

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

**CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2010**

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2010

To the Board of Directors of
Enka İnşaat ve Sanayi Anonim Şirketi

We have audited the accompanying consolidated financial statements of Enka İnşaat ve Sanayi A.Ş. (Enka İnşaat) and its subsidiaries (together the "Group") which comprise the consolidated balance sheet as of 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as of 31 December 2010, and of its financial performance and its cash flows for the year then ended 31 December 2010 in accordance with International Financial Reporting Standards.

Other Matter

The audit of the consolidated financial statements of the Group for the year ended 31 December 2009 was performed by another auditor. The predecessor auditor reported that the financial statements give a true and fair view of the financial position of the Company as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

İstanbul, 22 March 2011

TABLE OF CONTENTS	PAGE
CONSOLIDATED BALANCE SHEET.....	1-2
CONSOLIDATED INCOME STATEMENT.....	3
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-80
NOTE 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP.....	7-9
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	9-32
NOTE 3 BUSINESS COMBINATIONS.....	33
NOTE 4 INTEREST IN JOINT VENTURES.....	34
NOTE 5 SEGMENTAL INFORMATION.....	35-37
NOTE 6 CASH AND CASH EQUIVALENTS	38
NOTE 7 FINANCIAL INVESTMENTS.....	38-40
NOTE 8 FINANCIAL LIABILITIES.....	41-44
NOTE 9 TRADE RECEIVABLES AND PAYABLES.....	45-46
NOTE 10 OTHER RECEIVABLES AND PAYABLES.....	47
NOTE 11 INVENTORIES	48
NOTE 12 COST AND BILLINGS ON UNCOMPLETED CONTRACTS	48
NOTE 13 INVESTMENT PROPERTIES	49
NOTE 14 PROPERTY, PLANT AND EQUIPMENT	50-52
NOTE 15 INTANGIBLE ASSETS	52
NOTE 16 GOODWILL	52-53
NOTE 17 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	53-54
NOTE 18 COMMITMENTS.....	54-56
NOTE 19 PROVISIONS FOR EMPLOYEE BENEFITS.....	57
NOTE 20 OTHER ASSETS AND LIABILITIES.....	58
NOTE 21 SHARE CAPITAL.....	59-61
NOTE 22 SALES AND COST OF SALES	61
NOTE 23 MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES.....	62
NOTE 24 EXPENSES BY NATURE	63
NOTE 25 OTHER OPERATING INCOME / EXPENSES	63-64
NOTE 26 FINANCIAL INCOME	64
NOTE 27 FINANCIAL EXPENSES.....	64
NOTE 28 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.....	65
NOTE 29 TAXATION ON INCOME.....	65-68
NOTE 30 EARNINGS PER SHARE.....	69
NOTE 31 RELATED PARTY BALANCES AND TRANSACTIONS.....	69
NOTE 32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	70-78
NOTE 33 FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK..	79
NOTE 34 SUBSEQUENT EVENTS.....	80

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

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

ASSETS	Notes	31 December 2010	31 December 2009
Current Assets		2.400.551	2.514.375
Cash and cash equivalents	6	599.079	672.163
Financial investments		722.228	558.984
- financial investments measured at fair value			
through profit or loss	7	722.228	-
- financial investments held for sale	7	-	558.984
Trade receivables	9	569.847	587.408
Other receivables	10	960	1.427
Inventories	11	199.571	262.612
Costs and estimated earnings in excess of billings on uncompleted contracts	12	9.912	1.562
Other current assets	20	59.317	131.267
Group's share in current assets of joint ventures	4	234.166	297.817
		<u>2.395.080</u>	<u>2.513.240</u>
Assets held for sale	28	5.471	1.135
Non-current Assets		4.714.137	4.530.507
Trade receivables	9	34.775	37.024
Financial investments		648.652	462.687
- financial investments measured at fair value			
through profit or loss	7	648.652	-
- financial investments held for sale	7	-	462.687
Investment properties	13	1.918.673	1.891.271
Property, plant and equipment		1.908.502	1.963.968
- Group	14	1.847.044	1.887.465
- Group's share in joint ventures	4	61.458	76.503
Intangible assets	15	29.933	2.561
Goodwill	16	115.269	107.057
Deferred tax assets	29	14.289	21.909
Other non-current assets	20	36.393	40.173
Group's share in non-current assets of joint ventures	4	7.651	3.857
TOTAL ASSETS		<u>7.114.688</u>	<u>7.044.882</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010**

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

LIABILITIES AND EQUITY	Notes	31 December 2010	31 December 2009
Current Liabilities		1.102.436	1.390.182
Financial borrowings		220.218	331.643
- Bank loans	8	217.517	329.220
- Obligations under finance leases	8	2.701	2.423
Trade payables	9	376.494	347.000
Other payables	10	109.814	249.899
Billings in excess of costs and estimated earnings on uncompleted contracts	12	10.105	63.861
Taxation on income	29	28.875	16.120
Provisions	17	14.703	24.788
Provisions for employee benefits	19	27.418	29.188
Other current liabilities	20	65.853	68.529
Group's share in current liabilities of joint ventures	4	248.956	259.154
Non-current Liabilities		1.598.348	1.666.106
Financial borrowings		376.796	503.949
- Bank loans	8	321.626	448.079
- Obligations under finance leases	8	55.170	55.870
Trade payables	9	6.627	2.314
Other payables	10	17.092	16.172
Provisions for employee benefits	19	14.992	13.831
Deferred tax liabilities	29	290.430	274.274
Other non-current liabilities	20	892.096	855.544
Group's share in non-current liabilities of joint ventures	4	315	22
EQUITY			
Equity attributable to Equity Holders of the Parent		4.172.270	3.742.404
Share capital	21	1.476.498	1.214.907
Revaluation surplus	21	138.694	119.710
Currency translation difference	21	(119.230)	(80.633)
Other reserves		1.519	27.186
Legal reserves and accumulated profit	21	2.674.789	2.461.234
Non-controlling interests		241.634	246.190
TOTAL LIABILITIES AND EQUITY		7.114.688	7.044.882

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

	Notes	1 January- 31 December 2010	1 January- 31 December 2009
Continuing operations			
Revenue	5, 22	4.713.057	5.124.498
Cost of revenues (-)	5, 22	(3.891.966)	(4.208.492)
GROSS PROFIT		821.091	916.006
Marketing, selling and distribution expenses (-)	5, 23, 24	(54.911)	(59.501)
Administrative expenses (-)	5, 23, 24	(137.664)	(126.776)
Other operating income	5, 25	60.049	51.147
Other operating expenses (-)	5, 25	(19.154)	(25.771)
PROFIT FROM OPERATIONS		669.411	755.105
Income / (loss) from associates	5	-	(1.534)
Financial income	5, 26	114.592	85.098
Financial expenses (-)	5, 27	(104.958)	(112.071)
PROFIT BEFORE TAX		679.045	726.598
Current tax expense	29	(99.686)	(111.411)
Deferred tax expense	29	(19.599)	(52.199)
NET PROFIT FOR THE YEAR		559.760	562.988
Attributable to:			
Non-controlling interest		13.550	35.008
Equity holders of the parent		546.210	527.980
		559.760	562.988
Earnings per share			
- founder share	30	-	3,96
- ordinary share certificate (full cent)	30	0,25	0,24
Weighted average number of shares		220.000.000.000	220.000.000.000

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Notes	1 January- 31 December 2010	1 January- 31 December 2009
NET PROFIT FOR THE YEAR		<u>559.760</u>	<u>562.988</u>
Other Comprehensive Income / (Expense):			
Changes in unrealized gain on available-for sale investments		-	42.030
Realised loss on available-for-sale investments transferred to income statement		-	(2.362)
Gain on cash flow hedge		78	1.813
Revaluation of buildings		29.010	(14.356)
Changes in currency translation difference		(39.449)	(23.498)
OTHER COMPREHENSIVE INCOME BEFORE TAX		<u>(10.361)</u>	<u>3.627</u>
Deferred tax expense of other comprehensive income	29	(3.774)	(5.425)
OTHER COMPREHENSIVE INCOME, NET OF TAX		<u>(14.135)</u>	<u>(1.798)</u>
TOTAL COMPREHENSIVE INCOME		<u><u>545.625</u></u>	<u><u>561.190</u></u>
Attributable to:			
Equity holders of the parent		533.377	536.986
Non-controlling interest		12.248	24.204
		<u><u>545.625</u></u>	<u><u>561.190</u></u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interest	Total equity
Balance at 1 January 2009		828.831	129.480	(63.150)	(5.999)	2.391.327	3.280.489	243.105	3.523.594
Total other comprehensive income		-	(6.696)	(17.483)	33.185	-	9.006	(10.804)	(1.798)
Profit for the year		-	-	-	-	527.980	527.980	35.008	562.988
Total comprehensive income		-	(6.696)	(17.483)	33.185	527.980	536.986	24.204	561.190
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(3.074)	-	-	3.074	-	-	-
Share capital increase from general reserve	21	386.076	-	-	-	(386.076)	-	-	-
Dividends paid		-	-	-	-	(75.071)	(75.071)	(21.119)	(96.190)
Balance at 31 December 2009	21	1.214.907	119.710	(80.633)	27.186	2.461.234	3.742.404	246.190	3.988.594
Balance at 1 January 2010		1.214.907	119.710	(80.633)	27.186	2.461.234	3.742.404	246.190	3.988.594
The effect of the change in accounting policy for the classification and measurement of financial assets		-	-	-	(25.730)	25.730	-	-	-
Balance at 1 January 2010 (restated)		1.214.907	119.710	(80.633)	1.456	2.486.964	3.742.404	246.190	3.988.594
Total other comprehensive income		-	26.089	(38.985)	63	-	(12.833)	(1.302)	(14.135)
Profit for the year		-	-	-	-	546.210	546.210	13.550	559.760
Total comprehensive income		-	26.089	(38.985)	63	546.210	533.377	12.248	545.625
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(5.647)	-	-	5.647	-	-	-
Share capital increase from general reserve	21	261.591	-	-	-	(261.591)	-	-	-
Dividends paid		-	-	-	-	(102.581)	(102.581)	(17.734)	(120.315)
Scope change		-	(1.458)	388	-	140	(930)	930	-
Balance at 31 December 2010	21	1.476.498	138.694	(119.230)	1.519	2.674.789	4.172.270	241.634	4.413.904

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

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

		1 January - 31 December 2010	1 January - 31 December 2009
Cash flows from operating activities	Notes		
Profit before tax		679.045	726.598
Adjustments to reconcile net income to net cash used in operating activities:			
- Depreciation and amortization of non-current assets	24	128.411	157.723
- Provision for employment termination benefits	19	3.955	4.748
- Allowance for doubtful receivables	9, 25	3.967	7.401
- Provision for litigations	25	2.000	-
- Revenue levelization adjustment		36.552	85.496
- Loss from associates consolidated based on equity method		-	1.534
- Loss from fair value of forward transactions	26, 27	727	1.844
- Interest expense	27	30.082	52.032
- Interest income	26	(29.784)	(26.437)
- Dividend income	26	(2.551)	(1.568)
- Provision for inventory impairment, net		(123)	(287)
- Gain on disposal of property, plant and equipment, net	25	(2.686)	(4.450)
- Fair value increase in investment properties	13	(19.704)	(9.765)
- Bargain purchase gains	3	(13.573)	-
- Interest accrual		309	256
- Allowance for the change in fair value in asset held for sale		-	369
		<u>816.627</u>	<u>995.494</u>
Movements in working capital			
Decrease in trade and other receivables		18.150	717.111
(Increase) / decrease in cost and estimated earnings in excess of billings on uncompleted contracts		(8.350)	94.350
Decrease / (increase) in Group's share in assets of joint venture		59.858	(38.118)
Decrease in inventory		73.193	89.842
Decrease in other current assets and other non current assets		81.706	65.802
Decrease in trade and other payables		(10.527)	(420.366)
(Decrease)/Increase in billings in excess of cost and estimated earnings on uncompleted contracts		(53.756)	(64.275)
Company's share in current and non current liabilities of joint ventures		(9.905)	19.146
Decrease in provision for liabilities and other liabilities		<u>(158.257)</u>	<u>(450.362)</u>
		<u>(7.888)</u>	<u>13.130</u>
Income taxes paid	29	(86.931)	(119.138)
Employee termination benefits paid	19	(689)	(2.218)
Net cash generated from operating activities		<u>721.119</u>	<u>887.268</u>
Cash flows from investing activities			
Time deposits with maturities over three months		25.000	65.173
Financial investments		(349.157)	(313.883)
Investments in associates based on equity method		(52)	(1.495)
Proceeds from sale of property, plant and equipment		12.908	30.089
Purchases of property, plant and equipment, intangible assets investment properties		(52.771)	(113.323)
Interest received		29.167	25.925
Cash used in acquisition of subsidiary net of cash acquired	3	(18.826)	-
Dividend income	26	2.551	1.568
Net cash used in investing activities		<u>(351.180)</u>	<u>(305.946)</u>
Cash flows from financing activities			
Addition to short term and long-term borrowings		143.183	307.416
Payments of short-term and long-term borrowings		(387.816)	(678.245)
Interest paid		(25.276)	(51.781)
Changes in finance lease obligations		(123)	-
Dividends paid to non-controlling interests		(17.734)	(21.119)
Dividends paid		<u>(102.581)</u>	<u>(75.071)</u>
Net cash used in financing activities		<u>(390.347)</u>	<u>(518.800)</u>
Translation differences		(27.676)	34.868
Net increase in cash and cash equivalents		(48.084)	97.390
Cash and cash equivalents at beginning of the year		<u>646.163</u>	<u>548.773</u>
Cash and cash equivalents at end of the year	6	<u>598.079</u>	<u>646.163</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

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

As of June 28, 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 December 2010, 12,79% of the shares of Enka İnşaat and 15,95% of the shares of Pimaş Plastik Malzemeleri Anonim Şirketi (Pimaş), subsidiary of Enka İnşaat, are traded publicly in İstanbul Stock Exchange (ISE).

