONTENTS

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED BALANCE SHEET
As at March 31, 2007
(Currency -- U.S. Dollars)

ASSETS

	Notes	March 31, 2007	December 31, 2006
Current assets			
Cash and cash equivalents	4	**857,843,685**	784,429,703
Investments available-for-sale	5	**268,355,533**	222,706,933
Trade and other accounts receivable	6	**557,907,458**	561,692,610
Inventories	7	**216,517,640**	193,147,269
Other current assets	8	**152,256,567**	146,908,984
Company's share in current assets of joint ventures	9	**186,055,432**	220,177,649
Costs and estimated earnings in excess of billings on uncompleted contracts	10	**129,096,270**	88,296,952
Total current assets		**2,368,032,585**	2,217,360,100
Non-current assets			
Trade and other accounts receivable	6	**30,925,056**	31,508,811
Investments in associates	11	**5,651,414**	5,111,894
Investments available-for-sale	5	**1,309,525**	1,177,628
Property, plant and equipment			
Company			
Buildings	12	**374,025,011**	372,835,466
Other property, plant and equipments	12	**1,835,773,381**	1,802,803,503
Company's share in joint ventures	9	**54,725,084**	49,188,609
Intangible assets	13	**17,702,625**	17,725,930
Goodwill	20	**55,151,210**	55,151,210
Investment properties	14	**841,305,245**	833,567,716
Other non-current assets	8	**48,754,119**	40,246,079
Deferred tax asset	18	**108,802,520**	110,200,716
Company's share in non-current assets of joint ventures	9	**13,788**	-
Total non-current assets		**3,374,138,978**	3,319,517,562
Total assets		**5,742,171,563**	5,536,877,662

The accompanying policies and explanatory notes on pages 6 through 61 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, 2007
(Currency -- U.S. Dollars)

LIABILITIES AND EQUITY

	Notes	March 31, 2007	December 31, 2006
Current liabilities			
Short-term borrowings	15	**70,004,200**	61,464,116
Current portion of long-term borrowings	15	**282,960,534**	268,099,057
Trade and other payables	16	**672,151,961**	634,716,801
Other current liabilities and accrued expenses	17	**102,165,439**	105,580,575
Taxation on income	18	**13,622,078**	8,966,505
Company’s share in current liabilities of joint ventures	9	**107,162,004**	80,032,122
Billings in excess of costs and estimated earnings on uncompleted contracts	10	**43,708,044**	36,276,443
Total current liabilities		**1,291,774,260**	1,195,135,619
Non-current liabilities			
Trade and other payables	16	**79,790,958**	84,035,641
Long-term borrowings	15	**1,033,594,933**	1,041,435,877
Employee termination benefit	19	**10,513,361**	9,777,367
Deferred tax liability	18	**173,653,122**	182,775,110
Other non-current liabilities	17	**601,305,048**	573,677,138
Company's share in non-current liabilities of joint ventures	9	**88,615,589**	103,816,040
Total non-current liabilities		**1,987,473,011**	1,995,517,173
Equity			
Equity attributable to equity holders of the parent		**2,254,131,931**	2,145,246,896
Share capital	21	**361,567,057**	361,567,057
Revaluation surplus	12	**75,845,438**	76,383,885
Currency translation difference		**67,549,781**	60,668,401
Other reserves		**1,842,393**	294,958
Legal reserves and accumulated profit	22	**1,747,327,262**	1,646,332,595
Minority interest		**208,792,361**	200,977,974
Total equity		**2,462,924,292**	2,346,224,870
Total equity and liabilities		**5,742,171,563**	5,536,877,662

The accompanying policies and explanatory notes on pages 6 through 61 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the period ended March 31, 2007
(Currency -- U.S. Dollars)

	Notes	March 31, 2007	March 31, 2006
Revenues		**1,064,680,391**	822,873,149
Cost of revenues		**(872,232,273)**	(661,737,345)
Gross profit		**192,448,118**	161,135,804
Selling and administrative expenses		**(59,105,739)**	(48,915,045)
Other operating income	25	**7,598,680**	3,492,482
Other operating expense	25	**(2,215,879)**	(5,073,421)
Profit from operations		**138,725,180**	110,639,820
Financial income	25	**13,940,752**	16,393,662
Financial expenses	25	**(30,240,965)**	(25,743,556)
Income/(Loss) from associates		**558,393**	(296,186)
Profit from operations before taxes		**122,983,360**	100,993,740
Taxation charge			
Current	18	**(19,737,040)**	(10,918,958)
Deferred	18	**2,545,767**	(6,516,105)
Net profit for the year		**105,792,087**	83,558,677
Attributable to :			
Equity holders of the parent		**100,313,173**	78,560,031
Minority interest		**5,478,914**	4,998,646
Net profit		**105,792,087**	83,558,677
Weighted average number of shares	21	**60,000,000,000**	60,000,000,000
Basic earnings per share attributable to equity holders of the parent - U.S. Dollar	23	**0.00167**	0,00131

The accompanying policies and explanatory notes on pages 6 through 61 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, 2007
(Currency -- U.S. Dollars)

	Attributable to equity holders of the parent						Minority interest	Total equity
	Share Capital (Note 21)	Revaluation Surplus (Note 12)	Currency Translation Difference	Other Reserves	Legal Reserves and Accumulated Profit	Total		
Balances, January 1, 2006	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	-	224,603	37,798,424	-	-	38,023,027	14,007,007	52,030,034
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 12)	-	(2,663,550)	-	-	2,663,550	-	-	-
Revaluation of buildings (Note 12)	-	1,714,264	-	-	-	1,714,264	1,582,400	3,296,664
Effect of tax rate change (Note 12)	-	4,312,560	-	-	-	4,312,560	-	4,312,560
Fair value adjustment on derivative assets	-	-	-	1,067,698	-	1,067,698	-	1,067,698
Net change in unrealized loss on available-for-sale investments	-	-	-	768,999	-	768,999	-	768,999
Total income and expense for the year recognized directly in equity	-	3,587,877	37,798,424	1,836,697	2,663,550	45,886,548	15,589,407	61,475,955
Profit for the year	-	-	-	-	411,949,975	411,949,975	33,069,187	445,019,162
Total income and expense for the year	-	3,587,877	37,798,424	1,836,697	414,613,525	457,836,523	48,658,594	506,495,117
Share capital increase from general reserve (Note 21)	172,387,043	-	-	-	(172,387,043)	-	-	-
Change in scope of consolidation (*) (Note 12)	-	(6,133,885)	-	-	-	(6,133,885)	-	(6,133,885)
Acquisition of minority interest in a subsidiary	-	-	-	-	-	-	(23,468,265)	(23,468,265)
Dividends paid (Note 22)	-	-	-	-	(23,246,829)	(23,246,829)	(5,099,818)	(28,346,647)
Balances, December 31, 2006	**361,567,057**	**76,383,885**	**60,668,401**	**294,958**	**1,646,332,595**	**2,145,246,896**	**200,977,974**	**2,346,224,870**
Currency translation difference	**-**	**143,047**	**6,881,380**	**-**	**-**	**7,024,427**	**2,335,473**	**9,359,900**
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 12)	**-**	**(681,494)**	**-**	**-**	**681,494**	**-**	**-**	**-**
Revaluation of buildings (Note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Effect of tax rate change (Note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value adjustment on derivative assets	**-**	**-**	**-**	**258,625**	**-**	**258,625**	**-**	**258,625**
Net change in unrealized loss on available-for-sale investments	**-**	**-**	**-**	**1,288,810**	**-**	**1,288,810**	**-**	**1,288,810**
Total income and expense for the year recognized directly in equity	**-**	**(538,447)**	**6,881,380**	**1,547,435**	**681,494**	**8,571,862**	**2,335,473**	**10,907,335**
Profit for the year	**-**	**-**	**-**	**-**	**100,313,173**	**100,313,173**	**5,478,914**	**105,792,087**
Total income and expense for the year	**-**	**(538,447)**	**6,881,380**	**1,547,435**	**100,994,667**	**108,885,035**	**7,814,387**	**116,699,422**
Balances, March 31, 2007	**361,567,057**	**75,845,438**	**67,549,781**	**1,842,393**	**1,747,327,262**	**2,254,131,931**	**208,792,361**	**2,462,924,292**

(*) The change occurred from the sale of Kelebek Mobilya.

The accompanying policies and explanatory notes on pages 6 through 61 form an integral part of the consolidated financial statements.

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, 12.58% of the 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 construction and operation of natural gas fired electrical energy generation facilities.

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

Africa : engaged in construction activities in Algeria and Libya.

Asia : engaged in construction activities in Nepal and Oman.

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

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
Limited Liability Company Enmar (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, Sevk ve İdare Anonim Şirketi (Enka Teknik)	Construction	Turkey
Pimaş Plastik İnşaat Malzemeleri Anonim Şirketi (Pimaş)	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 Krasnye Holmy (MKH)	Rental	Russia
Open 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
Enka Limited Liability Company	Construction	Ukraine
Enka Enerji Üretim A.Ş. (Enka Enerji)	Energy	Turkey

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)
Cadell Construction Company Inc. (Asia)
Cadell Construction Company Inc. (Africa)
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin / Russia)
Bechtel-Enka Joint Venture (Romania)
Bechtel- Enka Joint Venture (Albania)

Enka İnşaat has also 50% ownership in Limited Liability Company Ramenka (Ramenka) and AECO Development LLC (AECO LLC). Ramenka is domiciled in Russia and operates retail supermarkets and rents floor spaces of the shopping malls to other trading companies. AECO LLC is domiciled in Oman and engages in construction activities.

