

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

**Consolidated Financial Statements  
June 30, 2008**

# ENKA İNŞAAT VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### CONSOLIDATED BALANCE SHEET As at June 30, 2008 (Currency – Thousands of U.S. Dollars)

#### ASSETS

	Notes	June 30, 2008	December 31, 2007
<b>Current assets</b>			
Cash and cash equivalents	4	1,053,912	1,058,912
Investments available-for-sale	5	310,055	250,822
Trade and other receivables	6	1,177,937	734,644
Inventories	7	387,217	273,153
Other current assets	8	277,537	204,894
Company's share in current assets of joint ventures	10	340,807	330,624
Costs and estimated earnings in excess of billings on uncompleted contracts	11	184,515	249,475
		<b>3,731,980</b>	3,102,524
Assets held for sale	9	5,972	49,097
<b>Total current assets</b>		<b>3,737,952</b>	3,151,621
<b>Non-current assets</b>			
Trade and other receivables	6	32,707	29,350
Investments in associates	12	2,864	10,057
Investments available-for-sale	5	981	1,570
Property, plant and equipment			
Company			
<i>Buildings and barracks</i>	14	986,831	1,021,432
<i>Other property, plant and equipment</i>	14	1,716,393	1,737,869
Company's share in joint ventures	10	111,936	95,275
Intangible assets	15	2,895	2,981
Goodwill	22	117,587	228,583
Investment properties	16	1,511,378	1,394,309
Other non-current assets	8	55,211	59,362
Deferred tax asset	20	112,475	133,508
<b>Total non-current assets</b>		<b>4,651,258</b>	4,714,296
<b>Total assets</b>		<b>8,389,210</b>	7,865,917

The accompanying policies and explanatory notes on pages 6 through 69 form an integral part of the consolidated financial statements.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### CONSOLIDATED BALANCE SHEET As at June 30, 2008 (Currency – Thousands of U.S. Dollars)

#### LIABILITIES AND EQUITY

	Notes	June 30, 2008	December 31, 2007
<b>Current liabilities</b>			
Short-term borrowings	17	30,946	48,405
Current portion of long-term borrowings	17	406,129	384,803
Trade and other payables	18	1,364,328	1,350,217
Other current liabilities and accrued expenses	19	213,539	171,813
Taxation on income	20	33,573	27,592
Company's share in current liabilities of joint ventures	10	306,614	297,250
Billings in excess of costs and estimated earnings on uncompleted contracts	11	93,264	72,836
<b>Total current liabilities</b>		<b>2,448,393</b>	<b>2,352,916</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	90,116	56,148
Long-term borrowings	17	1,002,383	1,168,871
Employee termination benefit	21	13,429	13,071
Deferred tax liability	20	347,478	318,815
Other non-current liabilities	19	716,856	679,287
Company's share in non-current liabilities of joint ventures	10	63,352	58,416
<b>Total non-current liabilities</b>		<b>2,233,614</b>	<b>2,294,608</b>
<b>Total liabilities</b>		<b>4,682,007</b>	<b>4,647,524</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	23	828,831	587,828
Revaluation surplus	14	242,194	271,341
Currency translation difference		199,521	149,604
Other reserves		(11,099)	2,558
Legal reserves and accumulated profit	24	2,174,326	1,956,817
<b>Minority interest</b>		<b>273,430</b>	<b>250,245</b>
<b>Total equity</b>		<b>3,707,203</b>	<b>3,218,393</b>
<b>Total equity and liabilities</b>		<b>8,389,210</b>	<b>7,865,917</b>

The accompanying policies and explanatory notes on pages 6 through 69 form an integral part of the consolidated financial statements.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### CONSOLIDATED INCOME STATEMENT

For the period ended June 30, 2008

(Currency -- Thousands of U.S. Dollars)

	Notes	June 30, 2008	June 30, 2007
Revenues		<b>3,328,793</b>	2,301,223
Cost of revenues		<b>(2,740,391)</b>	(1,895,302)
<b>Gross profit</b>		<b>588,402</b>	405,921
Selling and administrative expenses		<b>(204,289)</b>	(117,035)
Other operating income	27	<b>222,322</b>	13,437
Other operating expense	27	<b>(20,457)</b>	(13,004)
<b>Profit from operations</b>		<b>585,978</b>	289,319
Financial income	27	<b>66,053</b>	34,757
Financial expenses	27	<b>(55,077)</b>	(49,637)
Income from associates		<b>1,808</b>	2,854
<b>Profit from operations before taxes</b>		<b>598,762</b>	277,293
Taxation charge			
Current	20	<b>(66,103)</b>	(41,777)
Deferred	20	<b>(39,702)</b>	15,641
<b>Net profit for the period</b>		<b>492,957</b>	251,157
<b>Attributable to :</b>			
Equity holders of the parent		<b>472,211</b>	238,689
Minority interest		<b>20,746</b>	12,468
<b>Net profit</b>		<b>492,957</b>	251,157
Weighted average number of shares	23	<b>120,000,000,000</b>	120,000,000,000
Basic earnings per share attributable to equity holders of the parent - U.S. Dollar	25		
- ordinary share certificate (full cent)		<b>0,394</b>	0,200