As of 31 December 2010, the average numbers of white and blue-collar personnel are respectively 3.208 and 11.598 (31 December 2009 – 4.626 and 21.606).

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

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

Turkey: engaged in diverse types of construction activities including construction of industrial and social buildings, motorways and construction and operation of natural gas fired electrical energy generation facilities.

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

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

Asia : engaged in construction activities in Arabia and Oman.

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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

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

Name of Subsidiary	Nature of business activities	Country of incorporation	Year of establishment
Pimaş	Engaged in manufacturing and marketing of PVC door and window profiles.	Turkey	1963
Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama)	Engaged in marketing and after-sales service of construction machineries, trucks, industrial products and spare parts.	Turkey	1972
Çimtaş Çelik İmalat Montaj ve Tesisat Anonim Şirketi (Çimtaş)	Engaged in manufacturing of structural steel works, installation and establishing of the technical equipment.	Turkey	1973
Titaş Toprak İnşaat ve Taahhüt Anonim Şirketi (Titaş)	Engaged in all kinds of excavation activities, excavation backfilling works and quarrying-crushing operation of highway projects.	Turkey	1974
Kasktaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit Anonim Şirketi (Kasktaş)	Engaged in pile dwelling work, any kind of base and superstructure construction, slip form and construction of drilling and ground surveys.	Turkey	1975
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	The firm operates in organization of domestic and international conventions and seminars and also engaged in tour reservations and ticket sales.	Turkey	1976
Enka Teknik Genel Müteahhitlik Bakım İşletme Sevk ve İdare Anonim Şirketi (Enka Teknik)	Operates in the business of material handling and storage systems, auxiliary facilities, water treatment and environmental engineering, infrastructure and construction, control systems and instrumentation engineering.	Turkey	1981
Entrade GmbH (Entrade)	Manages foreign investments of the Company.	Germany	1984
Limited Liability Company Enmar (Enmar)	Engaged in ready-mixed concrete production and various construction works.	Russia	1994
Air Enka Hava Taşımacılığı A.Ş.(Air Enka)	Engaged in all kinds of air transportation.	Turkey	2001
Enka Holding B.V.	Manages foreign investments of the Company.	Netherlands	2001
Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Enka Limited Liability Company (Enka LLC)	Manages the company's construction, engineering and design jobs.	Ukraine	2006
Enka Enerji Üretim A.Ş.	Will perform production and sale of electricity.	Turkey	2006
Enka & Co LLC	Engaged in construction activities.	Oman	2010
Çimtaş Gemi İnşa San.ve Ticaret Anonim Şirketi	Engaged in shipbuilding activities.	Turkey	2005

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The Basis for Preparation of the Financial Statements and Significant Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial investments and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 31 December 2010. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 22 March 2011. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.1 Basis of presentation (cont'd)

Functional and presentation currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint ventures which form main part of the operations of the Group are carried out in U.S. Dollar or indexed to U.S. Dollar, this currency has been determined as the functional and the presentation currency of the Group in line with IAS 21 - The Effects of Changes in Foreign Exchange Rates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies (i.e. any currency other than the functional currency) are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Until 31 December 2005, the financial statements of the subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 31 December 2010 and 2009 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

The assets and liabilities of the subsidiaries whose functional currency is other than U.S. Dollars are translated into U.S. Dollars at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation difference.

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

The year-end and average Turkish Lira (TL) rates for 2010 and 2009 for one U.S. Dollar can be summarized as below:

	2010	2009
U.S. Dollars /TL – as of balance sheet date	1,5460	1,5057
U.S. Dollars /TL – yearly average	1,4990	1,5457

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.1 Basis of presentation (cont'd)

Comparative information and reclassification of prior year financial statements

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed. In the current year, the Group had made the reclassification below in order to confront current year's presentation:

As of 31 December 2009; "Marketing, selling and distribution expenses" and "general administrative expenses" related with rental income amounting to U.S. Dollars 13.415 and 28.114 respectively are classified to "Cost of revenues".

Basis of consolidation

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

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.1 Basis of presentation (cont'd)

Basis of consolidation (cont'd)

The subsidiaries included in consolidation and their shareholding percentages at 31 December 2010 and 31 December 2009 are as follows:

Company name	Direct / Indirect ownership	
	31 December 2010	31 December 2009
Enka Holding B.V.	100,00%	100,00%
Enka Holding Investment S.A.	100,00%	100,00%
Edco Investment B.V.	100,00%	100,00%
Enru Development B.V.	100,00%	100,00%
Enka Power Systems B.V.	100,00%	100,00%
Esta Construction B.V.	100,00%	100,00%
Covet B.V.	100,00%	100,00%
Enka Construction & Development B.V.	100,00%	100,00%
Far East Development B.V.	100,00%	100,00%
Enka Construction B.V.	100,00%	100,00%
Enmar	100,00%	100,00%
Entrade	100,00%	100,00%
Capital City Investment B.V.	100,00%	100,00%
City Center Investment B.V.	100,00%	100,00%
Enka Adapazarı Power Investment B.V.	100,00%	100,00%
Enka Gebze Power Investment B.V.	100,00%	100,00%
Enka İzmir Power Investment B.V.	100,00%	100,00%
Enka Power Investment B.V.	100,00%	100,00%
İzmir Elektrik	100,00%	100,00%
Adapazarı Elektrik	100,00%	100,00%
Gebze Elektrik	100,00%	100,00%
Enka LLC	100,00%	100,00%
Rumos S.A.	100,00%	100,00%
MCC Investment SA.	100,00%	100,00%
Enka TC	100,00%	100,00%
Retmos Inv. Ltd.	100,00%	100,00%
Emos Limited Liability Company	100,00%	100,00%
Dmos Limited Liability Company	100,00%	100,00%
Bmos B.V.	100,00%	100,00%
Cmos B.V.	100,00%	100,00%
Akkuyu Construction B.V.	100,00%	100,00%
Akkuyu Investment B.V.	100,00%	100,00%
Akkuyu B.V.	100,00%	100,00%
OOO Victoria	100,00%	100,00%
Poyraz Shipping B.V.	100,00%	100,00%
Bogazici Shipping B.V.	100,00%	100,00%
Doga Shipping B.V.	100,00%	100,00%
Imbat Shipping B.V.	100,00%	100,00%
TNY Shipping B.V.	100,00%	100,00%
Alacante Shipping B.V.	100,00%	100,00%
BRK Overseas Shipping B.V.	100,00%	100,00%
MML Merchant Shipping B.V.	100,00%	100,00%
Enka Santral Hizmetleri A.Ş.	100,00%	100,00%
Maken	100,00%	100,00%
Enka Pazarlama	99,99%	99,99%
Enka Finansal Kiralama A.Ş.	99,99%	99,99%
Air Enka	99,97%	99,97%
Enmar Trading	99,97%	99,97%
Metra Akdeniz Dış Ticaret Anonim Şirketi	99,93%	99,96%
Entaş	99,93%	99,93%
Enka Enerji Üretim A.Ş.	99,47%	99,47%
Susanbaş Değirmencilik A.Ş.	99,35%	99,35%

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.1 Basis of presentation (cont'd)

Basis of consolidation (cont'd)

Company name (cont'd)	Direct / Indirect ownership	
	31 December 2010	31 December 2009
Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.	97,31%	-
Kasktaş	97,25%	97,25%
Burkas Ltd. Şti	97,25%	97,25%
Kasktaş Arabia Ltd.	97,25%	97,25%
Çimtaş Borulama Sanayi ve Ticaret Ltd. Şti. (Çimtaş Borulama)	96,97%	96,97%
Çimtaş	96,94%	96,94%
Cimtas Mechanical Contracting B.V.	96,94%	96,94%
Cimtas (Ningbo) Steel Processing Company Ltd.	96,94%	96,94%
Cimtas Buildings Systems Ltd (CBSL)	96,94%	96,94%
Cimtas Investment B.V.	96,94%	96,94%
Cimtas Caspian Development B.V.	96,64%	96,64%
IBH Engineering GmbH	96,64%	-
Titaş	91,91%	91,91%
Pimaş	81,65%	87,26%
Pimapen Logistic Center SRL	81,65%	87,25%
Envin Window Systems B.V.	81,65%	87,25%
Mosenka	80,00%	80,00%
Enka Teknik	77,40%	77,40%
OOO R-Avtam	60,00%	60,00%
MKH	56,00%	56,00%
Cimtas Boru İmalatları ve Ticaret Anonim Şirketi (Cimtas Boru)	50,00%	50,00%

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.

The breakdown of the controlling interests of the joint ventures as of 31 December 2010 and 2009 is as follows:

	31 December 2010	31 December 2009
Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys	50,00%	50,00%
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	50,00%	50,00%
Caddell Construction Company Inc. (Caddell Europe)	50,00%	50,00%
Caddell Construction Company Inc. (Caddell Africa)	50,00%	50,00%
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin - Russia)	50,00%	50,00%
Bechtel-Enka Joint Venture (Romania)	50,00%	50,00%
Bechtel-Enka Joint Venture (Albania)	50,00%	50,00%
Bechtel-Enka Joint Venture (Kosovo)	50,00%	-
AECO Development Limited Liability Company (Oman)	50,00%	50,00%

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.2 Changes in the accounting policies

Significant changes in accounting policies are applied retroactively and prior year financial statements are restated when necessary. The Group has selected the early adoption option of IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. In accordance with the transition provisions of the standard, comparative figures have not been restated. Details of the change in accounting policies are explained in the following parts of this section.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.3 Changes and Errors in Accounting Estimates

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

2.4 Adoption of New and Revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are also set out in this section.

(a) New and Revised IFRSs affecting presentation and disclosure only

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require:

- (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or
- (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

(b) New and Revised IFRSs affecting the reported financial performance and / or financial position

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

- a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.
- d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.

IFRS 3 revised standard does not have a material effect on the financial statements related to the acquisitions of Çimtaş Gemi ve IBH Engineering held in the current year.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(b) New and Revised IFRSs affecting the reported financial performance and / or financial position (cont'd)

IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013; earlier adoption is permitted.

The Group has adopted IFRS 9 at 31 December 2010, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard before 1 January 2011, comparative figures have not been restated.

The Group's management has assessed the financial assets held by the group at the date of initial application of IFRS 9. The main effects resulting from this assessment were:

- Investments in financial assets previously classified as available for sale classified as financial assets at fair value through profit or loss. As a result, on 1 January 2010 assets with a fair value of \$1,021,671 at 1 January 2010 were transferred to investments held at fair value through profit or loss; their related fair value gains of \$25,730 were reclassified from the available-for-sale investments reserve to retained earnings. In 2010, fair value gains related to these investments amounting to \$28,455 were recognized in profit or loss, along with the related deferred tax expense of \$5,691.
- There was no difference between the previous carrying amount (IAS 39) and the revised carrying amount (IFRS 9) of the financial assets at 1 January 2010 to be recognised in opening retained earnings.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27(2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognized in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amount and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss.

These changes in accounting policies have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(c) New and Revised IFRSs applied with no material effect on the consolidated financial statements

IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2 *Share-based Payments*, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements*, IAS 17 *Leases*, IAS 18 *Revenue*, IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRIC 9 *Reassessment of Embedded Derivatives*, IFRIC 16 *Hedges of Net Investment in a Foreign Operation*. The effective dates vary standard by standard but most are effective 1 January 2010.

Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009). The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 *Intangible Assets* for capitalisation as part of an internally generated intangible asset.

(d) New and Revised IFRSs in issue but not yet effective

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.4 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(d) New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 7 *Financial Instruments: Disclosures*

In October 2010, IFRS 7 *Financial Instruments: Disclosures* is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group does not expect any impact of the adoption of this amendment on the financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments will be applied retrospectively.

IAS 12 *Income Taxes*

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IAS 24(Revised 2009) *Related Party Disclosures*

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IAS 28 (revised in 2008) *Investments in Associates*

The principle adopted under IAS 27(2008) (see above) that a loss of control is recognized as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss.

As part of *Improvements to IFRSs* issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. The changes in the revised standard do not have an impact on the financial performance of the Group.

IAS 32(Amendments) *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group does not expect any impact of the adoption of this amendment on the financial statements.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.4. Adoption of New and Revised International Financial Reporting Standards (cont'd)

(d) New and Revised IFRSs in issue but not yet effective (cont'd)

IFRIC 14 (Amendments) *Pre-payment of a Minimum Funding Requirement*

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group does not expect any impact of the adoption of this amendment on the financial statements.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Group does not expect any impact of the adoption of this amendment on the financial statements.

2.5 Summary of significant accounting policies

Revenue

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:

Construction contract activities

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Revenue (cont'd)

Energy activities

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

Trading operations

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

Rental income

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

Rendering of services

Revenue is recognized by reference to the stage of completion.

Interest income

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

Dividends

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

Inventories

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Intangible assets

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

Trademarks and licenses

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (9 years).

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the 23 years of life of the customer relationship.

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

Investment properties

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Business combinations

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Goodwill

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

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

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

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

Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

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

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

Impairment of non-financial assets

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Borrowing costs

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets – Classification, recognition and measurement prior to 1 January 2010

When financial assets are recognized initially, they are measured at fair value, plus, directly attributable transaction costs.

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit and loss.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial assets – Classification, recognition and measurement from 1 January 2010

As from 1 January 2010, the group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

(a) Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

(b) Financial assets at fair value

If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss'. The Group has classified their financial assets as financial assets to be measured at fair value.

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value. A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement within 'other (losses)/gains — net in the period in which they arise.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

Impairment of financial assets

(a) Financial assets at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial assets – Classification, recognition and measurement from 1 January 2010 (cont'd)

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - i. adverse changes in the payment status of borrowers in the portfolio; and
 - ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

For loans and receivables category, 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

b) Assets classified as available for sale (applicable until 31 December 2009)

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement..

Cash and cash equivalents

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial liabilities

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

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

a) Financial liabilities at fair value through profit and loss

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

b) Other financial liabilities

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

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

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

Derivative financial instruments and hedging

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Derivative financial instruments and hedging (cont'd)

Cash flow hedges

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

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

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

Accounting at the date of transaction

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

Offsetting

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

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Effects of changes in foreign exchange rates

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

Earnings per share

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Provisions, contingent liabilities, contingent assets

Provisions

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

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

Contingent liabilities and assets

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

Leases - The Group as lessee

Finance leases

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

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.

Leases - The Group as lessor

Operating lease

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Related parties

Parties are considered related to the Group if;

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

Income tax

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

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

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

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

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 Summary of significant accounting policies (cont'd)

Employee termination benefits

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

Defined benefit plans

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

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

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

Defined contribution plans

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

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

Statement of cash flows

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

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

Subsequent events

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.6 Significant accounting judgements, estimates and assumptions

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

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

- a) Determination of total estimated project costs, profitability and calculation of loss accruals under the scope of IAS 11 "Construction Contracts" (Note 12),
- b) Market valuations of investment properties under the scope of IAS 40 "Investment Property" and land and buildings under the scope of IAS 16 "property, plant and equipment" (note 13 and 14)
- c) Estimation of impairment losses on financial assets and trade receivables (note 7 and 9).
- d) Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 29).
- e) The Group management has made significant assumptions for determining the economic lives of tangible and intangible assets with the guidance of experienced technical staff (Note 4, 14, 15).
- f) In accordance with the determined accounting policies, the Group reviews carrying amount of goodwill for impairment annually, or more frequently in cases where the circumstances indicate impairment. As of 31 December 2010, the Group tested impairment of carrying amount of goodwill by comparing the recoverable amount which is determined by value in use calculations. These calculations are based on projected before-tax cash flows based on financial budgets/forecasts approved by the Board of Directors. Expected growth rates are used to discount projected cash flows for periods greater than five years. Operating market growth rates, per capita gross domestic product and pricing information such as indices, have been acquired from outside sources. Estimations related to parameters such as selling prices, working capital requirements and fixed assets investments are based on Group's predictions and previous period realizations.

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

- a) The determination of impairment in financial assets available for sale (Note 7) (Effective until 31 December 2009).
- b) The determination of goodwill associated with the disposal of the assets.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

3. BUSINESS COMBINATIONS

	Main subject of operations	Acquisition Date	Ownership in acquired capital (%)	Transferred amount
IBH Engineering GmbH	Engineering	21 April 2010	100%	13.254
Çimtaş Gemi İnşa ve Sanayi A.Ş.	Production	21 September 2010	100%	20.000
				<u>33.254</u>

The total cost of acquisition:

	IBH Engineering GmbH	Çimtaş Gemi İnşa ve Sanayi A.Ş.	Total
Cash	6.627	20.000	26.627
Amount to be paid in the future	6.627	-	6.627
Total	<u>13.254</u>	<u>20.000</u>	<u>33.254</u>

Assets and liabilities acquired through business combinations:

	IBH Engineering GmbH	Çimtaş Gemi İnşa ve Sanayi A.Ş.	Total
Current Assets	3.885	16.744	20.629
Cash and cash equivalents	1.210	6.591	7.801
Trade and other receivables	1.732	124	1.856
Inventories	-	10.029	10.029
Construction in progress	943	-	943
Non-current Assets	6.324	59.371	65.695
Tangible assets (Note 14)	73	38.633	38.706
Intangible Assets (Note 15)	6.251	20.738	26.989
Current Liabilities	3.718	42.541	46.259
Bank loans and financial liabilities	-	8.553	8.553
Trade and other payables	3.718	33.988	37.706
Long-term Liabilities	1.834	-	1.834
Deferred tax liabilities	1.834	-	1.834
	<u>4.657</u>	<u>33.574</u>	<u>38.231</u>

Goodwill arised at the acquisition:

	IBH Engineering GmbH	Çimtaş Gemi İnşa ve Sanayi A.Ş.	Total
Amount transferred	13.254	20.000	33.254
Less: Fair value of net assets of acquired companies	(4.657)	(33.574)	(38.231)
Goodwill	<u>8.597</u>	<u>(13.574)</u>	<u>(4.977)</u>

Total consideration paid for acquisition:

	31 December 2010
Paid in cash	26.627
Less: Cash and cash equivalents of acquired companies	(7.801)
	<u>18.826</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

4. 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:

	31 December 2010	31 December 2009
Cash and cash equivalents	36.241	54.370
Trade receivables	182.126	219.587
Other current assets	7.746	10.403
Inventories	7.760	9.245
Costs and estimated earnings in excess of billings on uncompleted contracts	293	4.212
Group's share in current assets of joint ventures	234.166	297.817
Cost	205.442	203.586
Accumulated Depreciation	(143.984)	(127.083)
Group's share in joint ventures in property, plant and equipment	61.458	76.503
Trade receivables	7.433	3.141
Deferred tax assets	147	696
Other non-current assets	71	20
Group's share in non-current assets of joint ventures	7.651	3.857
Trade payables	49.607	73.571
Other current liabilities and accrued expenses	24.025	32.114
Billings in excess of costs and estimated earnings on uncompleted contracts	175.324	153.469
Group's share in current liabilities of joint ventures	248.956	259.154
Other non-current liabilities	315	-
Deferred tax liability	-	22
Group's share in non-current liabilities of joint ventures	315	22

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:

	31 December 2010	31 December 2009
Revenues	388.627	718.718
Cost of sales	(278.294)	(534.649)
General administrative expenses	(5)	(19)
Other operating income	1.432	1.831
Other operating expenses	(176)	(47)
Financial income	1.039	1.812
Financial expenses	(1.214)	(8.903)
Taxation charge	(17.436)	(28.247)
Net profit	93.973	150.496

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

5. SEGMENTAL INFORMATION

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

a) Business segments:

	1 January - 31 December 2010					
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenues	1.137.370	371.780	519.853	2.684.054	-	4.713.057
Inter-segment revenues	32.734	-	13.409	19.348	(65.491)	-
Cost of revenues	(894.935)	(107.647)	(430.037)	(2.459.347)	-	(3.891.966)
Inter-segment cost of revenues	(37.993)	-	(3.557)	(19.502)	61.052	-
Gross profit	237.176	264.133	99.668	224.553	(4.439)	821.091
Marketing, selling and distribution expenses	(9.414)	(12.703)	(32.794)	-	-	(54.911)
Administrative expenses	(67.082)	(18.382)	(42.967)	(13.748)	4.515	(137.664)
Other operating income	29.897	21.480	4.105	7.644	(3.077)	60.049
Other operating expenses	(16.287)	(3.040)(*)	(2.113)	(961)	3.247	(19.154)
Profit from operations	174.290	251.488	25.899	217.488	246	669.411
Financial income	103.901	3.494	1.840	12.252	(6.895)	114.592
Financial expenses (-)	(65.636)	(6.733)	(13.929)	(22.282)	3.622	(104.958)
Profit before tax	212.555	248.249	13.810	207.458	(3.027)	679.045
Taxation charge						
Current (-)	(33.794)	(24.901)	(13.551)	(27.440)	-	(99.686)
Deferred	(1.862)	(12.622)	11.033	(16.148)	-	(19.599)
Net profit for the year	176.899	210.726	11.292	163.870	(3.027)	559.760

(*) Includes other operating expense of investment properties.

	31 December 2010				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	2.686.123	2.110.359	489.595	1.828.169	7.114.246
Unallocated assets	-	-	-	-	442
Total assets	2.686.123	2.110.359	489.595	1.828.169	7.114.688
Segment liabilities	580.675	369.960	266.483	1.482.586	2.699.704
Unallocated liabilities	-	-	-	-	1.080
Total liabilities	580.675	369.960	266.483	1.482.586	2.700.784

	1 January - 31 December 2010				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
Capital expenditures					
Property, plant and equipment	35.442	1.336	13.063	1.296	51.137
Intangible assets	832	-	233	569	1.634
Total capital expenditures	36.274	1.336	13.296	1.865	52.771
Depreciation expense	57.017	3.544	12.309	54.626	127.496
Amortisation	409	93	252	161	915
Fair value adjustment to investment properties	-	(19.704)	-	-	(19.704)

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

5. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 January - 31 December 2009 (**)					
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenues	1.880.352	400.553	437.782	2.405.811	-	5.124.498
Inter-segment revenues	79.170	-	22.848	-	(102.018)	-
Cost of revenues	(1.604.600)	(96.769)	(344.110)	(2.163.013)	-	(4.208.492)
Inter-segment cost of revenues	(78.846)	-	(4.228)	(127)	83.201	-
Gross profit	276.076	303.784	112.292	242.671	(18.817)	916.006
Marketing, selling and distribution expenses	(9.200)	(3.510)	(46.791)	-	-	(59.501)
Administrative expenses	(62.606)	(16.721)	(40.614)	(11.450)	4.615	(126.776)
Other operating income	22.664	13.724	5.623	10.325	(1.189)	51.147
Other operating expenses	(12.759)	(3.185)(*)	(12.549)	(662)	3.384	(25.771)
Profit from operations	214.175	294.092	17.961	240.884	(12.007)	755.105
Income / (loss) from associates	-	-	(1.534)	-	-	(1.534)
Financial income	75.618	3.186	2.979	17.978	(14.663)	85.098
Financial expenses (-)	(56.078)	(11.299)	(18.553)	(37.420)	11.279	(112.071)
Profit before tax	233.715	285.979	853	221.442	(15.391)	726.598
Taxation charge						
Current (-)	(63.751)	(41.290)	(6.370)	-	-	(111.411)
Deferred	4.141	(3.144)	661	(53.857)	-	(52.199)
Net profit for the year	174.105	241.545	(4.856)	167.585	(15.391)	562.988

(*) Includes other operating expense of investment properties.