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’’.

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), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. 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, 2007. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on May 25, 2007. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Enka İnşaat and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in 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.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the group. They did however, if applicable to the Group's operations, give rise to additional disclosures.

- IAS 1 and IAS 19 Amendment – *Actuarial Gains and Losses, Group Plans and Disclosures*
- IAS 21 Amendment – *The Effects of Changes in Foreign Exchange Rates*
- IAS 39 Amendment – *Cash Flow Hedge Accounting of Forecast Intra-group Transactions*
- IAS 39 Amendment – *The Fair Value Option*
- IAS 39 and IFRS 4 Amendment – *Financial Guarantee Contracts*
- IFRS 6 – *Exploration for and Evaluation of Mineral Resources*
- IFRIC 4 – *Determining whether an Arrangement Contains a Lease*
- IFRIC 5 – *Rights to Interests arising from Decommissioning, Restoration, and Environmental Rehabilitation Funds*
- IFRIC 6 – *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Judgments, Estimates and Assumptions

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

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

Functional and Presentation Currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint ventures which form main part of the operations of the Group are carried out in U.S. Dollar or indexed to U.S. Dollar, this currency has been determined as the functional currency of the parent and the majority of its operating and the presentation currency of the Group in line with IAS 21 - The Effects of Changes in Foreign Exchange Rates 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.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgment when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in July 2004. As of March 31, 2007, the three-year cumulative inflation rate has been 27.02% (December 31, 2006 – 32.8%) based on the indices published by the State Institute of Statistics (SIS). On November 22, 2005, AICPA International Practices Task Force in its highlights memorandum declared that Turkey will come off its highly inflationary status as of the first period beginning after December 15, 2005. Based on these considerations, IAS 29 (“Financial Reporting in Hyperinflationary Economies”) has not been applied in the preparation of the current period financial statements.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The rates used as of March 31, 2007 and December 31, 2006 and the rate as of the preparation date of the consolidated financial statements for one U.S. Dollar can be summarized as below:

	May 25, 2007		**March 31, 2007**		December 31, 2006	
U.S. Dollar	**YTL**	**1.3248**	**YTL**	**1.3801**	YTL	**1.4056**
	RR	**25.90**	**RR**	**26.01**	RR	**26.33**
	Euro	**0.74**	**Euro**	**0.75**	Euro	**0.76**
	Swiss Francs	**1.229**	**Swiss Francs**	**1.220**	Swiss Francs	**1.212**

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

The consolidated financial statements comprise the financial statements of the parent company, its joint ventures and its subsidiaries. The financial statements of the joint ventures and the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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

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

Minority interests represent the portion profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

(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, 2007 and December 31, 2006 are as follows:

	Direct / Indirect Ownership	
Company Name	**March 31, 2007**	December 31, 2006
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%
Enka Limited Liability Company	**100.00%**	100.00%
Rumos S.A.	**100.00%**	100.00%
Air Enka	**99.99%**	99.99%
Metra Akdeniz Dış Ticaret Anonim Şirketi	**99.97%**	99.97%
Enka Pazarlama	**99.97%**	99.97%
Enmar Trading	**99.97%**	99.97%
Entaş	**99.93%**	99.93%
Enka Enerji	**99.47%**	99.47%
Kasktaş	**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%
Altaş	**95.15%**	95.15%
Titaş	**91.91%**	91.91%
Burtrak Burdur Traktör ve Önyükleyici Sanayi Ticaret Anonim Şirketi	**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%
Susanbaş Değirmencilik A.Ş.	**83.80%**	83.80%
Mosenka	**80.00%**	80.00%
Enka Oil and Gas B.V.	**75.50%**	75.50%
Enka Teknik	**75.50%**	75.50%
Kasktaş Arabia Ltd.	**64.23%**	64.23%
MKH	**52.00%**	52.00%
Kelebek Mobilya (*)	**-**	-
ZAO Kelebek (*)	**-**	-
2K Oturma Grupları San. ve Tic. A.Ş. (*)	**-**	-
3K Mobilya Dekorasyon San. ve Tic. A.Ş. (*)	**-**	-

(*) In accordance with the protocol signed on January 5, 2006, the Group has sold all of its shares in the consolidated subsidiary, Kelebek Mobilya to Özbıyık and Göknar families on June 28, 2006. During 2006, before the transfer of the shares, the Group has participated in the share capital increase of Kelebek Mobilya in the amount of U.S. Dollars 7,316,887 and purchased additional shares amounting to U.S. Dollars 1,124,527, increased the shareholding percentage to 67%. On June 28, 2006 transfer of the shares has been completed in exchange of U.S. Dollars 610,687. The sales of such subsidiary amounting to U.S. Dollars 518,900 has been reflected in the other operating expense.

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

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

The Group has combined its share of each of the assets and liabilities of all of the joint ventures, which are established related to the construction projects, with the similar items on aggregate basis and included separate line items for its share of the assets and liabilities on its consolidated financial statements, whereas its share of each of the assets and liabilities of Ramenka, the main activity of which is operating retail supermarkets and renting floor spaces of the shopping malls to other trading companies, was combined on a line by line basis to reflect the substance and economic reality of the arrangement. Income and expense accounts of all of the jointly consolidated entities are consolidated on a line by line basis in the consolidated financial statements.

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

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

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

Joint Venture	**March 31, 2007**	December 31, 2006
Bechtel-Enka Joint Venture (Kazakhstan)	**50%**	50%
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	**50%**	50%
Cadell Construction Company Inc. (Cadell Asia)	**50%**	50%
Cadell Construction Company Inc. (Cadell Africa)	**50%**	50%
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin Islands / Russia)	**50%**	50%
Bechtel-Enka Joint Venture (Romania)	**50%**	50%
Bechtel-Enka Joint Venture (Albania)	**50%**	50%
Ramenka (Russia)	**50%**	50%
AECO LLC (Oman)	**50%**	50%

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations and Goodwill

Business combinations are accounted for using the acquisiton accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

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

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

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

The carrying amount of goodwill at March 31, 2007 was U.S. Dollars 55,151,210 (December 31, 2006 – U.S. Dollars 55,151,210) (see Note 20) while based on the impairment tests performed no impairment issue was identified.

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 November 2, 2006, the Group acquired the 25% share of its consolidated subsidiaries Mosenka and increased the shareholding percentage to 80%. As a result of this acquisition of minority interest, the Group has recorded an amount of U.S. Dollars 8,968,265 of negative goodwill which is included in other operating income.

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

Investments in Associates

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

The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The 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. Profits and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in similar circumstances.

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

Company Name	**March 31, 2007**	December 31, 2006
Gretsch - Unitas Yapı Elemanları San. ve Tic. A.Ş. (Gretsch- Unitas)	**36.00%**	36.00%
Gedore - Altaş El Aletleri Dövme Çelik ve San. Tic. Ltd. (Gedore-Altaş)	**38.59%**	38.59%
Azen Oil Company B.V. (Azen Oil)	**37.75%**	37.75%

Cash and Cash Equivalents

Cash and cash equivalents 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 valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.
- Goods for resale - purchase cost on 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 and obsolete items.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

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

The Group determines the classification of its financial assets 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.

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 amortization 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 organized 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the income statement.

Impairment of Financial Assets

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

Assets carried at amortized cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the consolidated statement of income. 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 the consolidated statement of income.

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 the consolidated statement of income. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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 consolidated statement of income 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Power Companies have borrowings with variable interest rates and the Group has 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 16 November 2012 and 15 April 2013.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of income when the asset is derecognized.

Impairment of Non-Financial 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 consolidated 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 statement of income in the year in which they arise.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 statement of income.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases

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

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

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

(a) The Group as Lessee

Finance leases

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

Operating lease

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. 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 profit or loss when the liabilities are derecognized, as well as through the amortization 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.

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.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred Tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 statement of income 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.

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

3. SEGMENT INFORMATION

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

The segmental information of the Group is based on two formats. The first format represents information regarding business segments: construction, rental, retail, energy and trading and manufacturing. The second format represents information regarding four geographical segments for the periods ended March 31, 2007 and December 31, 2006.