	31 December 2009 (**)				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	2.543.137	2.121.128	525.577	1.854.440	7.044.282
Unallocated assets	-	-	-	-	600
Total assets	2.543.137	2.121.128	525.577	1.854.440	7.044.882
Segment liabilities	856.204	386.880	328.706	1.483.563	3.055.353
Unallocated liabilities	-	-	-	-	935
Total liabilities	856.204	386.880	328.706	1.483.563	3.056.288

	1 January - 31 December 2009 (**)				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
Capital expenditures					
Property, plant and equipment	52.471	31.992	19.602	9.529	113.594
Intangible assets	176	297	87	553	1.113
Investment property	-	109	-	-	109
Total capital expenditures	52.647	32.398	19.689	10.082	114.816
Depreciation expense	78.174	3.608	21.677	53.444	156.903
Amortisation	178	135	689	158	1.160
Fair value adjustment to investment properties	-	(9.765)	-	-	(9.765)

(**) According to the changes in the business segments of the Group, business segments of the previous periods have been reorganized within the scope of IFRS 8 "Operating Segments".

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

5. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

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.

For the year ended 31 December 2010, revenue is amounting to USD 2.684.054 (31 December 2009: USD 2.405.811) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the year ended 31 December 2010, cost of sales of the above mentioned revenue from TETAŞ, is amounting to 2.313.395 (31 December 2009: USD 1.996.983) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds %10.

b) Geographical segments

1 January - 31 December 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa, Asia (*)	Eliminations	Consolidated
Net sales	3.370.917	1.097.643	181.309	63.188	-	4.713.057
Inter-segment sales	60.989	4.503	-	-	(65.492)	-
Capital expenditures	22.644	23.692	4.552	1.883	-	52.771
31 December 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa, Asia (*)	Eliminations	Consolidated
Segmental assets	4.009.693	2.549.883	479.913	74.757	-	7.114.246
1 January - 31 December 2009						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa, Asia (*)	Eliminations	Consolidated
Net sales	3.146.812	1.449.532	430.658	97.496	-	5.124.498
Inter-segment sales	57.978	44.040	-	-	(102.018)	-
Capital expenditures	43.703	61.134	6.929	3.050	-	114.816
31 December 2009						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa, Asia (*)	Eliminations	Consolidated
Segmental assets	3.850.346	2.690.057	447.815	56.064	-	7.044.282

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

6. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash on hand	1.539	2.629
Cash in bank		
Demand deposits	147.184	163.150
Time deposits	448.134	504.110
Other	2.222	2.274
	<u>599.079</u>	<u>672.163</u>
Less: time deposits with maturity over three months and less than one year	(1.000)	(11.000)
Less: short-term time deposits which are blocked in bank accounts as collateral	-	(15.000)
Cash and cash equivalents at consolidated cash flow statement	<u>598.079</u>	<u>646.163</u>

Time deposits with maturities less than three months are as follows:

	31 December 2010	31 December 2009
<i>Variable interest rate</i>		
USD	-	Libor +1,15%
<i>Fixed interest rate</i>		
USD	0,15%-6,00%	0,15%-3,50%
Russian Ruble	2,50%-4,75%	6,00%-7,50%
Euro	0,25%-3,50%	0,20%-3,10%
TL	3,00%-9,05%	6,00%-11,00%
Japanese Yen	0,30%-1,00%	0,15%-0,35%
Chinese Yuan	1,71%	1,71%

Time deposits with maturities over three months are as follows:

USD - Variable interest rate	-	Libor+1,15%
USD - Fixed interest rate	3,00%	3,00%-6,00%
Euro - Fixed interest rate	1,10%	-

As of 31 December 2010, the entity does not have time deposits that are blocked as collateral against the bank loan of a subsidiary with maturity over three months and less than one year (31 December 2009: USD 10.000); and with maturity less than three months (31 December 2009: USD 15.000).

7. FINANCIAL INVESTMENTS

The Group has adopted IFRS 9 "*Financial Instruments: Classification and Measurement*" at 31 December 2010, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard before 1 January 2011, comparative figures have not been restated. Investments in financial assets previously classified as available for sale classified as financial assets at fair value through profit or loss. There was no difference between the previous carrying amount (IAS 39) and the revised carrying amount (IFRS 9) of the financial assets at 1 January 2010 to be recognised in opening retained earnings.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

7. FINANCIAL INVESTMENTS (cont'd)**Short-term financial investments**

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2010 are detailed below:

	31 December 2010
Financial assets at fair value through profit or loss	
Private sector bonds	
- International markets	8.162
Foreign Government bonds	
- International markets	505.477
Equity securities	
- International markets	141.265
- Domestic market	2.904
Turkish Government bonds	
- Domestic market	18.073
Mutual funds	
- International markets	28.675
- Domestic market	17.672
	<u>722.228</u>

Current financial investments of the Group classified as financial investments as of 31 December 2009 are as detailed below:

	31 December 2009	
	Effective interest rate	Amount
Investments available for sale		
Private sector bonds		
- International markets	0,42%-15,48%	29.091
Foreign Government bonds		
- International markets	0,02%-0,49%	399.436
Equity securities		
- International markets		81.039
- Domestic market		4.498
Turkish Government bonds		
- Domestic market	7,53%-11,89%	12.004
Mutual funds		
- International markets		31.217
- Domestic market		1.699
		<u>558.984</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

7. FINANCIAL INVESTMENTS (cont'd)**Long-term financial investments**

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2010 are detailed below:

	31 December 2010
Financial assets at fair value through profit or loss	
Private sector bonds	
- International markets	421.511
Foreign Government bonds	
- International markets	185.480
Turkish Government bonds	
- Domestic market	23.128
Turkish Government bonds	
- International markets	17.289
Equity securities	1.244
	<u>648.652</u>

Non-current financial investments of the Group classified as financial investments as of 31 December 2009 are detailed below:

	31 December 2009	
	Effective interest rate	Amount
Investments available for sale		
Private sector bonds		
- International markets	2,43%-7,42%	156.895
Foreign Government bonds		
- International markets	1,99%-8,78%	271.613
Turkish Government bonds		
- Domestic market	7,64%-9,53%	26.944
Turkish Government bonds		
- International markets	8,09%-9,80%	5.893
Equity securities		1.342
		<u>462.687</u>

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

	31 December 2010	31 December 2009
Private Sector Bonds - International markets	10 December 2049	10 December 2049
Foreign Government Bonds - International markets	15 February 2040	15 February 2029
Turkish Government Bonds		
- Domestic market	1 April 2020	11 May 2011
- International markets	14 February 2034	14 February 2034

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

8. FINANCIAL LIABILITIES

a) Bank loans

Short-term borrowings:

31 December 2010				
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings				
	Libor + 1,90%	USD	14.142	14.142
	7,15%	TL	799	517
				<u>14.659</u>
Current portion of long-term borrowings				202.858
Total short-term borrowings				<u>217.517</u>

Long-term borrowings:

31 December 2010				
	Interest rate	Currency Type	Original Currency	USD Equivalent
Eximbank loans	Libor + 0,10% - 4,26%	USD	153.658	153.658
OPIC loan	7,54% - 7,90%	USD	90.593	90.593
Hermes loan	Libor + 0,625%	USD	15.084	15.084
OND loan	Libor + 0,70%	USD	16.072	16.072
Hermes loan	Euribor + 0,23% - 0,65%	EUR	34.618	45.884
Other long-term bank borrowings				
	Libor + 1,30% - 3,00%	USD	8.103	8.103
	Euribor + 1,55% - 4,70%	EUR	27.635	36.628
	0,75%	JPY	8.601.680	105.339
	10,00%	TL	2.036	1.317
Iraq related Eximbank loans				
		USD	80.699	80.699
		EUR	2.241	2.970
				<u>556.347</u>
Less: Current portion of long-term borrowings				(202.858)
Less: Iraq related Eximbank loans - received from UNCC by Eximbank		USD	(31.863)	(31.863)
Total long-term borrowings				<u>321.626</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

8. FINANCIAL LIABILITIES (cont'd)

a) Bank loans (cont'd)

Short-term borrowings:

31 December 2009				
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings				
	Euribor + 2,25%-4,25%	EUR	9.217	13.224
	12,65%-18,00%	TL	4.735	3.145
				<u>16.369</u>
Current portion of long-term borrowings				<u>312.851</u>
Total short-term borrowings				<u><u>329.220</u></u>

Long-term borrowings:

31 December 2009				
	Interest rate	Currency Type	Original Currency	USD Equivalent
Eximbank loans	Libor + %0,1 - %4,26	USD	241.676	241.676
OPIC loan	%7,54-%7,90	USD	117.507	117.507
Hermes loan	Libor + %0,625	USD	28.572	28.572
OND loan	Libor + %0,70	USD	25.565	25.565
ABN Amro loan	Libor + %1,35	USD	25.003	25.003
Hermes loan	Euribor + %1,21 - %1,65	EUR	58.102	83.359
Other long-term bank borrowings	Libor + %1,15-%7,78	USD	33.847	33.847
	Euribor + %1,30-%6,84	EUR	48.217	69.176
	%1,85-%6,45	JPY	7.760.775	84.175
Iraq related Eximbank loans		USD	80.699	80.699
		EUR	2.241	3.214
				<u>792.793</u>
Less: Current portion of long-term borrowings				(312.851)
Less: Iraq related Eximbank loans - received from UNCC by Eximbank		USD	(31.863)	(31.863)
Total long-term borrowings				<u><u>448.079</u></u>

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

	31 December 2010	31 December 2009
Less than 1 year	202.858	312.851
1 - 5 years	269.819	392.429
More than 5 years	-	3.599
Less : Current portion of long-term borrowings	(202.858)	(312.851)
	<u><u>269.819</u></u>	<u><u>396.028</u></u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

8. FINANCIAL LIABILITIES (cont'd)

a) Bank loans (cont'd)

Iraq related Eximbank loans

Iraq related loans are secured by Eximbank. Iraq progress billings amounting to USD 55.230, treasury bills amounting to USD 1.611, machinery and equipment amounting to USD 101.587 that were left at Iraq jobsites, were assigned to Eximbank. As further explained in Note 9, a portion of the money received from UNCC at an amount of USD 31.863 (31 December 2009 – USD 31.863) is kept by Eximbank for the loans provided. Such amounts are netted of from the above-mentioned borrowing balance. There is not any repayment plan between the Company and Eximbank for the remaining balance and the Group has not accrued any interest for these borrowings. Management's expectation is that those interests will not be collected from the Group and this issue will ultimately be resolved among Eximbank and the Turkish Undersecretariat of Treasury.

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 İzmir 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.

Hermes loans

The Hermes loans are guaranteed by the Export Credit Agencies of the German Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. Interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0,625%.

OND loans

The OND Loans are guaranteed by the Export Credit Agencies of the Belgian Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. A syndicate of commercial banks provides the funding. The interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0,70%.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

8. FINANCIAL LIABILITIES (cont'd)

a) Bank loans (cont'd)

Other long-term bank borrowings

As of 31 December 2010, the Group does not have any ABN Amro loans. As of 31 December 2009, ABN Amro loans are secured with the bank deposit at an amount of USD 25.003.

b) Finance lease obligations

31 December 2010				
	Interest rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	Libor+ 1,90%	USD	573	573
	3,00%	RUB	63.596	2.128
				<u>2.701</u>
Long-term	Libor+ 1,90%	USD	757	757
	3,00%	RUB	1.657.366	54.413
				<u>55.170</u>
				<u>57.871</u>

31 December 2009				
	Interest rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	Libor+ 1,90%	USD	430	430
	3,00%	RUB	60.263	1.993
				<u>2.423</u>
Long-term	Libor+ 1,90%	USD	1.149	1.149
	3,00%	RUB	1.654.985	54.721
				<u>55.870</u>
				<u>58.293</u>

c) Finance lease commitments

As of 31 December 2010 and 2009, repayment schedule of finance lease obligations are as follows:

	31 December 2010	31 December 2009
Less than 1 year	2.743	2.476
1 - 5 years	8.218	8.484
More than 5 years	46.982	47.446
Total finance lease obligations	<u>57.943</u>	<u>58.406</u>
Interest	(72)	(112)
Present value of total finance lease obligations	<u>57.871</u>	<u>58.294</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

9. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 December 2010	31 December 2009
<u>Short-term trade receivables</u>		
Trade receivables	413.805	369.025
Discount on trade receivables (-)	(201)	(208)
Contract Receivables	56.419	106.215
Notes and cheques receivables	101.478	105.467
Discount on notes and cheques receivables (-)	(1.369)	(1.170)
Retention receivables (*)	27.551	34.052
	<u>597.683</u>	<u>613.381</u>
Less: Allowance for doubtful receivables	(27.836)	(25.973)
	<u>569.847</u>	<u>587.408</u>

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

Collection periods of receivables from construction works depends on the agreement conditions and average days of such periods are between 30 and 120 days.

As of 31 December 2010 and 2009, movement of allowance for doubtful receivables is as follows:

	31 December 2010	31 December 2009
Balance at beginning of the year	25.973	22.383
Additional provision	3.967	7.401
Foreign currency translation effect	2.137	69
Amounts recovered during the year	(680)	(1.706)
Write-offs (*)	(3.561)	(2.174)
Closing balance	<u>27.836</u>	<u>25.973</u>

(*) Allowances of the previous periods which were decided as bad debts were written-off as of 31 December 2010 and 2009.

	31 December 2010	31 December 2009
<u>Long-term trade receivables</u>		
Receivables from Iraq	115.116	115.116
Notes and cheques receivables	31.723	33.302
Discount on notes and cheques receivables (-)	(565)	(545)
Trade receivables	3.653	4.306
Discount on trade receivables (-)	(36)	(39)
Money received from UNNC by Eximbank – 1 (*)	(30.160)	(30.160)
Money received from UNNC by Eximbank – 2 (**)	(31.863)	(31.863)
Allowance for receivables from Iraq	(53.093)	(53.093)
	<u>34.775</u>	<u>37.024</u>

(*) This amount is used for repayment of loans received.

(**) Includes amount held by Eximbank for the loans lent.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

9. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade receivables (cont'd)

The nature and level of the risks of the trade receivables are explained in Note 32.

Allowance for receivables from Iraq

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 USD 80.699 and Deutsche Marks 4.382 (EUR 2.241) were transferred to Eximbank and, additionally, with respect to certain other bank loans amounting to USD 30.160, Eximbank provided letters of guarantee for the same amount to the related banks.

The Group had accrued for Iraq receivables in its consolidated financial statements at an amount of USD 115.116 on a conservative basis keeping the total amount at the level of cash facilities provided by Eximbank. As a result of the claim amounting to USD 264.301 filed to the United Nations Compensation Commission (UNCC) to compensate for its losses, the Group was entitled to receive compensation at the amount of USD 62.023 that was received by Eximbank.

Accordingly, Eximbank closed the loans amounting to USD 30.160 secured by itself using the transferred amounts. The remaining amount of the compensation received is still kept in Eximbank against the bank borrowings provided to the Group.

As of 31 December 2010, the money received by Eximbank, after the closing down of the above mentioned secured loans, at an amount USD 31.863 (31 December 2009 – USD 31.863) was netted off from the receivable balance as well as the long term bank borrowings in the consolidated balance sheet. Also, the Group provided full provision for the receivable amount which was not compensated by UNCC at the amount of USD 53.093.

b) Trade payables

	31 December 2010	31 December 2009
Short-term trade payables		
Trade payables	371.827	337.925
Discount on trade payables (-)	(33)	(47)
Notes payable	4.014	8.220
Discount on notes payable (-)	(28)	(43)
Other trade payables	714	945
	<u>376.494</u>	<u>347.000</u>
Long term trade payables		
Trade payables	6.627	2.314
	<u>6.627</u>	<u>2.314</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

10. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2010	31 December 2009
<u>Short-term other receivables</u>		
Other receivables from related parties (Note 31)	391	600
Deposits and guarantees given	569	827
	<u>960</u>	<u>1.427</u>

b) Other payables

	31 December 2010	31 December 2009
<u>Short-term other payables</u>		
Other payables to related parties (Note 31)	1.082	935
Advances taken	90.505	233.569
Deposits and guarantees taken	18.227	15.395
	<u>109.814</u>	<u>249.899</u>
 <u>Long-term other payables</u>	 31 December 2010	 31 December 2009
Deposits and guarantees taken	17.092	16.172
	<u>17.092</u>	<u>16.172</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

11. INVENTORIES

	31 December 2010	31 December 2009
Raw materials and spare parts	97.918	109.963
Work in progress	14.190	4.583
Finished goods	20.985	37.913
Trade goods (machinery and others)	45.183	91.084
Construction materials	10.352	7.440
Goods in transit	11.930	12.739
Allowance for impairment on inventory (*)	(987)	(1.110)
	<u>199.571</u>	<u>262.612</u>

(*) As of 31 December 2010 and 2009, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 December 2010, there is not any pledge on inventories (31 December 2009 - None).

12. COST AND BILLINGS ON UNCOMPLETED CONTRACTS

	31 December 2010	31 December 2009
Costs incurred on uncompleted contracts	1.930.253	2.416.279
Estimated earnings	48.961	179.958
	<u>1.979.214</u>	<u>2.596.237</u>
Less: Billings to date	<u>(1.979.407)</u>	<u>(2.658.536)</u>
	<u>(193)</u>	<u>(62.299)</u>

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

	31 December 2010	31 December 2009
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	9.912	1.562
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(10.105)	(63.861)
	<u>(193)</u>	<u>(62.299)</u>

As of 31 December 2010, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 73.572 (31 December 2009 – USD 219.990).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

13. INVESTMENT PROPERTIES

As of 31 December 2010 and 2009, movement of investment properties is as follows:

	31 December 2010	31 December 2009
Opening balance as at 1 January	1.891.271	1.882.856
Currency translation difference	(10.969)	(39.250)
Transfers from fixed assets (Note 14)	23.531	39.214
Transfers to assets held for sale	(409)	-
Additions	-	109
Change in fair value, net	19.704	9.765
Change in present value of lease obligations	(4.455)	(1.423)
Closing balance as at 31 December	<u>1.918.673</u>	<u>1.891.271</u>

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2010 and 2009 investment properties consist of real estates in Russia from which rent income is obtained and lands and buildings held as investment in Turkey amounting to USD 12.432 (31 December 2009: USD 12.365).

Investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2010, the fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 11.3 billion RUB equivalent to USD 370.889 (31 December 2009 - 9.5 billion RUB equivalent to USD 312.457), Mosenka; 3.8 billion RUB equivalent to USD 124.781 (31 December 2009 - 3.8 billion RUB equivalent to USD 125.228), Enka TC; 26.9 billion RUB equivalent to USD 883.439 (31 December 2009 - 26.9 billion RUB equivalent to USD 887.635).

The fair values of the investment properties of the Company in Russia, determined at 31 December 2010 as USD 525.000 (31 December 2009: USD 515.000) are used as business centers and residential property. The fair values of the investment properties of the Group located in Moscow includes land leased from Moscow City Authorities under a 49 year operating lease agreement, which are renewable at the option of the Group.

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

For the circumstances that the fair value of the properties have not been determined based on transactions observable in the market because of the nature of the property and the lack of comparable data, a valuation model based on income capitalisation method has been applied. The fair value of the investment properties of the Group are estimated by using income capitalization method, with capitalization and discount rates ranging between 12% to 16% and 8% to 18%, respectively.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

14. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
Opening balance as of 1 January 2010	117.072	287.740	1.956.960	23.954	58.819	33.152	19.212	13.518	28.221	2.538.648
Currency translation differences	(1.538)	(259)	(4.571)	(648)	496	742	-	(994)	599	(6.173)
Property, plant and equipment acquired through business combinations (Note 3)	10.346	16.224	11.571	232	275	-	-	-	58	38.706
Revaluation (**)	10.107	(9.447)	-	-	-	-	-	-	-	660
Additions	201	723	9.120	1.475	4.335	416	20	638	18.548	35.476
Disposals	(336)	(3.697)	(10.746)	(3.065)	(2.917)	(2.598)	-	(660)	(466)	(24.485)
Transfers to investment properties (Note 13)	-	(4.763)	-	-	-	-	-	-	(19.173)	(23.936)
Transfers from construction in progress	1.077	13.853	224	-	119	-	-	-	(15.273)	-
Transfers to assets held for sale	(3.771)	(469)	-	-	-	-	-	-	-	(4.240)
Closing balance as of 31 December 2010	133.158	299.905	1.962.558	21.948	61.127	31.712	19.232	12.502	12.514	2.554.656
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2010	(16.053)	(24.580)	(525.457)	(13.251)	(39.502)	(22.591)	(4.034)	(5.715)	-	(651.183)
Currency translation differences	116	334	1.645	237	(546)	(289)	-	902	-	2.399
Revaluation (**)	1.263	27.365	-	-	-	-	-	-	-	28.628
Charge of the year	(2.551)	(9.296)	(75.132)	(2.978)	(6.990)	(4.336)	(1.721)	(342)	-	(103.346)
Disposals	8	1.393	7.866	1.603	2.355	1.579	433	248	-	15.485
Transfers to investment properties (Note 13)	-	405	-	-	-	-	-	-	-	405
Closing balance as of 31 December 2010	(17.217)	(4.379)	(591.078)	(14.389)	(44.683)	(25.637)	(5.322)	(4.907)	-	(707.612)
Carrying value as of 31 December 2010	115.941	295.526	1.371.480	7.559	16.444	6.075	13.910	7.595	12.514	1.847.044

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

(**) As of 31 December 2010, lands and buildings of Enka Pazarlama, Pınar, Çimtaş and Çimtaş Boru, hotel building of MKH, buildings of Enka İnşaat are revalued by independent qualified valuers. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Land and buildings of Enka Pazarlama are revalued by Turvap Gayrimenkul Değerleme A.Ş., land and buildings of Pınar, Çimtaş and Enka İnşaat are revalued by Artı Gayrimenkul Değerleme A.Ş., hotel building of MKH is revalued by Russian branch of American Appraisal, real estates of Enka TC, City Center Investment and Mosenka are revalued by "K.O.M.I.T. Invest". Revaluations are made by "precedent value" method. In case the precedent value can not be established, revaluations are made by cost method.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2009	113.880	296.048	1.923.743	22.913	79.986	33.913	4.420	12.829	89.649	2.577.381
Currency translation differences	67	(4.173)	(8.269)	(58)	(14.556)	(289)	-	(2.861)	(1.130)	(31.269)
Revaluation (**)	-	(14.356)	-	-	-	-	-	-	-	(14.356)
Additions	1.704	5.079	20.089	7.309	3.066	1.902	14.792	5.965	37.109	97.015
Disposals	-	(1.695)	(24.630)	(6.109)	(2.096)	(2.374)	-	(2.415)	-	(39.319)
Transfers to investment properties (Note 13)	-	-	-	-	-	-	-	-	(39.214)	(39.214)
Transfers from construction in progress	1.421	6.837	49.429	-	506	-	-	-	(58.193)	-
Netting off	-	-	(3.402)	(101)	(8.087)	-	-	-	-	(11.590)
Closing balance as of 31 December 2009	117.072	287.740	1.956.960	23.954	58.819	33.152	19.212	13.518	28.221	2.538.648
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2009	(13.549)	(13.315)	(462.695)	(11.334)	(52.720)	(16.421)	(2.063)	(6.191)	-	(578.288)
Currency translation differences	(5)	877	7.611	(10)	12.855	(24)	-	(47)	-	21.257
Revaluation (**)	-	(165)	-	-	-	-	-	-	-	(165)
Charge of the year	(2.499)	(12.427)	(87.010)	(5.013)	(8.557)	(7.403)	(1.971)	(686)	-	(125.566)
Disposals	-	450	13.235	3.005	833	1.257	-	1.209	-	19.989
Netting off	-	-	3.402	101	8.087	-	-	-	-	11.590
Closing balance as of 31 December 2009	(16.053)	(24.580)	(525.457)	(13.251)	(39.502)	(22.591)	(4.034)	(5.715)	-	(651.183)
Carrying value as of 31 December 2009	101.019	263.160	1.431.503	10.703	19.317	10.561	15.178	7.803	28.221	1.887.465

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

(**) As of 31 December 2009, hotel building of MKH is revalued by an independent qualified valuer, namely OOO "American Appraisal". Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity.

As of 31 December 2009, an impairment assessment on the carrying amount of lands recorded under construction in progress and land and land improvements belonging to Enka TC at the amount of RUB 325.486 (USD 10.762) and RUB 109.763 (USD 3.629), respectively, can not be made since no benchmark or reference price exists in the market, recently. Such assets are recorded in the consolidated financial statements with the historical amounts. The Group management does not anticipate any impairment on these fixed assets.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

As of 31 December 2010, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to USD 9.391 (31 December 2009: USD 8.997) and USD 5.492 (31 December 2009: USD 4.452).

Under the terms of the loan agreement signed by Power Companies, the property, plant and equipment of those companies are pledged for security at the amount of USD 2.373.779 (31 December 2009: USD 2.390.555).