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

(a) Business Segments :

				March 31, 2007			
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Revenues earned	316,527,021	44,932,830	87,405,484	96,788,133	519,026,923	-	1,064,680,391
Inter-segment revenues earned	33,173,571	-	-	754,582	-	(33,928,153)	-
Cost of revenues	(263,453,523)	(9,007,678)	(59,194,757)	(78,371,456)	(462,204,859)	-	(872,232,273)
Inter-segment cost of revenues	(33,777,566)	-	-	(75,906)	(38,407)	33,891,879	-
Gross profit	52,469,503	35,925,152	28,210,727	19,095,353	56,783,657	(36,274)	192,448,118
Selling and administrative expense	(9,472,347)	(10,566,124)	(25,407,827)	(10,505,653)	(3,190,062)	36,274	(59,105,739)
Other operating income and expense, net	1,793,272	(507,192)	(87,438)	4,484,633	400,303	(700,777)	5,382,801
Profit from operations	44,790,428	24,851,836	2,715,462	13,074,333	53,993,898	(700,777)	138,725,180
Financial income and expense, net	1,052,979	(40,914)	(1,294,463)	(1,401,336)	(16,371,574)	1,755,095	(16,300,213)
Income from associates	-	-	-	61,745	496,648	-	558,393
Profit from operations before taxes	45,843,407	24,810,922	1,420,999	11,734,742	38,118,972	1,054,318	122,983,360
Taxation charge							
Current							(19,737,040)
Deferred							2,545,767
Net profit for the year							105,792,087
Assets and Liabilities							
Segment assets	963,162,857	1,009,982,331	458,532,846	341,955,174	1,828,216,786	(107,137,552)	4,494,712,442
Investment in associates	-	-	-	4,311,504	2,649,435	-	6,960,939
Unallocated assets							1,240,498,182
Total assets	963,162,857	1,009,982,331	458,532,846	346,266,678	1,830,866,221	(107,137,552)	5,742,171,563
Segment liabilities	839,190,733	102,978,485	260,930,052	295,939,387	1,660,289,344	(68,053,823)	3,091,274,178
Unallocated liabilities							187,973,093
Total liabilities	839,190,733	102,978,485	260,930,052	295,939,387	1,660,289,344	(68,053,823)	3,279,247,271
Other Segment Information							
Capital expenditures							
Property, plant and equipment	49,165,124	25,952,514	1,217,850	1,348,661	100,887		77,785,036
Intangible fixed assets	49,055	28,210	-	95,042	-		172,307
Investment properties	-	-	1,144,055	-	-		1,144,055
Total capital expenditures	49,214,179	25,980,724	2,361,905	1,443,703	100,887		79,101,398
Depreciation expense	10,402,772	998,638	3,223,903	954,943	13,197,872		28,778,128
Amortisation	107,982	73,955	4,672	22,784	35,732		245,125
Employee termination benefit	488,033	-	-	213,247	-		701,280

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

3. SEGMENT INFORMATION (continued)

	March 31, 2006						
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
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 year							83,558,677

	December 31, 2006						
Assets and Liabilities							
Segment assets	882,915,609	978,610,126	444,309,714	312,836,567	1,854,535,355	(67,776,540)	4,405,430,831
Investment in associates	-	-	-	4,138,021	2,151,501	-	6,289,522
Unallocated assets	-	-	-	-	-	-	1,125,157,309
Total assets	882,915,609	978,610,126	444,309,714	316,974,588	1,856,686,856	(67,776,540)	5,536,877,662
Segment liabilities	769,398,645	90,137,234	258,792,916	287,225,947	1,621,542,098	(28,708,908)	2,998,387,932
Unallocated liabilities	-	-	-	-	-	-	192,264,860
Total liabilities	769,398,645	90,137,234	258,792,916	287,225,947	1,621,542,098	(28,708,908)	3,190,652,792

	March 31, 2006						
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	-	-	-	-	-	-	-

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

3. SEGMENT INFORMATION (continued)

(b) Geographical Segments:

	Turkey	Russian Federation Kazakhstan, Tajikistan and Ukraine	Europe	North Africa and Other	Eliminations	Consolidated
OTHER INFORMATION						
March 31, 2007						
Net sales	**661,546,422**	**363,376,583**	**27,302,436**	**12,454,950**	**-**	**1,064,680,391**
Inter-segment sales	**13,350,565**	**20,577,588**	**-**	**-**	**(33,928,153)**	**-**
Segment assets	**2,362,398,670**	**2,011,015,809**	**145,733,966**	**82,509,606**	**(106,945,609)**	**4,494,712,442**
Capital expenditures	**4,687,480**	**59,616,651**	**13,910,196**	**887,071**	**-**	**79,101,398**
December 31, 2006						
Net sales	2,568,078,453	1,329,756,344	42,444,340	89,477,378	-	4,029,756,515
Inter-segment sales	75,674,002	119,211,540	-	-	(194,885,542)	-
Segment assets	2,362,306,913	1,880,796,062	139,628,337	90,476,059	(67,776,540)	4,405,430,831
Capital expenditures	47,005,754	262,289,694	10,268,971	103,394	-	319,667,813
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

4. CASH AND CASH EQUIVALENTS

	March 31, 2007	December 31, 2006
Cash on hand	**2,896,896**	2,835,968
Cash in bank-Demand deposits	**285,467,224**	196,769,708
Cash in bank-Time deposits	**567,686,001**	582,337,826
Other	**1,793,564**	2,486,201
Total	**857,843,685**	784,429,703
Less: time deposits with maturity over three months which are blocked in bank accounts as collateral	**(109,398,524)**	(97,344,797)
Cash and cash equivalents at consolidated cash flow statement	**748,445,161**	687,084,906

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

4. CASH AND CASH EQUIVALENTS (continued)

Interest rates of bank deposits are as follows:

	March 31, 2007	December 31, 2006
Time deposits with maturities less than three months		
U.S. Dollars		
- fixed interest rate	**4.00%-7.00%**	3.00%-7.00%
Russian Rouble	**3.25%-4.00%**	3.50%-7.00%
Euro	**2.50%-4.00%**	1.50%-5.45%
British Pound	**5.25%**	5.00%
Swiss Franc	**2.05%**	1.86%
YTL	**15.00% -18.00%**	15.00% -20.00%
Japanese Yen	**0.66%-1.00%**	1.00%
Time deposits with maturities over three months		
U.S. Dollars		
- fixed interest rate	**2.50%-3.50%**	3.00%
- variable interest rate	**Libor+2.25%-3.55%**	Libor+4.25%-5.55%

As of March 31, 2007, time deposit with maturity over three months has the maximum maturity of May 30, 2012 (December 31, 2006 - September 30, 2010) and they are blocked as collateral against the bank borrowings obtained for various projects and subsidiaries.

5. INVESTMENTS AVAILABLE FOR SALE

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

	March 31, 2007		December 31, 2006	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Private sector bonds				
(international markets)	**1.99%-5.55%**	**73,094,859**	1.99%-5.66%	71,653,016
Foreign government bonds				
(international markets)	**3.08%-5.42%**	**40,997,838**	3.08%-5.42%	42,331,686
Equity securities				
(international markets)	**-**	**40,733,797**	-	24,993,209
(domestic market)	**-**	**9,162,545**	-	3,326,558
Turkish Government Bonds				
(domestic market)	**10.26%-20.90%**	**46,901,724**	10.26%-23.42%	31,722,547
Mutual Funds				
(international markets)	**-**	**56,274,112**	-	48,679,917
(domestic market)		**1,190,658**		
		268,355,533		222,706,933

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

5. INVESTMENTS AVAILABLE FOR SALE (continued)

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

	March 31, 2007	December 31, 2006
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 (domestic market)	**February 28, 2010**	February 28, 2010

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

	March 31, 2007		December 31, 2006	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Yapı ve Kredi Bankası A.Ş. (YKB) - listed	**less than 1**	**583,813**	less than 1	505,971
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**	**385,392**	less than 1	331,337
Sınai Mali Yatırım Holding – unlisted	**less than 1**	**81,228**	less than 1	81,228
Others – unlisted		**109,092**		109,092
		1,309,525		1,177,628

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 consolidated statement of income are reasonable and the most appropriate at the balance sheet date.

As of March 31, 2007 and December 31, 2006 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.

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

6. TRADE AND OTHER ACCOUNTS 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, 2007	December 31, 2006
Trade receivables	**341,072,369**	338,212,409
Contract receivables	**115,922,541**	136,323,036
Notes and cheques receivables	**96,312,159**	80,971,052
Retention receivables	**9,971,304**	8,481,738
Other receivables	**14,145,905**	16,990,209
	577,424,278	580,978,444
Less : Allowance for doubtful receivables	**(19,516,820)**	(19,285,834)
	557,907,458	561,692,610

Movement of allowance for doubtful receivables is as follows:

	March 31, 2007	December 31, 2006
Balance at beginning of year	**19,285,834**	24,068,603
Additional provision	**18,563**	963,521
Change in scope of consolidation (*)	**-**	(3,415,326)
Foreign currency translation effect	**212,423**	(665,187)
Write-offs	**-**	(1,145,295)
Reversal of provision	**-**	(520,482)
Balance at the end of year	**19,516,820**	19,285,834

(*) The change occurred from the sale of Kelebek Mobilya.

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

	March 31, 2007	December 31, 2006
Accrued receivables from Iraq	**115,116,085**	115,116,085
Notes and cheques receivables	**30,054,160**	29,660,100
Trade receivables	**870,896**	1,848,711
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 15)	**(31,863,355)**	(31,863,355)
	30,925,056	31,508,811

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

6. TRADE AND OTHER RECEIVABLES (continued)

As of March 31, 2007, total collaterals and letter of guarantees obtained to secure certain accounts receivable amounted to 3,361,495 U.S. Dollars (December 31, 2006 - U.S. Dollars 6,878,009). Furthermore, mortgages amounted to 10,335,036 U.S. Dollars (December 31, 2006 - U.S. Dollars 12,826,209).