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

	31 December 2010	31 December 2009
Cost	404.202	373.308
Accumulated depreciation	(174.490)	(175.060)
Net book value	229.712	198.248

15. INTANGIBLE ASSETS

	31 December 2010	31 December 2009
<u>Cost</u>		
Opening balance as of 1 January	7.871	6.857
Currency translation difference	(70)	(59)
Additions	1.634	1.113
Disposals	(936)	(40)
Intangible assets acquired through business combinations (Note 3) (*)	26.989	-
Closing balance as of 31 December	35.488	7.871
<u>Accumulated amortization</u>		
Opening balance as of 1 January	(5.310)	(4.164)
Currency translation difference	66	14
Charge of the year	(915)	(1.160)
Disposals	604	-
Closing balance as of 31 December	(5.555)	(5.310)
Carrying value as of 31 December	29.933	2.561

(*) Intangible assets acquired through business combinations include trademarks and customer relationships based on contracts.

As of 31 December 2010, there is not any pledge on intangible assets (31 December 2009: None).

16. GOODWILL

The Group had acquired the remaining 60% interest stake in the Power Companies between the years 2003 to 2005, where the Company had 40% shareholding. As a result of these acquisitions goodwill amounting to 55.151 USD (31 December 2009: USD 55.151) was recorded in the consolidated financial statements.

As of 31 December 2010, the Group performed an impairment test by "value in use" method for the remaining amount of goodwill (31 December 2010: USD 50.080, 31 December 2009: USD 50.465) allocated on the retail assets of Enka TC. Cash flow projection is prepared for the next five years period in Russian Ruble as the functional currency of Enka TC is Russian Ruble. The Group used 12% and 3% (31 December 2009: 14,2% and 4%) as "weighted average cost of capital (WACC)" and "growth rate" respectively in this projection and tested the sensitivity of the results within an interval of +/- 2%. As a result of the impairment test, the Group concluded that no impairment exists on goodwill as of 31 December 2010 and 2009.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

16. GOODWILL (cont'd)

As explained in Note 3, Çimtaş, the subsidiary of the Company, acquired 100% shares of IBH Engineering GMBH in the amount of EUR 10.000 equivalent to USD 13.254 in 21 April 2010. A goodwill of EUR 6.486 equivalent to USD 8.597 was recognized in this acquisition.

As of 31 December 2010 and 2009, the movement of goodwill is as follows:

	31 December 2010	31 December 2009
Opening balance as of 1 January	107.057	108.541
Additions (Note 3)	8.597	-
Currency translation difference	(385)	(1.484)
Closing balance as of 31 December	115.269	107.057

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2010	31 December 2009
<u>Short-term provisions</u>		
Provision for construction costs	10.833	19.750
Accrued expenses	173	1.799
Provision for legal claims	3.688	3.104
Other liabilities (*)	9	135
	14.703	24.788

(*) As of 31 December 2010, the Group does not have any derivative liability (31 December 2009: USD 82). As of 31 December 2009, derivative liability amounting to USD 82 is included in "short-term accrued expenses". Also derivative liability amounting to USD 920 (31 December 2009: USD 1.645) is included in "Company's share in current liabilities of joint ventures". These contracts are reflected in the consolidated financial statements as follows.

Derivative instruments / forward contracts purchase – sales agreements

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

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

As of 31 December 2010 and 2009, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

		31 December 2010		
	Unrecognized (Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(920)	-	-	-
Forward contracts sales agreements	-	31.395	-	-
Forward contracts purchase agreements	-	30.470	-	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

	31 December 2009		
	Unrecognized (Loss)	1 to 12 months	1 to 2 years
Derivative instruments	(1.727)	-	-
Forward contracts sales agreements	-	24.748	16.370
Forward contracts purchase agreements	-	21.380	13.075

18. COMMITMENTS

Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Within one year	8.132	8.938
After one year but not more than five years	29.627	31.670
More than 5 years	28.781	31.476
	<u>66.540</u>	<u>72.084</u>

Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Within one year	259.329	271.293
After one year but not more than five years	589.995	616.503
More than 5 years	332.319	344.221
	<u>1.181.643</u>	<u>1.232.017</u>

Litigations

- In the year 2004, a case is opened against Enka Pazarlama, one of the consolidated subsidiaries, regarding the non-compliance with respect to the payment of the period commissions of the guarantee given by Pamukbank T.A.Ş. in favor of Iran GTC Company. The Group management believes that the case will result in favor of the Group.
- In relation to two construction projects of the Group in Russia, due to damages incurred by the job owner and due to receivables requests which have not been invoiced yet, the Group has a case on trial in the amount of USD 175.700. The employers litigated a claim in the amount of USD 183.400.
- In May 2009, the Group has opened a case against the job owner of Esentai Project in Kazakhstan for its progress claims approved as of 28 February 2009 amounting to USD 33.384 and EUR 4.203. As of 24 November 2009, Financial Court of Almaty concluded the collection of these receivables via distress. The job owner has appealed to City Court of Almaty in legal time limits. In January 2010, City Court of Almaty has approved the conclusion of Financial Court and distress began in March 2010. The job owner has declared to appeal to the Supreme Court against distress. As of 31 December 2010, the balances related with the Esentai Project carried in the consolidated financial statements have been adjusted accordingly.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

18. COMMITMENTS (cont'd)

Ligitations (cont'd)

- The local books of the motorway project in Albania were inspected by the tax inspectors for the years between 2006 and 2009; and the Group was subject to a tax penalty amounting to ALL 1.131.537 (TL 16.820 equivalent to USD 10.880), including interest. As of 31 December 2010, the Group has paid ALL (Albanian Lek) 911.192 (TL 13.545 equivalent to USD 8.761) of the related tax penalty. The Group appealed to the Supreme Court for all these penalties except the VAT penalty amounting to ALL 36.895 (TL 548 equivalent to USD 354).

Others

- The Group has signed a pledge and assignment agreement dated as of 27 October 2000, with Westdeutsche Landesbank Girozentrale İstanbul Branch (Onshore Collateral Agent) in return of the loans obtained by the Power Companies. The Group has pledged and assigned all of its shares in these companies to the Onshore Collateral Agent for the benefit of the financial institutions.
- As of 31 December 2010, the project of the Group managed by its joint venture in Oman has been slowed-down due to financial problems of the job owner and the Group is waiting for the job owner to find the necessary financing. As of 31 December 2010, total receivables of the Group related with this project amounts to USD 32.530. The Group management has the opinion that considering the priority of the project for this country the necessary financing will be provided.
- As of 31 December 2010, Pimaş does not have any export commitments with respect to the foreign currency loans with export commitments (31 December 2009 - EUR 1.000 - TL 5.000).
- As of 31 December 2010, the Group has outstanding letters of guarantee and collaterals amounting to USD 588.388 (31 December 2009: USD 737.736) 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 USD 188.549 (31 December 2009: USD 223.414) are related to joint ventures.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

18. COMMITMENTS (cont'd)

Others (cont'd)

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 December 2010 and 2009 is as follows;

Letters of guarantee, guarantee notes given, mortgage and pledges	31 December 2010		31 December 2009	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		2.962.164		3.127.724
-USD	2.731.139	2.731.139	2.861.541	2.861.541
-EUR	158.602	210.211	153.043	219.571
-TL	4.120	2.665	5.229	3.473
-Others (*)		18.149		43.139
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		336.015		393.791
-USD	43.078	43.078	43.760	43.760
-EUR	63.453	84.101	115.223	165.310
-TL	1.000	647	1.000	664
-Others (*)		208.190	-	184.057
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		400		223
i. Total amount of guarantees given on behalf of the parent company		-		-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C		400		223
-USD	400	400	223	223
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>3.298.579</u>		<u>3.521.738</u>

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

As of 31 December 2010 the portion of other guarantess given to shareholders' equity is 0,01% (31December 2009: 0,01%).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

19. PROVISIONS FOR EMPLOYEE BENEFITS

a) Short-term employee benefits

	31 December 2010	31 December 2009
Payroll payable	11.683	18.044
Bonus accrual	9.613	6.072
Vacation pay liability	6.122	5.072
	<u>27.418</u>	<u>29.188</u>

b) Long-term employee benefits

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2.517 equivalent to USD 1.628 and TL 2.365 equivalent to USD 1.571 at 31 December 2010 and 2009 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. Effective from 1 January 2011, the retirement pay ceiling has been increased from USD 1.628 (TL 2.517) to USD 1.697 (TL 2.623).

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 4,66% and a discount rate of 10% (31 December 2009: Annual inflation rate 4,80% and discount rate 11%). The rate used for the probability of retirement is 96,53% (31 December 2009: 99,67%).

The probable rate of retirement pay provision amount that would remain to the Group is also taken into consideration in case of voluntary resignation. As the maximum liability is revised semi-annually, the maximum amount of TL 2.623,23 (USD 1.697) effective from 1 January 2011 has been taken into consideration in calculation of provision from employment termination benefits.

Movements of the provision for employee termination benefits during years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Opening balance as of 1 January	13.831	11.000
Service cost	2.608	3.538
Interest cost	1.347	1.210
Retirement benefits paid	(689)	(2.218)
Translation gain / loss	(2.105)	301
Closing balance as of 31 December	<u>14.992</u>	<u>13.831</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

20. OTHER ASSETS AND LIABILITIES

	31 December 2010	31 December 2009
Other current assets		
VAT receivable	16.336	15.012
Deferred VAT	15.703	18.989
Prepaid expenses	8.326	9.443
Advances given	8.927	71.194
Prepaid taxes and funds	3.491	7.380
Other	6.534	9.249
	<u>59.317</u>	<u>131.267</u>

	31 December 2010	31 December 2009
Other non-current assets		
Prepayment for land leases	30.266	30.521
Restricted cash (*)	3.801	1.881
Prepaid expenses	1.027	3.241
Other	1.299	4.530
	<u>36.393</u>	<u>40.173</u>

(*) 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.

	31 December 2010	31 December 2009
Other current liabilities		
Deferred rent revenue	45.863	44.518
Taxes and funds payable	9.642	11.653
VAT payable	8.788	10.636
Other	1.560	1.722
	<u>65.853</u>	<u>68.529</u>

	31 December 2010	31 December 2009
Other non-current liabilities		
Deferred revenue (*)	888.122	851.570
Deferred rent revenue	3.974	3.974
	<u>892.096</u>	<u>855.544</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

21. SHARE CAPITAL**a) Share capital**

The shareholders of the Group and their percentage of ownership as of 31 December 2010 and 31 December 2009 is as follows:

	31 December 2010		31 December 2009	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	48,80%	720.531	48,63%	590.809
Tara and Gülçelik families	28,08%	414.601	28,63%	347.828
Publicly traded	12,79%	188.844	12,32%	149.677
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5,96%	87.999	6,05%	73.502
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4,37%	64.523	4,37%	53.091
	<u>100,00%</u>	<u>1.476.498</u>	<u>100,00%</u>	<u>1.214.907</u>

Based on the Group's Ordinary General Assembly held on April 22, 2010; the Group increased the share capital of the Group from TL 1.800.000 to TL 2.200.000; and covered the TL 400.000 from the 1st Dividend at an amount of TL 200.000, and from the 2nd Dividend at an amount of TL 140.000 plus a further amount of TL 60.000 from the reserve funds.

Regarding the distribution of the year 2009 profit, based on the resolution taken at the Group's Ordinary General Assembly, the Group distributed to its shareholders for each TL 1 (full TL) nominal valued share, 0.0800 gross / 0.0680 net (full TL) (as being 8% gross, 6,80% net of the issued share capital) in total TL 144.000.

Within the above mentioned shares, founders of Enka İnşaat and former Enka Holding have one thousand founders share each. The founder shares of Enka İnşaat and the founder shares of former Enka Holding are entitled to receive, 5% and 2,5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

Group General Assembly decided to increase registered capital ceiling to TL 2.800.000 in the Extraordinary General Meeting which was made in 18 December 2009 according to article number 6 in relation to capital of the main agreement. This increase was declared and registered through publishing in the Trade Registry Gazette dated 25 December 2009.

b) Revaluation surplus***Revaluation fund***

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

Financial assets value increase fund (applicable until 1 January 2010)

Financial assets value increase fund is comprised of gains and losses arising from changes in fair value of available for sale investments and fair value changes of cash flow hedge derivative assets.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

21. SHARE CAPITAL (cont'd)

c) Legal reserves and accumulated profit

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

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

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

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

In accordance with the CMB decision on 27 January 2010, it was decided that there will be no minimum dividend distribution requirement for the listed companies whose shares are traded in the stock exchange.

When net profit for the year ended 2010 based on consolidated financial statements prepared according to CMB and financial statements prepared in accordance with Turkish Trade Law are compared, distributable net profit for the year is determined as USD 369.979 (TL 554.599) after deduction of first legal reserve.