Accrued receivables for Iraq losses

The Group's operations in Iraq ceased since August 6, 1990, due to invasion of Iraqi forces to Kuwait. The Turkish Government provided long-term loan facilities through Turkish Eximbank (Eximbank) to companies, which suffered losses resulting from the invasion. Accordingly, loans due to various banks aggregating to U.S. Dollars 80,699,079 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 Group 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 Group 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 Group.

As of March 31, 2007, 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, 2006 - 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 Group 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.

7. INVENTORIES

	March 31, 2007	December 31, 2006
Raw materials and spare parts	**64,005,358**	46,383,263
Work in progress	**3,756,032**	11,503,049
Finished goods	**21,205,540**	14,147,959
Merchandise and goods for resale (machinery and others)	**72,420,301**	85,550,348
Construction materials	**5,537,888**	1,764,640
Goods in transit and advances for inventory purchases	**51,050,741**	35,518,472
	217,975,860	194,867,731
Less: Allowance for slow moving inventory and net realizable value	**(1,458,220)**	(1,720,462)
	216,517,640	193,147,269

As of March 31, 2007, U.S. Dollars 24,690,147 (December 31, 2006 - U.S. Dollars 23,299,263) of the inventories are pledged as security for the IFC loan.

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

8. OTHER CURRENT AND NON-CURRENT ASSETS

The breakdown of other current assets is as follows:

	March 31, 2007	December 31, 2006
V.A.T. receivables	**81,145,381**	80,162,143
Advances given	**32,333,884**	26,774,303
Other income accrual	**11,761,105**	3,806,563
Prepaid tax	**8,757,396**	15,789,389
Prepaid expenses	**7,977,418**	9,259,224
Deferred and other VAT	**4,904,048**	6,781,397
Job advances	**3,900,000**	2,335,815
Due from personnel	**705,137**	389,937
Miscellaneous	**772,198**	1,610,213
	152,256,567	146,908,984

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

	March 31, 2007	December 31, 2006
Prepayment for land leases	**24,673,729**	20,325,770
Prepaid expense	**11,905,216**	6,709,486
Restricted cash (*)	**8,130,000**	7,650,000
Advances given	**1,578,929**	1,598,395
Derivative assets(**)	**840,754**	840,753
Deposits and guarantees given	**53,717**	52,544
VAT receivables	**-**	1,559,752
Miscellaneous	**1,571,774**	1,509,379
	48,754,119	40,246,079

(*) 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 16, 2012 and April 15, 2013.

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

9. INTEREST IN JOINT VENTURES

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

	March 31, 2007			December 31, 2006		
Balance Sheet	**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	**94,007,484**	**3,676,500**	**97,683,984**	130,332,606	12,270,200	142,602,806
Accounts receivable	**29,628,145**	**8,045,530**	**37,673,675**	54,294,699	6,291,002	60,585,701
Inventories	**-**	**24,690,147**	**24,690,147**	-	23,299,263	23,299,263
Other current assets	**38,061,191**	**34,686,636**	**72,747,827**	18,248,990	32,278,423	50,527,413
Costs and estimated earnings in excess of billings on uncompleted contracts	**24,358,612**	**-**	**24,358,612**	17,301,354	-	17,301,354
Company's Share in Joint Venture's Current Assets	**186,055,432**	**71,098,813**	**257,154,245**	220,177,649	74,138,888	294,316,537
Investment properties	**-**	**167,092,666**	**167,092,666**	-	163,962,596	163,962,596
Other non-current assets	**13,788**	**19,897,669**	**19,911,457**	-	13,392,286	13,392,286
Company's Share in Joint Venture's Non-Current Assets	**13,788**	**186,990,335**	**187,004,123**	-	177,354,882	177,354,882
Cost	**104,916,193**	**243,669,188**	**348,585,381**	95,675,289	241,137,704	336,812,993
Accumulated depreciation	**(50,191,109)**	**(36,976,011)**	**(87,167,120)**	(46,486,680)	(33,478,582)	(79,965,262)
Company's Share in Joint Venture's Property Plant and Equipment	**54,725,084**	**206,693,177**	**261,418,261**	49,188,609	207,659,122	256,847,731
Short term liabilities	**-**	**5,000,000**	**5,000,000**	-	5,000,000	5,000,000
Current portion of long-term borrowings	**-**	**25,039,863**	**25,039,863**	-	27,201,522	27,201,522
Accounts payable	**24,907,850**	**54,827,298**	**79,735,148**	15,013,648	59,887,963	74,901,611
Other current liabilities and accrued expenses	**44,554,720**	**17,302,500**	**61,857,220**	22,898,376	14,308,948	37,207,324
Taxation on income	**1,892,943**	**995,220**	**2,888,163**	6,059,301	-	6,059,301
Billings in excess of costs and estimated earnings on uncompleted contracts	**35,806,491**	**-**	**35,806,491**	36,060,797	-	36,060,797
Company's Share in Joint Venture's Current Liabilities	**107,162,004**	**103,164,881**	**210,326,885**	80,032,122	106,398,433	186,430,555
Long-term borrowings	**-**	**137,384,744**	**137,384,744**	-	131,178,165	131,178,165
Advances payable	**89,076,129**	**-**	**89,076,129**	104,283,273	-	104,283,273
Deferred tax liabilities	**(460,540)**	**34,169,613**	**33,709,073**	(467,233)	34,672,125	34,204,892
Company's Share in Joint Venture's Non-Current Liabilities	**88,615,589**	**171,554,357**	**260,169,946**	103,816,040	165,850,290	269,666,330

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

9. INTEREST IN JOINT VENTURES (continued)

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

	March 31, 2007	March 31, 2006
Revenues	**154,411,122**	122,927,804
Cost of revenues	**(115,470,190)**	(93,799,402)
Selling and administrative expense	**(25,625,655)**	(17,864,229)
Other operating income and (expense)	**540,928**	(932,237)
Financial income and (expense)	**(8,606,621)**	3,553,458
Taxation charge	**(2,698,881)**	(2,866,615)
Net profit	**2,550,703**	11,018,779

10. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

	March 31, 2007	December 31, 2006
Costs incurred on uncompleted contracts	**654,762,875**	504,363,516
Estimated earnings	**126,269,560**	100,116,604
	781,032,435	604,480,120
Less: Billings to date	**(695,644,209)**	(552,459,611)
	85,388,226	52,020,509

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

	March 31, 2007	December 31, 2006
Costs and estimated earnings in excess of billings on uncompleted contracts	**129,096,270**	88,296,952
Billings in excess of costs and estimated earnings on uncompleted contracts	**(43,708,044)**	(36,276,443)
	85,388,226	52,020,509

As of March 31, 2007, the amount of advances received and retention receivable are U.S Dollars 334,639,111 (December 31, 2006 – U.S. Dollars 297,635,638) and U.S Dollars 9,971,304 (December 31, 2006 – U.S Dollars 8,481,738) respectively.

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

11. INVESTMENTS IN ASSOCIATES

	March 31, 2007		December 31, 2006	
	Percentage of Ownership (%)	**Amount**	Percentage of Ownership (%)	Amount
accounted for using the equity method				
Gretsch-Unitas	**36.00**	**1,647,822**	36.00	1,775,669
Gedore-Altaş	**38.59**	**1,354,158**	38.59	1,184,725
Azen Oil	**37.75**	**2,649,434**	37.75	2,151,500
Total		**5,651,414**		5,111,894

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

	GEDORE-ALTAŞ		**GRETSCH-UNITAS**		**AZEN OIL**	
	March 31, 2007	December 31, 2006	**March 31, 2007**	December 31, 2006	**March 31, 2007**	December 31, 2006
Total assets	**23,625,204**	21,953,364	**33,680,211**	28,470,359	**17,642,250**	14,897,737
Total liabilities	**20,116,296**	18,883,491	**29,102,875**	23,537,743	**12,343,382**	10,493,891
Revenue	**7,272,306**	27,734,331	**13,571,220**	48,158,028	**5,505,150**	15,248,475
Net profit/(loss)	**375,788**	113,099	**(336,006)**	(764,896)	**468,798**	518,090

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings and Barracks	Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Scaffolding and Formworks	Aircraft(*)	Others	Construction in Progress	**Total**
COST										
At January 1, 2007	**56,448,701**	**409,789,802**	**1,893,456,386**	**13,179,673**	**59,556,419**	**10,877,920**	**4,420,209**	**8,936,444**	**156,561,811**	**2,613,227,365**
Currency translation differences	**189,519**	**4,040,297**	**1,681,659**	**97,636**	**426,081**	**-**	**-**	**20,104**	**470,480**	**6,925,776**
Remeasurement adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	**74,430**	**389,654**	**23,715,322**	**1,261,551**	**4,501,402**	**1,357,069**	**-**	**-**	**31,650,498**	**62,949,926**
Disposals	**-**	**(567,535)**	**(4,941,161)**	**(1,265,842)**	**(1,075,283)**	**(73,678)**	**-**	**28,509**	**(1,435,033)**	**(9,330,023)**
Transfers to investment property	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,114,055)**	**(1,114,055)**
Transfers from construction in progress	**2,244,674**	**-**	**1,118,627**	**19,000**	**1,281,889**	**-**	**-**	**-**	**(4,664,190)**	**-**
At March 31, 2007	**58,957,324**	**413,652,218**	**1,915,030,833**	**13,292,018**	**64,690,508**	**12,161,311**	**4,420,209**	**8,985,057**	**181,469,511**	**2,672,658,989**
ACCUMULATED DEPRECIATION										
At January 1, 2007	**10,548,004**	**36,954,336**	**337,717,499**	**7,255,467**	**34,054,932**	**3,654,604**	**1,473,402**	**5,930,152**	**-**	**437,588,396**
Exchange and remeasurement adjustment	**26,877**	**379,651**	**1,124,305**	**12,754**	**128,951**	**-**	**-**	**17,404**	**-**	**1,689,942**
Charge for the year	**548,495**	**2,393,193**	**18,699,948**	**337,827**	**2,239,678**	**546,768**	**73,670**	**45,912**	**-**	**24,885,491**
Disposals	**-**	**(99,973)**	**(864,896)**	**(237,709)**	**(91,800)**	**(8,854)**	**-**	**-**	**-**	**(1,303,232)**
At March 31, 2007	**11,123,376**	**39,627,207**	**356,676,856**	**7,368,339**	**36,331,761**	**4,192,518**	**1,547,072**	**5,993,468**	**-**	**462,860,597**
NBV at January 1, 2007	**45,900,697**	**372,835,466**	**1,555,738,887**	**5,924,206**	**25,501,487**	**7,223,316**	**2,946,807**	**3,006,292**	**156,561,811**	**2,175,638,969**
NBV at March 31, 2007	**47,833,948**	**374,025,011**	**1,558,353,977**	**5,923,679**	**28,358,747**	**7,968,793**	**2,873,137**	**2,991,589**	**181,469,511**	**2,209,798,392**

(*) The amount consists of the aircraft of the subsidiary of the Company, Airenka.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and Land Improvements	Buildings and Barracks	Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Scaffolding and Formworks	Aircraft (**)	Others	Construction in Progress	**Total**
COST										
At January 1, 2006	**54,725,783**	**340,691,786**	**1,873,044,531**	**11,526,081**	**57,546,123**	**6,398,305**	**4,420,209**	**8,261,873**	**54,306,855**	**2,410,921,546**
Currency translation differences	(145,032)	20,802,251	(908,082)	(102,936)	1,660,287	-	-	(71,819)	2,486,398	23,721,067
Remeasurement adjustment	-	4,337,714	-	-	-	-	-	-	-	4,337,714
Scope change(***)	(731,979)	(10,592,832)	(26,828,628)	(249,064)	(2,623,124)	-	-	(425,795)	(35,428)	(41,486,850)
Additions	2,678,219	6,773,747	53,370,262	5,168,213	4,761,120	5,649,754	-	1,564,511	191,645,099	271,610,925
Disposals	(987,085)	-	(19,979,795)	(3,162,621)	(627,062)	(1,170,139)	-	(392,326)	-	(26,319,028)
Other transfers	-	-	6,946,083	-	(6,946,083)	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	(29,558,009)	(29,558,009)
Transfers from construction in progress	908,795	47,777,136	7,812,015	-	5,785,158	-	-	-	(62,283,104)	-
At December 31, 2006	**56,448,701**	**409,789,802**	**1,893,456,386**	**13,179,673**	**59,556,419**	**10,877,920**	**4,420,209**	**8,936,444**	**156,561,811**	**2,613,227,365**
ACCUMULATED DEPRECIATION										
At January 1, 2006	**9,008,787**	**27,718,690**	**297,385,378**	**7,906,137**	**32,912,811**	**1,813,434**	**1,184,825**	**5,326,852**	**-**	**383,256,914**
Exchange and remeasurement adjustment (*)	(80,224)	56,624	(2,171,154)	(85,361)	252,651	-	(6,104)	(51,560)	-	(2,085,128)
Scope change	(589,223)	(127,550)	(26,229,345)	(249,064)	(2,362,282)	-	-	(303,283)	-	(29,860,747)
Charge for the year	2,217,223	9,306,572	68,995,461	1,416,918	6,803,205	2,093,727	294,681	1,005,153	-	92,132,940
Disposals	(8,559)	-	(3,357,962)	(1,733,163)	(456,332)	(252,557)	-	(47,010)	-	(5,855,583)
Other transfers	-	-	3,095,121	-	(3,095,121)	-	-	-	-	-
At December 31, 2006	**10,548,004**	**36,954,336**	**337,717,499**	**7,255,467**	**34,054,932**	**3,654,604**	**1,473,402**	**5,930,152**	**-**	**437,588,396**
NBV at January 1, 2006	**45,716,996**	**312,973,096**	**1,575,659,153**	**3,619,944**	**24,633,312**	**4,584,871**	**3,235,384**	**2,935,021**	**54,306,855**	**2,027,664,632**
NBV at December 31, 2006	**45,900,697**	**372,835,466**	**1,555,738,887**	**5,924,206**	**25,501,487**	**7,223,316**	**2,946,807**	**3,006,292**	**156,561,811**	**2,175,638,969**

(*) MKH's hotel building has been revalued at fair value by independent professionally qualified valuers and the fair value has been set as U.S. Dollar 154,616,988. Therefore net book value of the mentioned buildings has 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.
(**) The amount consists of the aircraft of the subsidiary of the Company, Airenka.
(***) The change occurred from the sale of Kelebek Mobilya.

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

12. 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, 2007	December 31, 2006
Cost	**368,743,889**	364,881,473
Accumulated depreciation	**(137,885,139)**	(135,212,267)
Net book value	**230,858,750**	229,669,206

The movement of the revaluation surplus is as follows:

	March 31, 2007	December 31, 2006
January 1,	**76,383,885**	78,929,893
Currency translation difference	**143,047**	224,603
Revaluation of buildings	**-**	2,255,609
Deferred tax effect of revaluation surplus	**-**	(541,345)
Effect of tax rate change in equity	**-**	4,312,560
Transfer of depreciation difference (net of deferred tax) of revaluation effect	**(681,494)**	(2,663,550)
Change in scope of consolidation	**-**	(6,133,885)
March 31 / December 31,	**75,845,438**	76,383,885

Market Valuations

The Group'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 2,255,609. 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 75,845,438 (December 31, 2006 - U.S. Dollars 76,383,885). 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 Group.

Construction in Progress

As of March 31, 2007 and December 31, 2006, 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.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Pledge on Property Plant and Equipment

Under the terms of the loan agreement signed with the International Finance Corporation (IFC) property, plant and equipment with a net book value of U.S. Dollars 206,693,177 (December 31, 2006 - U.S. Dollar 206,197,000) are pledged for security.

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 2,449,123,034 (December 31, 2006 - U.S. Dollar 2,436,385,316).

13. INTANGIBLE ASSETS

	Land Lease Rights	Others	Total
At January 1, 2007, net of accumulated amortization	**15,051,512**	**2,674,418**	**17,725,930**
Exchange and remeasurement adjustment	5,897	43,616	49,513
Additions	-	172,307	172,307
Amortisation charge for the year	(100,408)	(144,717)	(245,125)
At March 31, 2007, net of accumulated amortization	**14,957,001**	**2,745,624**	**17,702,625**
At December 31, 2006			
Cost	19,647,253	4,605,492	24,252,745
Accumulated amortization	(4,595,741)	(1,931,074)	(6,526,815)
Net carrying amount	**15,051,512**	**2,674,418**	**17,725,930**
At March 31, 2007			
Cost	19,655,161	4,839,877	24,495,038
Accumulated amortization	(4,698,160)	(2,094,253)	(6,792,413)
Net carrying amount	**14,957,001**	**2,745,624**	**17,702,625**

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

13. INTANGIBLE ASSETS (continued)

	Land Lease Rights	Others	Total
At January 1, 2006, net of accumulated amortization	**15,410,956**	**2,939,197**	**18,350,153**
Exchange and remeasurement adjustment	41,702	45,395	87,097
Change in scope of consolidation (*)	-	(487,542)	(487,542)
Additions	14,298	739,773	754,071
Amortisation charge for the year	(415,444)	(562,405)	(977,849)
At December 31, 2006, net of accumulated amortization	**15,051,512**	**2,674,418**	**17,725,930**
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 December 31, 2006			
Cost	19,647,253	4,605,492	24,252,745
Accumulated amortization	(4,595,741)	(1,931,074)	(6,526,815)
Net carrying amount	**15,051,512**	**2,674,418**	**17,725,930**

(*) The change occurred from the sale of Kelebek Mobilya.

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 Group at the amount of U.S. Dollars 143,500 (December 31, 2006 - U.S. Dollars 146,523) are pledged as security for IFC loan. No indication of impairment of the intangible assets exists as of the balance sheet date.