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

As of 31 December 2010, legal reserves and extraordinary reserves of Enka İnşaat are amounting to TL 201.615 equivalent to USD 130.411 (31 December 2009 – TL 168.162 – USD 111.684) and TL 31.629 equivalent to USD 20.459 (31 December 2009 – TL 85.478 – USD 56.770) respectively.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

21. SHARE CAPITAL (cont'd)**c) Legal reserves and accumulated profit (cont'd)**

The movement of the share capital (in numbers and in historical TL) of the Group during 31 December 2010 and 31 December 2009 is as follows:

	31 December 2010		31 December 2009	
	Number	TL	Number	TL
At 1 January,	180.000.000.000	1.800.000	120.000.000.000	1.200.000
bonus shares issued out of general reserve	40.000.000.000	400.000	60.000.000.000	600.000
	<u>220.000.000.000</u>	<u>2.200.000</u>	<u>180.000.000.000</u>	<u>1.800.000</u>

Dividends

In 2010, the Group allocated first dividend in the amount of TL 344.000 (2009: TL 608.000) after the deduction of first legal reserve from net profit of 2009. The amount of TL 144.000 (2009: TL 108.000) was distributed as cash dividend and TL 200.000 (2009: TL 500.000) was added to share capital.

After the deduction of legal reserve (TL 26.681) and first dividend, 5% of the remaining amount is paid to the owners of founder shares of Enka İnşaat (one thousand founder shares), 2,5% of the remaining amount is paid to the owners of founder shares of Enka Holding Yatırım A.Ş. (one thousand founder shares). After the payments to share owners, 1% of the remaining amount is distributed to Board of Directors' members in equal shares.

Remaining amount of TL 140.000 is allocated as second dividend and added to share capital.

In 2010, the Group distributed dividends as detailed below:

	2010		2009	
	Dividend	Dividends per share	Dividend	Dividends per share
Ordinary share owners	94.556	Cent 0,5	69.229	Cent 0,3
Founder share owners	8.025	USD 4,0	5.842	USD 2,9
	<u>102.581</u>		<u>75.071</u>	

22. SALES AND COST OF SALES

	31 December 2010	31 December 2009
Sales		
Domestic sales	3.370.917	3.146.812
Export sales	1.342.140	1.977.686
	<u>4.713.057</u>	<u>5.124.498</u>
Cost of sales		
Cost of domestic sales	3.030.780	2.734.994
Cost of export sales	861.186	1.473.498
	<u>3.891.966</u>	<u>4.208.492</u>

The Group is operating in five main geographical areas alone or together with its affiliated companies or, in partnerships with other contractors through joint ventures. Segmental information of the Group is disclosed in Note 5.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

23. MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	31 December 2010	31 December 2009
Marketing, sales and distribution expenses	54.911	59.501
Administrative expenses	137.664	126.776
	<u>192.575</u>	<u>186.277</u>

a) Marketing, sales and distribution expenses

	31 December 2010	31 December 2009
Employee benefit expenses	25.255	31.950
Office expenses	10.271	8.832
Transportation expenses	5.964	4.737
Business development expenses	5.917	3.702
Depreciation and amortization expenses	719	3.510
Others	6.785	6.770
	<u>54.911</u>	<u>59.501</u>

b) Genral administrative expenses

	31 December 2010	31 December 2009
Employee benefit expenses	66.347	68.651
Consulting and legal expenses	12.877	7.231
Rent expenses	13.289	13.457
Depreciation and amortization expenses	13.763	16.360
Transportation expenses	9.316	8.471
Others	22.072	12.606
	<u>137.664</u>	<u>126.776</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

24. EXPENSES BY NATURE

Depreciation and amortization expenses are detailed below:

	31 December 2010	31 December 2009
<u>Depreciation expenses</u>		
Cost of revenues	112.283	135.835
Selling and administrative expenses	13.687	18.818
Other operating expense	1.526	1.910
Inventories	-	341
	<u>127.496</u>	<u>156.904</u>
<u>Amortization expenses</u>		
Selling and administrative expenses	795	1.053
Cost of revenues	120	107
	<u>915</u>	<u>1.160</u>
	<u>128.411</u>	<u>158.064</u>

Employee benefit expenses are detailed below:

	31 December 2010	31 December 2009
Wages and salaries	241.660	308.487
Social security costs	38.702	78.964
Provision for employee termination benefits	4.079	4.748
Other benefits	5.673	6.276
	<u>290.114</u>	<u>398.475</u>

25. OTHER OPERATING INCOME / EXPENSES

	31 December 2010	31 December 2009
<u>Other operating income</u>		
Gain from change in fair value of investment property, net	19.704	9.577
Bargain purchase gains (Note 3)	13.574	-
Warranty items income	7.530	8.073
Machinery rent income	3.038	3.720
Gain from sales of property, plant and equipment	2.807	4.475
Rent income	1.736	1.221
Insurance income	917	1.076
Commission income	700	3.903
Collection of doubtful receivables	680	1.706
Service income	342	625
Revenue of contracts completed in prior years	19	2.707
Gain from sale of investment, net	-	4.463
Other	9.002	9.601
	<u>60.049</u>	<u>51.147</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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

	31 December 2010	31 December 2009
Other operating expense		
Donations	6.103	3.774
Provision for doubtful receivables	3.967	7.401
Litigation provisions	2.000	-
Depreciation expense	1.526	1.910
Capital increase expense	1.183	1.499
Bonus accrual	443	515
Commission expense	330	117
Loss from sales of property, plant and equipment	121	25
Expenses of closed stores	-	4.689
Allowance for the change in fair value in asset held for sale	-	369
Others	3.481	5.472
	<u>19.154</u>	<u>25.771</u>

26. FINANCIAL INCOME

	31 December 2010	31 December 2009
Income from financial assets at fair value through profit or loss	42.002	-
Foreign exchange gains	39.968	47.475
Interest income	29.006	25.042
Dividend income	2.551	1.568
Rediscount income	778	1.396
Income from sale of investment securities	-	9.177
Forward income	-	145
Others	287	295
	<u>114.592</u>	<u>85.098</u>

27. FINANCIAL EXPENSES

	31 December 2010	31 December 2009
Foreign exchange losses	66.090	50.136
Interest expenses	24.252	43.158
Bank commission expenses	6.218	6.260
Deferred financing cost	5.830	8.759
Commission expenses of letters of guarantee	1.508	1.634
Forward losses	727	1.989
Impairment on the available for sale equity securities	-	22
Others	333	113
	<u>104.958</u>	<u>112.071</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

28. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of 31 December 2010 and 2009, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 5.471 and USD 1.135 respectively.

29. TAXATION ON INCOME

Tax legislation in Turkey

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.

In Turkey, the corporation tax rate is 20% (31 December 2009 - 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 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.

Dividend income obtained from full fledged tax payer subsidiaries are exempt from corporate tax (except dividend obtained from investment fund shares and equities). 75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The cost of the sale has to be collected up until the end of the second calendar year the sale was realized. Brokerage houses and real estate companies who are dealing with the trading and the leasing of real estate can not benefit from this exemption.

15% (31 December 2009 – 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.

As of 31 December 2010 and 2009, components of tax expense are as follows:

	31 December 2010	31 December 2009
Consolidated income statement		
Current corporate tax	(99.686)	(111.411)
Deferred tax expense	(19.599)	(52.199)
	<u>(119.285)</u>	<u>(163.610)</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

29. TAXATION ON INCOME (cont'd)

Tax legislations in other countries

As of 31 December 2010 and 31 December 2009 effective corporation tax rate in other countries are as follows:

	31 December 2010	31 December 2009
Russia	20%	20%
Netherlands	25,5%	25,5%
Kazakhstan	28% - 32%	%28 - %32
Romania	16%	16%
Albania	10%	10%
Oman	12%	12%
Libya	20%	15% - 40%
Kosovo	10%	10%

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

	2010	2009
1 January	16.120	23.847
Current year tax expense	99.686	111.411
Taxes paid	(86.931)	(119.138)
31 December	28.875	16.120

A reconciliation of the nominal (on the basis of the income tax rate of the Company and the Turkish subsidiaries) to the effective tax rate for the years ended 31 December 2010 and 2009 is provided below:

	31 December 2010		31 December 2009	
Profit before tax	679.045		726.598	
Tax per statutory tax rate 20%	135.809	%20	145.320	%20
Jobsites exempt from income tax	(17.013)	(%3)	(839)	-
Effect of tax rate change and others	489	(%3)	19.129	%3
Taxation charge	119.285	%17	163.610	%23

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

29. TAXATION ON INCOME (cont'd)

As of 31 December 2010 and 31 December 2009, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	31 December 2010	31 December 2009
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(440.849)	(421.709)
IAS 39 adjustments on financial instruments and derivatives	(1.995)	-
Adjustment for percentage of completion method on construction projects	(30)	-
GE Inventory in the context of "PSA" (*)	(9.477)	(16.878)
Others	(4.850)	(5.249)
Gross deferred income tax liabilities	<u>(457.201)</u>	<u>(443.836)</u>
Adjustment of revenue levelization	175.848	168.606
Tax loss carry-forward	620	16.481
Allowance for doubtful receivables	1.784	1.640
Adjustment for percentage of completion method on construction projects	-	454
Allowance for retirement pay liability	1.934	1.856
Deferred financial expenses	409	476
Others	-	1.488
Gross deferred income tax assets	<u>181.060</u>	<u>191.471</u>
Net deferred tax liability	<u>(276.141)</u>	<u>(252.365)</u>

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

Reflected as:

	31 December 2010	31 December 2009
Deferred tax assets	14.289	21.909
Deferred tax liabilities	(290.430)	(274.274)
Net deferred liabilities	<u>(276.141)</u>	<u>(252.365)</u>

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2010 related with Group's shares in its subsidiaries, branches and associates is USD 919.983 (31 December 2009: USD 1.008.052).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

29. TAXATION ON INCOME (cont'd)

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

	31 December 2010	31 December 2009
Balance at 1 January of Enka İnşaat and its subsidiaries	252.365	201.473
Balance at 1 January of the joint ventures	(674)	1.276
Balance at 1 January	251.691	202.749
Deferred income tax expense recognized in income statement	19.599	52.199
Effect of change in tax rate for deferred income tax charge recognized in equity	-	-
Deferred income tax expense recognized in equity	3.774	5.425
Translation loss	1.077	(8.682)
	<u>276.141</u>	<u>251.691</u>
Of which:		
Balance at 31 December of Enka İnşaat and its subsidiaries	276.141	252.365
Balance at 31 December of the joint ventures, net	-	(674)
Total net deferred tax liabilities	<u>276.141</u>	<u>251.691</u>

As of 31 December 2010 and 31 December 2009, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 December 2010			31 December 2009		
	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax
Changes in fair value of financial assets	-	-	-	39.668	(7.934)	31.734
Change in revaluation of buildings	29.010	(3.758)	25.252	(14.356)	2.871	(11.485)
Changes in fair value of derivative assets	78	(16)	62	1.813	(362)	1.451
Changes in currency translation differences	(39.449)	-	(39.449)	(23.498)	-	(23.498)
	<u>(10.361)</u>	<u>(3.774)</u>	<u>(14.135)</u>	<u>3.627</u>	<u>(5.425)</u>	<u>(1.798)</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

30. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 December 2010.

	31 December 2010	31 December 2009
Earning per share		
- ordinary share certificate (full cent)	0,25	0,24
- founder shares (*)	-	3,96
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	220.000.000.000	220.000.000.000
- founder shares	2.000	2.000

(*) Since 2010 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earnings per share is reflected on ordinary share certificates.

31. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties

The Group is controlled by Tara Holding (48,80%) (31 December 2009 - 48,63%) and Tara and Gülçelik families (28,08%) (31 December 2009 - 28,63%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also include management and members of the Group's Board of Directors.

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

	31 December 2010		31 December 2009	
	Receivables	Payables	Receivables	Payables
Shareholders	(*) 329	1.082	(*) 273	935
Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş.	(**) 62	-	(**) 327	-
	391	1.082	600	935

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

(**) Funds provided by Enka İnşaat (in USD) with interest rates Libor + 0,5% and Libor + 2%.

As of 31 December 2010, the Group does not have any rent income (31 December 2009: USD 131). And also, the Group does not have any sales activity to related parties (31 December 2009: USD 73) as of 31 December 2010.