14. INVESTMENT PROPERTIES

The movement of investment properties is as follows :

	March 31, 2007	December 31, 2006
Opening balance as at January 1	**833,567,716**	693,848,532
Exchange and remeasurement adjustment	**6,593,474**	41,617,028
Transfers from property, plant and equipment and construction in progress	**1,144,055**	29,558,009
Effect of adoption IAS 40	**-**	11,960,196
Additions	**-**	-
Disposals	**-**	(36,391)
Change in fair value, net	**-**	56,620,342
Closing balance as at March 31 / December 31	**841,305,245**	833,567,716

14. INVESTMENT PROPERTIES (continued)

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.

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, 2006 at fair value by an independent professionally qualified valuers and the fair value has been set as 6,9 billion Ruble equivalent to U.S. Dollars 265,661,920 (December 31, 2006 - U.S. Dollars 262,435,369). 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 76,808,156 (December 31, 2006 - U.S. Dollars 76,482,562).

The fair values of the investments in leased properties of Mosenka amounting at a total of 3,1 billion Ruble equivalent to U.S. Dollars 121,921,155 (December 31, 2006 - U.S. Dollars 120,631,925) 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, 2006 based on an independent appraiser's report is 4,3 billion Ruble equivalent to U.S. Dollars 165,948,612 (December 31, 2006 - U.S. Dollars 163,962,596). 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 282,000,000 (December 31, 2006 - U.S. Dollars 282,000,000) which are used as business centers and residential property as well as the fair values of the investment properties in Turkey at a total amount of U.S. Dollars 4,537,826 (December 31, 2006 - U.S. Dollars 4,537,826) 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.

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

15. BORROWINGS

	March 31, 2007			
	Interest Rate	**Original Currency**		**U.S. Dollar Equivalent**
Short-term				
Short-term bank borrowings	**Euribor+2.60%-6.48%**	**EUR**	**10,094,574**	**13,446,022**
	Libor+1.50%-8.25%	**USD**	**35,742,711**	**35,742,711**
	16.50%-18.85%	**YTL**	**8,266,444**	**5,989,743**
	4.35%	**JPY**	**1,269,458,235**	**10,756,298**
	11.00%	**DA (*)**	**289,412,051**	**3,617,650**
	6.70%	**RMB (**)**	**3,500,000**	**451,776**
Total short-term borrowings				**70,004,200**
Long-term				
Eximbank loans	**4.26%-Libor+0.10%**	**USD**	**518,135,941**	**518,135,941**
OPIC loan	**7.54%-7.90%**	**USD**	**201,817,826**	**201,817,826**
Hermes loan	**Libor + 0.625%**	**USD**	**71,420,102**	**71,420,102**
Iraq related Eximbank loans		**USD**	**80,699,079**	**80,699,079**
		EUR	**2,240,617**	**2,984,513**
OND loan	**Libor + 0.70%**	**USD**	**56,169,100**	**56,169,100**
IFC Loan	**Libor + (2.10% - 5.83%)**	**USD**	**46,753,779**	**46,753,779**
ABN Amro loan	**Libor + (2.50% - 5.80%)**	**USD**	**109,306,449**	**109,306,449**
Commercial loan	**Libor + 4%**	**USD**	**15,874,292**	**15,874,292**
Hermes loan	**3.78 %-4.74%**	**EUR**	**73,959,751**	**98,514,389**
Other long-term bank borrowings	**6.625%-Libor+3.25%**	**USD**	**44,851,357**	**44,851,357**
	4.88%-Euribor + 2.60%	**EUR**	**24,594,189**	**32,759,473**
	2.77%- 3.90%	**JPY**	**6,263,131,683**	**53,063,822**
Obligations under finance leases	**Libor + 1.90%**	**USD**	**4,676,893**	**4,676,893**
	8.00% - 13.80%	**RBL**	**296,315,720**	**11,391,807**
				1,348,418,822
Less: Current portion of long-term bank borrowings and financial lease obligations				**(282,960,534)**
Less: Money received from UNCC by Eximbank (Note 6)				**(31,863,355)**
Total long-term borrowings				**1,033,594,933**

(*) Algerian Dinar
(**) Chinese Yuan

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

15. BORROWINGS (continued)

	December 31, 2006			
	Interest Rate	Original Currency		U.S. Dollar Equivalent
Short-term				
Short-term bank borrowings	4.05% - 6.48%	EUR	19,080,017	25,132,791
	6.10% - 8.25%	USD	28,659,199	28,659,199
	16.50% - 19.75%	YTL	4,761,832	3,387,758
	11.00%	DA (*)	306,892,002	3,836,150
	6.70%	RMB (**)	3,500,000	448,218
Total short-term borrowings				61,464,116
Long-term				
Eximbank loans	Libor + 0,10%-4.26%	USD	508,430,226	508,430,226
OPIC loan	7.54% - 7.90%	USD	197,908,586	197,908,586
Hermes loan	Libor + 0.625%	USD	70,007,167	70,007,167
Iraq related Eximbank loans		USD	80,699,079	80,699,079
		EUR	2,240,617	2,951,410
OND loan	Libor + 0.70%	USD	55,040,097	55,040,097
IFC Loan	Libor + (2.10% - 5.83%)	USD	48,252,430	48,252,430
ABN Amro loan	Libor + (4.50% - 5.80%)	USD	103,901,953	103,901,953
Commercial loan	Libor +4.00%	USD	15,489,740	15,489,740
Hermes loan	3.78% - 4.67%	EUR	47,364,265	62,389,682
Other long-term bank borrowings	Libor +3.25%-5.85%	USD	57,040,616	57,040,616
	Euribor +2.25%-3.82%	EUR	49,777,118	65,567,967
	2.10% - 3.90%	JPY	6,865,968,407	57,709,083
Obligations under finance leases	Libor + 1.90%	USD	4,722,469	4,722,469
	8.00% - 13.80%	RBL	297,219,781	11,287,784
				1,341,398,289
Less: Current portion of long-term bank borrowings and financial lease obligations				(268,099,057)
Less: Money received from UNCC by Eximbank (Note 6)				(31,863,355)
Total long-term borrowings				1,041,435,877

(*) Algerian Dinar
(**) Chinese Yuan

15. BORROWINGS (continued)

IFC Loan

Ramenka signed six loan agreements with IFC which are utilised for the construction and development of hyperstores and supermarkets in Moscow. Loan agreements contain covenants on adequacy of free cash flow, liquidity and gearing ratios. As of March 31, 2007 and December 31, 2006, the Group 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 Group in Ramenka 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.

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, 2006 - 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 Group has not accrued any interest for these borrowings. Management's expectation is that those interests will not be collected from the Group and this issue will ultimately be resolved among Eximbank and the Turkish Undersecretariat of Treasury.

Hermes Loans

The Hermes loan of the consolidated subsidiary Enka Pazarlama (in Euro) has an interest rate of 3.78% - 4.74% (December 31, 2006 - 3.78% - 4.67%).

Power Companies Bank Loans

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

Eximbank Loans

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

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, 2006 - fixed rate of 7.54%, 7.85% and 7.90% for İzmir Elektrik, Gebze Elektrik and Adapazarı Elektrik, respectively).

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

15. BORROWINGS (continued)

Hermes Loans

The Hermes Loans are guaranteed by the Export Credit Agencies of the German Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. Interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0.625% (December 31, 2006 - 12-months LIBOR plus a margin of 0.625%).

OND Loans

The OND Loans are guaranteed by the Export Credit Agencies of the Belgian Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. A syndicate of commercial banks provides the funding. The interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0.7% (December 31, 2006 - 12-months 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 12-months LIBOR plus 4% margin (December 31, 2006 - 12-months LIBOR plus a margin of 4%).

Other Long Term Bank Borrowings

As of March 31, 2007, ABN Amro loans are secured with the bank deposit at an amount of U.S. Dollars 107,142,858 (December 31, 2006 – US Dollars 100,000,000).

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 December 5, 2011. As of March 31, 2007, the Group has remaining amount of U.S. Dollars 42,019,209 (December 31, 2006 - U.S. Dollars 47,932,740) of the loan in accordance with the drawdown schedule. As of March 31, 2007, these long-term bank borrowings are secured by the pledge of rental revenues, investment property to the value of U.S Dollars 76,808,156 (December 31, 2006 - U.S. Dollars 76,482,562) and leasehold rights on land.

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

	March 31, 2007	December 31, 2006
Less than 1 year	**282,960,534**	268,099,057
1-5 years	**792,907,537**	803,258,323
More than 5 years	**188,867,159**	186,390,420
Less : Current portion of long term borrowings	**(282,960,534)**	(268,099,057)
Total long term borrowings	**981,774,696**	989,648,743

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

16. TRADE AND OTHER PAYABLES

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

	March 31, 2007	December 31, 2006
Trade payables	**408,204,741**	400,126,233
Advances received	**255,179,576**	214,078,214
Notes payable	**7,607,768**	19,290,786
Other payables	**1,159,876**	1,221,568
	672,151,961	634,716,801

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

	March 31, 2007	December 31, 2006
Trade payables	**331,423**	478,217
Advances received	**79,459,535**	83,557,424
	79,790,958	84,035,641

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

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

	March 31, 2007	December 31, 2006
Deferred rent revenue	**38,277,975**	37,549,370
Payroll payable	**22,765,700**	14,577,002
VAT payable	**12,097,626**	29,692,891
Cost of Contract Accrual	**9,850,585**	636,916
Taxes and funds payable	**6,316,201**	9,674,504
Accrued expenses	**4,293,887**	1,966,898
Bonus accrual	**2,446,787**	4,050,202
Deposit taken	**3,121,404**	2,649,396
Provision for legal cases	**936,934**	936,934
Personnel income tax	**86,339**	838,907
Other liabilities	**1,972,001**	3,007,555
	102,165,439	105,580,575

The non current part is as follows :

	March 31, 2007	December 31, 2006
Deferred revenue (*)	**598,699,783**	572,002,800
Deposits taken	**2,605,265**	1,674,338
	601,305,048	573,677,138

(*) 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.

18. 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 fiscal year ending December 31, 2005 was 30%. Effective from January 1, 2006 corporate tax rate is reduced to 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% 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 addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from January 1, 2006, Turkish government ceased to offer investment incentives for capital investments, Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008.

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

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.

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.

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

18. TAXATION ON INCOME (continued)

Tax Legislations in Other Countries

As of March 31, 2007 and December 31, 2006, effective corporation tax rate in other countries are as follows:

	March 31, 2007	December 31, 2006
Russia	**24%**	24%
Holland	**29.6%**	29.6%
Kazakhstan	**30% - 37%**	30% - 37%
Nepal	**25%**	25%
Algeria	**25%**	30%
Germany	**25%**	25%
Romania	**16%**	16%
Ukraine	**25%**	25%
Tajikistan	**25%**	25%
Albania	**20%**	20%
Oman	**12%**	12%

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, 2007 and December 31, 2006 is provided below:

	March 31, 2007		March 31, 2006	
	Amount		Amount	
Profit from operations before taxes	**122,983,360**		100,993,740	
Tax per statutory tax rate 20% (2006 - 20%)	**24,596,672**	**20%**	30,051,901	30%
Effect of tax loss carry-forward	**(6,534,266)**	**(5%)**	(3,668,969)	(4%)
Effect of equity pick up revenue	**(111,679)**	**(0%)**	88,856	0%
Jobsites exempt from income tax	**651,971**	**1%**	(2,380,978)	(2%)
Effect of tax rate change and others	**(1,411,425)**	**(1%)**	(6,655,747)	7%
Taxation charge	**17,191,273**	**14%**	17,435,063	15%

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

18. TAXATION ON INCOME (continued)

As of March 31, 2007 and December 31, 2006, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	Consolidated Balance Sheet		Consolidated Statement of Income	
	March 31, 2007	December 31, 2006	**March 31, 2007**	March 31, 2006
Deferred income tax liabilities				
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	**(243,526,589)**	(232,125,276)	**(16,579,338)**	(16,361,374)
Adjustment for percentage of completion method application on construction projects	**(446,667)**	(6,610,784)	**6,164,117**	936,351
Adjustment of revenue levelization	**(6,368,486)**	(6,155,692)	**(212,794)**	(404,432)
Deferred financial expenses	**(639,047)**	(975,533)	**336,486**	(176,458)
Inventories	**(8,471,518)**	(10,441,353)	**1,969,835**	1,512,502
Others	**(525,143)**	(2,406,337)	**1,881,194**	(1,151,242)
Gross deferred income tax liabilities	**(259,977,450)**	(258,714,975)	**(6,440,500)**	(15,644,653)
Adjustment of revenue levelization	**124,754,969**	119,407,470	**5,347,499**	6,423,617
Tax loss carry-forward	**63,227,691**	61,139,596	**2,088,095**	512,944
Reserve for employee termination benefit	**2,165,547**	1,815,163	**350,384**	64,718
Financial expense accrual adjustments	**2,443,524**	1,611,617	**831,907**	(9,464)
Allowance for doubtful receivables	**676,807**	973,246	**(296,439)**	1,856,778
Remeasurement of inventories	**74,888**	371,866	**(296,978)**	(338,120)
Others	**1,783,422**	821,623	**961,799**	618,075
Gross deferred income tax assets	**195,126,848**	186,140,581	**8,986,267**	9,128,548
Net deferred tax liability	**(64,850,602)**	(72,574,394)	**2,545,767**	(6,516,105)

Reflected as:

	March 31, 2007	December 31, 2006
Deferred tax assets	**108,802,520**	110,200,716
Deferred tax liabilities	**(173,653,122)**	(182,775,110)
Net deferred liabilities	**(64,850,602)**	(72,574,394)

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

18. TAXATION ON INCOME (continued)

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

	March 31, 2007	December 31, 2006
Balance at January 1, of Enka İnşaat and its subsidiaries	**37,902,269**	(2,590,239)
Balance at January 1, of the joint ventures followed up on line by line basis	**34,672,125**	26,163,749
Balance at January 1, of the joint ventures	**(467,234)**	(542,882)
Balance at January 1	**72,107,160**	23,030,628
Change in scope of consolidation (*)	**-**	(2,628,808)
Deferred income tax benefit recognized in income statement	**(2,545,767)**	44,644,806
Effect of change in tax rate for deferred income tax charge recognized in equity	**(194,456)**	(4,312,560)
Deferred income tax benefit recognized in equity		(739,606)
Translation loss	**(4,976,875)**	12,112,700
Balance at March 31 / December 31, of Enka İnşaat and its subsidiaries	**30,680,989**	37,902,269
Balance at March 31 / December 31, of the joint ventures followed up on line by line basis	**34,169,613**	34,672,125
Balance at March 31 / December 31, of the joint ventures	**(460,540)**	(467,234)
	64,390,062	72,107,160

(*) The change occurred from the sale of Kelebek Mobilya.

19. 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 1,961 and YTL 1,857 at March 31, 2007 and December 31, 2006 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, 2007 and December 31, 2006, 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, 2007	December 31, 2006
Discount rate	**11%**	11%
Expected rates of salary/limit increases	**5%**	5%

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

19. EMPLOYEE TERMINATION BENEFIT (continued)

The movement of provision for employee termination is as follows:

	March 31, 2007	December 31, 2006
Opening balance as at January 1	**9,777,367**	10,279,263
Change in the scope of consolidation (*)	**-**	(1,467,385)
Interest cost	**268,878**	1,233,512
Charge for the year, net	**432,402**	1,078,741
Translation loss	**285,561**	(294,891)
Utilized / paid	**(250,847)**	(1,051,873)
Closing balance as at March 31 / December 31	**10,513,361**	9,777,367

(*) The change occurred from the sale of Kelebek Mobilya.

20. 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 January 1, 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 January 1, 2005 has been reversed and credited into general reserve. On January 1, 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 acquisations in 2003 and 2005 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 which has been credited into Other Operating Income.

On November 2, 2006, the Company acquired the 25% share of its consolidated subsidiary, Mosenka and increased the shareholding percentage to 80%. As a result of this acquisition of minority interest, the Company has recorded an amount of U.S. Dollars 8,968,265 of negative goodwill which is included in other operating income.

As of March 31, 2007 and December 31, 2006, the movement of sources of goodwill are as follows:

	Goodwill	
	March 31, 2007	December 31, 2006
Beginning of the year, net book value	**55,151,210**	55,151,210
Application of IFRS-3, reversal of negative goodwill	**-**	-
End of the period, net book value	**55,151,210**	55,151,210

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

21. SHARE CAPITAL

	March 31, 2007		December 31, 2006	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Tara Holding	**47.45%**	**171,546,181**	47.44%	171,528,102
Tara and Gülçelik families	**29.48%**	**106,596,068**	29.36%	106,151,641
Publicly traded	**12.58%**	**45,474,613**	12.70%	45,904,819
Enka Spor Eğitim ve Sosyal Yardım Vakfı	**6.13%**	**22,155,789**	6.13%	22,188,089
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	**4.37%**	**15,794,406**	4.37%	15,794,406
	100.00%	**361,567,057**	100.00%	361,567,057

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

As of March 31, 2007, the Company's historical issued share capital in the statutory books is YTL 600,000,000 (December 31, 2006 - YTL 600,000,000), which consisted of 60,000,000,000 (December 31, 2006 - 60,000,000,000) authorized and fully paid shares.

The movement of the share capital (in numbers and in historical YTL) of the Company during 2007 and 2006 is as follows:

	2007		2006	
	Number	**YTL**	Number	YTL
At January 1,	**60,000,000,000**	**600,000,000**	30,000,000,000	300,000,000
Shares issued in				
- transfer from extraordinary reserve	-	-	2,686,996,700	26,869,967
- bonus shares issued out of general reserve	-	-	27,313,003,300	273,130,033
At March 31 / December 31,	**60,000,000,000**	**600,000,000**	60,000,000,000	600,000,000

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.

22. 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.

22. LEGAL RESERVES AND ACCUMULATED PROFIT (continued)

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

Based on the profits calculated in financial statements prepared in accordance with the accounting policies promulgated by CMB, appropriation of 20% 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 20% 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 2006 net income. YTL 190,000,000 will be distributed as a dividend after the appropriation of the first legal reserve. Out of this amount, YTL 45,000,000 will be distributed in cash proportionally and the remaining YTL 145,000,000 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 2,368,714 will be appropriated as a second legal reserve and YTL 131,860,376 will be transferred into general reserve.