Directors' remuneration

The executive management of the Group received remuneration totaling USD 20.130 (31 December 2009 - USD 19.459). As of 31 December 2010, the social security payment and accrued full retirement pay liability is USD 1.429 (31 December 2009 - USD 1.552) and USD 1.680 (31 December 2009 - USD 1.688) respectively.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

Interest risk

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

The following table demonstrates the sensitivity to a reasonably possible increase of 1% in the interest rates, with all other variables held constant, on the floating rate borrowings of the Group's profit before tax and the Group's non-controlling interest.

	<u>31 December 2010</u>	<u>31 December 2009</u>
<u>Financial assets with floating rates</u>		
Financial assets	-	250
Financial liabilities	(2.970)	(4.677)

Foreign currency risk

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

The Group is engaged in construction, trading, energy and real estate operations business in several countries and, as a result, is exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movements on its net investments in foreign subsidiaries. The Group manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**Foreign currency risk (cont'd)**

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

The following table details the Group's foreign currency position as at 31 December 2010 and 31 December 2009:

	<u>31 December 2010</u>	<u>31 December 2009</u>
A. Assets denominated in foreign currency	1.261.620	1.344.000
B. Liabilities denominated in foreign currency	(475.638)	(668.111)
Net foreign currency position (A+B)	785.982	675.889

The Group's foreign currency position at 31 December 2010 and 31 December 2009 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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

Foreign currency risk (cont'd)

	31 December 2010						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	66.400	42.950	151.403	200.670	69.428	58.469	371.516
Investments available-for-sale	59.172	38.274	79.732	105.677	33.507	124.354	301.812
Trade and other receivables	20.309	13.136	71.667	94.987	49.072	6.378	163.574
Other current assets	36.097	23.349	2.054	2.722	16.736	633	43.440
Company's share in non current assets of joint ventures	-	-	2.163	2.867	33.125	60	36.052
Current assets	181.978	117.709	307.019	406.923	201.869	189.894	916.395
Financial assets	35.756	23.128	186.058	246.601	34.774	-	304.503
Trade and other receivables	-	-	17.992	23.847	6.756	105	30.708
Other non current assets	2.061	1.333	685	908	2.763	4.996	10.000
Company's share in non current assets of joint ventures	-	-	-	-	14	-	14
Non-current assets	37.817	24.461	204.735	271.356	44.307	5.101	345.225
Total assets	219.795	142.170	511.754	678.279	246.176	194.995	1.261.620
Short-term borrowings	736	476	37.360	49.517	42.669	10.496	103.158
Trade and other payables	34.528	22.334	47.075	62.393	28.151	4.884	117.762
Other current liabilities and accrued expenses	52.528	33.977	15.337	20.328	16.820	18.116	89.240
Company's share in non current liabilities of joint ventures	1	1	22	29	47.977	2.046	50.053
Current liabilities	87.793	56.787	99.794	132.267	135.617	35.542	360.213
Trade payables	-	-	-	-	-	-	-
Long-term borrowings	1.086	702	26.569	35.215	75.513	3.251	114.681
Other payables	-	-	-	-	-	-	-
Other non-current liabilities	-	-	188	249	-	416	665
Company's share in non current liabilities of joint ventures	-	-	-	-	79	-	79
Non-current liabilities	1.086	702	26.757	35.464	75.592	3.667	115.425
Total liabilities	88.879	57.490	126.551	167.731	211.209	39.209	475.638
Net foreign currency position	130.916	84.680	385.203	510.548	34.967	155.786	785.982
Net notional amount of derivatives	-	-	698	925	-	-	925
Export	-	-	89.004	117.966	425	23.165	141.556
Import	-	-	66.937	88.718	79.844	54.047	222.609

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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

Foreign currency risk (cont'd)

	31 December 2009						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	32.842	21.812	119.277	171.127	61.598	101.665	356.202
Investments available-for-sale	28.988	19.252	180.424	258.854	20.194	81.458	379.758
Trade and other receivables	15.209	10.101	82.824	118.828	57.710	9.790	196.429
Other current assets	32.836	21.808	5.721	8.208	13.084	353	43.453
Company's share in non current assets of joint ventures	-	-	7.663	10.994	37.159	187	48.340
Current assets	109.875	72.973	395.909	568.011	189.745	193.453	1.024.182
Financial assets	40.569	26.944	157.119	225.419	18.713	-	271.076
Trade and other receivables	-	-	19.962	28.639	8.034	145	36.818
Other non current assets	1.870	1.242	1.768	2.537	2.624	5.500	11.903
Company's share in non current assets of joint ventures	-	-	-	-	21	-	21
Non-current assets	42.439	28.186	178.849	256.595	29.392	5.645	319.818
Total assets	152.314	101.159	574.758	824.606	219.137	199.098	1.344.000
Short-term borrowings	266	177	64.723	92.858	35.666	58.340	187.041
Trade and other payables	32.910	21.857	57.615	82.660	45.911	10.277	160.705
Other current liabilities and accrued expenses	34.252	22.748	13.787	19.780	23.505	16.000	82.033
Company's share in non current liabilities of joint ventures	-	-	175	251	82.497	13.790	96.538
Current liabilities	67.428	44.782	136.300	195.549	187.579	98.407	526.317
Long-term borrowings	-	-	53.073	76.144	60.214	510	136.868
Trade and other payables	-	-	-	-	2.140	2.314	4.454
Other non-current liabilities	-	-	105	151	-	321	472
Company's share in non current liabilities of joint ventures	-	-	-	-	-	-	-
Non-current liabilities	-	-	53.178	76.295	62.354	3.145	141.794
Total liabilities	67.428	44.782	189.478	271.844	249.933	101.552	668.111
Net foreign currency position	84.886	56.377	385.280	552.762	(30.796)	97.546	675.889
of derivatives	-	-	5.600	8.034	-	-	8.034
Export	2.905	1.929	172.717	247.797	894	3.436	254.056
Import	152	101	107.379	154.057	46.252	26.517	226.927

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

Foreign currency risk (cont'd)

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

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

The following table details the Group's foreign currency sensitivity as at 31 December 2010 and 31 December 2009:

	31 December 2010		31 December 2009	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	8.468	(8.468)	5.638	(5.638)
2- Portion hedged against TL risk (-)	-	-	-	-
3- TL net effect (1+2)	8.468	(8.468)	5.638	(5.638)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	51.055	(51.055)	55.276	(55.276)
5- Portion hedged against Euro risk (-)	92	(92)	804	(804)
6- Euro net effect (1+2)	51.147	(51.147)	56.080	(56.080)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	3.497	(3.497)	(3.080)	3.080
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	3.497	(3.497)	(3.080)	3.080
Total (3+6+9)	63.112	(63.112)	58.638	(58.638)

Credit risk

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

Foreign currency risk (cont'd)

	Receivables				Financial assets at fair value through profit or loss
	Trade receivables		Other receivables		
	Related party	3rd party	Related party	3rd party	
31 December 2010					
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	-	604.622	391	569	599.079
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	358.213	-	-	-
A. Financial assets that are either past due or impaired	-	543.999	391	569	599.079
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	4.828	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	51.593	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	40.899	-	-	-
D. The amount of financial assets that are impaired	-	4.202	-	-	-
- Past due (Gross book value)	-	32.039	-	-	-
- The amount of impairment (-)	-	(27.837)	-	-	-
-The amount that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-
*) As of 31 December 2010, trade receivables from TETAS amounting to USD 317,314 are guaranteed by Turkish Treasury.					

	Receivables			Derivative instruments	Other
	Trade receivables	Other receivables	Bank deposits		
31 December 2010					
Overdue between 1 to 30 days	14.867	-	-	-	-
Overdue between 1 to 3 months	6.972	-	-	-	-
Overdue between 3 to 12 months	9.032	-	-	-	-
Overdue between 1 to 5 years	18.919	-	-	-	-
Overdue over 5 years	1.803	-	-	-	-
	51.593	-	-	-	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

Foreign currency risk (cont'd)

	Receivables					Bank deposits	Derivative instruments	Investments available for sale
	Trade receivables		Other receivables					
	Related party	3rd party	Related party	3rd party	3rd party			
31 December 2009								
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	-	624.432	600	827	667.260	-	-	1.021.671
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	331.747	-	-	-	-	-	-
A. Financial assets that are either past due or impaired	-	547.390	600	827	667.260	-	-	1.021.671
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	4.630	-	-	-	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	68.389	-	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	47.565	-	-	-	-	-	-
D. The amount of financial assets that are impaired	-	4.024	-	-	-	-	-	-
- Past due (Gross book value)	-	29.997	-	-	-	-	-	-
- The amount of impairment (-)	-	(25.973)	-	-	-	-	-	-
-The amount that have been secured with collaterals, other credit enhancements etc.	-	1.199	-	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-	-	-

(*) As of 31 December 2009, trade receivables from TETAS amounting to USD 269.535 are guaranteed by Turkish Treasury.

(*) As of 31 December 2009, trade receivables from TETAŞ amounting to USD 269.535 are guaranteed by Turkish Treasury.

	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
31 December 2009					
Overdue between 1 to 30 days	10.395	-	-	-	-
Overdue between 1 to 3 months	17.126	-	-	-	-
Overdue between 3 to 12 months	26.067	-	-	-	-
Overdue between 1 to 5 years	14.745	-	-	-	-
Overdue over 5 years	56	-	-	-	-
	68.389	-	-	-	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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

Liquidity risk

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

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

Current liabilities

31 December 2010

	<u>Total cash outflow</u>				
		<u>according to</u>			
<u>Contractual maturity anavlsis</u>	<u>Carrying</u>	<u>contract</u>	<u>Up to 1</u>	<u>1 to 3</u>	<u>3 to 12</u>
	<u>value</u>	<u>(I+II+III)</u>	<u>month (I)</u>	<u>months (II)</u>	<u>months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease					
obligations	220.218	226.580	10.765	24.261	191.554
Trade payables	376.494	376.554	309.840	26.680	40.034
Other payables to related parties	1.082	1.082	1.082	-	-
Other payables	108.732	108.732	5.318	7.330	96.084
Company’s share in current					
liabilities of joint ventures	248.956	248.956	203.003	43.751	2.202

Non-current liabilities

31 December 2010

	<u>Total cash outflow</u>				
	<u>according to</u>				
<u>Contractual maturity analysis</u>	<u>Carrying</u>	<u>contract</u>	<u>1 to 3</u>	<u>3 to 5 years</u>	<u>More than 5</u>
	<u>value</u>	<u>(I+II+III)</u>	<u>years (I)</u>	<u>(II)</u>	<u>years (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	376.796	380.470	232.832	61.795	85.843
Trade payables	6.627	6.627	-	-	6.627
Other payables	17.092	17.092	14.990	1.861	241
Company's share in non-current liabilities of joint ventures	315	315	315	-	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

Liquidity risk (cont'd)

Current liabilities

31 December 2009

	<u>Total cash outflow</u>				
		<u>according to</u>			
<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>contract (I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months (II)</u>	<u>3 to 12 months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	331.644	336.040	28.749	60.901	246.390
Trade payables	347.000	347.090	249.034	64.917	33.139
Other payables to related parties	935	935	935	-	-
Other payables	248.964	248.964	9.670	141.348	97.946
Company's share in current liabilities of joint ventures	259.154	259.154	127.253	93.102	38.799

Non-current liabilities

31 December 2009

	<u>Total cash outflow according to</u>				
<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>contract (I+II+III)</u>	<u>1 to 3 years (I)</u>	<u>3 to 5 years (II)</u>	<u>More than 5 years (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	503.949	506.627	340.625	111.186	54.816
Trade payables	2.314	2.314	2.314	-	-
Other payables	16.172	16.172	14.831	1.324	16
Company's share in non-current liabilities of joint ventures	22	22	-	22	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

33. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK***Fair value of financial assets and liabilities***

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

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

Financial assets

The fair values of cash, amounts due from banks and other monetary assets are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables are estimated to be their fair values due to their short-term nature.

Financial liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of bank borrowings are considered to approximate their respective carrying values, since initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
Private sector bonds	429.673	-	-
Equity securities	144.917	-	-
Foreign government bonds	690.957	-	-
Turkish government bonds	58.490	-	-
Mutual funds	46.347	-	-
Financial assets at fair value through profit or loss	1.370.384	-	-
Derivative instruments	-	920	-
Financial liabilities at fair value through profit or loss	-	920	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

34. SUBSEQUENT EVENTS

The contract for the construction of Muscat International Airport Terminal (MC3) with the contract value of 706.3 million Omani Rials (approximately USD 1.8 billion) has been signed, ratified and entered into force in 23 February 2011 between Bechtel & Co. LLC, Enka & Co. LLC and Bahwan Engineering Company LLC consortium and the investor. The project which the Group has a share of 38.4% will be completed in 38 months.