As of March 31, 2007 and December 31, 2006, the Company's nominal value of the shares is YTL 60,000,000,000 each with YKR 1 nominal value.

23. 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, 2007.

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.

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

24. RELATED PARTY BALANCES AND TRANSACTIONS

Related Parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

The Group is controlled by Tara Holding (47.45%) and Tara and Gülçelik families (29.48%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also include management and members of the Group's Board of Directors.

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

(a) Trade receivables/payables

	March 31, 2007		December 31, 2006	
	Receivables	**Payables**	Receivables	Payables
Derince Uluslararası Konteyner Terminal İşletmeciliği A,Ş, (Derince)	**787,892(*)**		774,381 (*)	-
Gretch Unitas		**173,240**	-	16,425
Azen Oil BV	**4,708,552(*)**		7,045,576 (*)	-
Others			-	-
	5,496,444	**173,240**	7,819,957	16,425

(*) Funds provided by the Company.

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

24. RELATED PARTY TRANSACTIONS (continued)

(b) Other receivables/payables

	March 31, 2007		December 31, 2006	
	Receivables	**Payables**	Receivables	Payables
Individual Shareholders	**-**	**524,653**	-	506,820
Others	**-**	**-**	-	-
	-	**524,653**	-	506,820

(c) Transactions during the year

	March 31, 2007	March 31, 2006
Sales and Services to Related Parties		
Sales	**14,641**	13,826
Rent income	**62,389**	56,747
Purchases and Services from Related Parties	**-**	4,728,111

Director's remuneration

The executive management of the Company received remuneration totaling U.S. Dollars 3,442,224 (March 31, 2006 – U.S. Dollars 1,987,932). As of March 31, 2007, the social security payment and accrued retirement pay liability is U.S. Dollar 64,125 (March 31, 2006 – U.S. Dollar 75,678) and U.S. Dollar 870,592 (December 31, 2006 – U.S. Dollar 832,129) respectively.

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

25. REVENUES AND EXPENSES

	March 31, 2007	March 31, 2006
Other Operating Income		
Commission income	**4,395,142**	19,354
Gain from sales of property, plant and equipment	**1,409,825**	972,585
Service income	**640,768**	228,238
Rent income	**277,086**	239,800
Machinery rent income	**200,009**	412,811
Insurance compensation income	**14,269**	1,198,641
Reversal and collection of doubtful receivables	**-**	385,584
Term difference income	**-**	11,886
Other	**661,581**	23,583
	7,598,680	3,492,482
Other Operating Expense		
Service Expense	**433,212**	51,714
Commision expense	**312,049**	94,886
Idle Time Expense	**256,250**	166,667
Depreciation expense	**236,880**	613,419
Loss from sales of property, plant and equipment	**113,463**	1,002,728
Cost of contracts completed in prior years	**79,513**	9,489
Donations	**-**	469,698
Provision for doubtful receivable	**18,563**	108,563
Others	**765,949**	2,556,257
	2,215,879	5,073,421
Financial Income		
Interest income	**9,475,454**	7,923,624
Income from sale of investment securities	**3,435,744**	2,397,727
Due date charges on credit sales	**521,833**	-
Others	**507,721**	371,975
Foreign exchange gains	**-**	5,700,336
	13,940,752	16,393,662

	March 31, 2007	March 31, 2006
Financial Expenses		
Interest expenses	**19,507,031**	21,117,367
Foreign exchange loss	**5,597,270**	
Deferred financing costs	**3,325,926**	3,333,265
Commission expenses of letters of guarantee	**1,502,348**	878,612
Bank commission expenses	**290,737**	380,859
Others	**17,653**	33,453
	30,240,965	25,743,556

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

25. REVENUES AND EXPENSES (continued)

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

	March 31, 2007	March 31, 2006
Depreciation included in		
Cost of revenues	**23,166,584**	19,760,990
Selling and administrative expenses	**5,178,370**	4,013,610
Other operating expense	**236,880**	613,419
Inventory	**196,294**	-
	28,778,128	24,388,019
Amortization included in		
Cost of revenues	**234,203**	44,659
Selling and administrative expenses	**10,922**	176,014
	245,125	220,673
Staff costs		
Wages and salaries	**61,104,397**	47,521,359
Social security costs	**11,370,275**	6,308,600
Provision for employee termination benefits	**701,280**	480,022
Other benefits	**5,921,838**	286,891
	79,097,790	54,596,872

26. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments – Group as Lessee

Operating Lease Commitments

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

	March 31, 2007	December 31, 2006
Within one year	**9,499,915**	8,833,991
After one year but not more than five years	**29,254,604**	25,099,575
More than five years	**30,190,419**	29,623,011
	68,944,938	63,556,577

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

26. COMMITMENTS AND CONTINGENCIES (continued)

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, 2007		December 31, 2006	
	Minimum payments	**Present value of minimum payments**	Minimum payments	Present value of minimum payments
Within one year	**1,275,059**	**1,179,512**	1,268,767	1,169,601
After one year but not more than five years	**4,874,943**	**4,631,136**	6,775,269	6,511,187
More than five years	**10,259,180**	**10,258,052**	8,332,837	8,329,465
Total financial lease debt	**16,409,182**	**16,068,700**	16,376,873	16,010,253
Less amounts representing finance charges	**(340,482)**	-	(366,620)	-
Present value of minimum lease payments	**16,068,700**	**16,068,700**	16,010,253	16,010,253

Litigations

- 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 Group.

- There are possible lawsuits that might be opened and certain lawsuits currently opened against the consolidated entities, Mosenka, MKH and Ramenka operating in Russia. The cases are about VAT and corporate tax calculation. Since the Management of the Company expects that the cases will be resulted in favor of the Group and since the uncertainty about the lawsuits has been continuing as of the report date, the Group has not reflected any provision in the consolidated financial statements.

Others

- The operations and financial positions of the companies operating in Russia will be impacted by the political, monetary and fiscal practices that will be applied in the Russian Federations. As of March 31, 2007, the Group does not believe that any material matters exist relating to fiscal and regulatory environment in Russia, including current pending or future governmental claims and demands, which would require adjustment to the consolidated financial statements in order for those statements not to be misleading.

- The Group has signed a pledge and assignment agreement dated as of October 27, 2000, with Westdeutsche Landesbank Girozentrale İstanbul Branch (Onshore Collateral Agent) in return of the loans obtained by the Power Companies. The Group has pledged and assigned all number of shares in these companies to the Onshore Colleteral Agent for the benefit of the financial institutions.

26. COMMITMENTS AND CONTINGENCIES (continued)

- As of March 31, 2007, the Group has outstanding letters of guarantee and collaterals amounting to U.S. Dollars 1,324,100,149 (December 31, 2006 – U.S. Dollars 1,156,212,450) 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 287,902,633 (December 31, 2006 - U.S. Dollars 287,136,744) are related to joint ventures.

- As of March 31, 2007, Pimaş has export commitments at the amount of U.S. Dollars 5,900,000 (December 31, 2006 –U.S. Dollars 4,250,000), YTL 3,250,000 (December 31, 2006- YTL 2,250,000) and Euro 5,250,000 (December 31, 2006 –Euro 4,900,000) with respect to the foreign currency loans with export commitments.

27. 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.

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

27. DERIVATIVES (continued)

As of March 31, 2007 and December 31, 2006, the notional amounts of forward transactions comprised:

	March 31, 2007			
	Unrealized Loss	**Up to 12 month**	**2 to 3 year**	**4 to 5 year**
Derivatives held for trading				
Forward sale contract		**85,685,941**	**120,444,191**	**32,993,579**
Forward purchase contract	**(8,869,850)**	**84,942,021**	**116,807,079**	**30,300,000**

	December 31, 2006			
	Unrealized Loss	Up to 12 month	2 to 3 year	4 to 5 year
Derivatives held for trading				
Forward sale contract	(9,021,200)	94,415,818	131,048,144	32,626,984
Forward purchase contract	-	92,252,352	127,350,265	30,300,000

28. 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 and cash flow of interest rate risk through natural hedges that arise from offsetting the same interest bearing assets and liabilities.

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.

28. FINANCIAL INSTRUMENTS (continued)

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 consolidated 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, 2007, 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.

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. The fair value of long-term funds borrowed having fixed interest rates can not be reliably measured.

29. SUBSEQUENT EVENTS

According to the Board of Directors resolution dated April 27, 2007 and numbered 697, The Company has decided to increase the capital from YTL 600,000,000 to YTL 900,000,000. Regarding to the provision of increased YTL 300,000,000; YTL 131,000,000 will be transferred from year 2006 net income, YTL 9,763,461 will be transferred from general reserve, YTL 11,907,267 will be transferred from prior years' income, YTL 2,329,272 will be transferred from the sale of the land and YTL 145,000,000 will be injected from the first dividend which will be distributed. Additionally, The Group has also decided to apply to the Capital Markets' Board of Turkey for registration certificate.