The accompanying policies and explanatory notes on pages 6 through 69 form an integral part of the consolidated financial statements.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended June 30, 2008

(Currency – Thousands of U.S. Dollars)

	Attributable to equity holders of the parent					Total	Minority Interest	Total Equity
	Share Capital (Note 23)	Revaluation Surplus (Note 14)	Currency Translation Difference	Other Reserves	Legal Reserves and Accumulated Profit			
Balances, January 1, 2007	361,567	76,384	60,668	295	1,646,333	2,145,247	200,978	2,346,225
Currency translation difference	-	769	88,936	-	-	89,705	10,283	99,988
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 14)	-	(1,895)	-	-	1,895	-	-	-
Revaluation of buildings (Note 14)	-	196,083	-	-	-	196,083	1,538	197,621
Fair value adjustment on derivative assets	-	-	-	1,032	-	1,032	-	1,032
Net change in unrealized gain / (loss) on available-for-sale investments	-	-	-	1,231	-	1,231	-	1,231
Total income and expense for the year recognized directly in equity	-	194,957	88,936	2,263	1,895	288,051	11,821	299,872
Profit for the year	-	-	-	-	574,538	574,538	43,594	618,132
Total income and expense for the year	-	194,957	88,936	2,263	576,433	862,589	55,415	918,004
Share capital increase from general reserve (Note 23)	226,261	-	-	-	(226,261)	-	-	-
Dividends paid (Note 24)	-	-	-	-	(39,688)	(39,688)	(6,148)	(45,836)
Balances, December 31, 2007	587,828	271,341	149,604	2,558	1,956,817	2,968,148	250,245	3,218,393
Currency translation difference	-	6,912	49,917	-	-	56,829	10,624	67,453
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 14)	-	(3,009)	-	-	3,009	-	-	-
Transfer from building into investment property	-	(33,050)	-	-	33,050	-	-	-
Fair value adjustment on derivative assets	-	-	-	1,253	-	1,253	-	1,253
Net change in unrealized gain / (loss) on available-for-sale investments	-	-	-	(14,910)	-	(14,910)	-	(14,910)
Total income and expense for the year recognized directly in equity	-	(29,147)	49,917	(13,657)	36,059	43,172	10,624	53,796
Profit for the year	-	-	-	-	472,211	472,211	20,746	492,957
Total income and expense for the year	-	(29,147)	49,917	(13,657)	508,270	515,383	31,370	546,753
Share capital increase from general reserve (Note 23)	241,003	-	-	-	(241,003)	-	-	-
Dividends paid (Note 24)	-	-	-	-	(49,758)	(49,758)	(5,068)	(54,826)
Scope change	-	-	-	-	-	-	(3,117)	(3,117)
Balances, June 30, 2008	828,831	242,194	199,521	(11,099)	2,174,326	3,433,773	273,430	3,707,203

The accompanying policies and explanatory notes on pages 6 through 69 form an integral part of the consolidated financial statements.

# Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008

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

### 1. ORGANIZATION AND NATURE OF ACTIVITIES

#### General

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

As of June 28, 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of June 30, 2008, 12.79 % of the shares of Enka İnşaat are traded publicly in İstanbul Stock Exchange.

As of June 30, 2008, total number of personnel is 43,712 (December 31, 2007 – 46,018).

#### Nature of the Activities

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

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

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

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

*Asia* : engaged in construction activities in Oman.

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

# Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

### 1. ORGANIZATION AND NATURE OF ACTIVITIES (continued)

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

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

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

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

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



## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.1 BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, available-for-sale financial assets and derivative financial instruments which are measured at fair value. 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 June 30, 2008. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on August 27, 2008. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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

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

There are no differences between the consolidated financial statements prepared in accordance with the accounting policies promulgated by CMB and consolidated IFRS financial statements except for the application of IAS 29 ("Financial Reporting in Hyperinflationary Economies") in the year 2005, which only affects the financial statements of the subsidiaries that have functional currency of YTL.

#### **Functional and Presentation Currency**

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

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 2.1 BASIS OF PREPARATION (continued)

Until December 31, 2005, the financial statements of the subsidiaries, functional currency of which was YTL, were restated for the changes in the general purchasing power of YTL based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from January 1, 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders’ equity of such subsidiaries including share capital reported in the balance sheet as of June 30, 2008 and December 31, 2007 are derived by indexing the additions occurred until December 31, 2005 and carrying the additions after this date with their nominal amounts.

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

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

The rates used as of June 30, 2008 and December 31, 2007 and the rate as of the preparation date of the consolidated financial statements for one U.S. Dollar can be summarized as below:

	Preparation Date (August 27, 2008)		June 30, 2008		December 31, 2007	
U.S. Dollar	YTL	1.1860	YTL	1.2237	YTL	1.1647
	Russian Ruble (RR)	24.58	RR	23.46	RR	24.54
	Euro	0.68	Euro	0.63	Euro	0.68

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

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint ventures and its subsidiaries as at June 30, 2008 and December 31, 2007. 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.

# Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

### 2.1 BASIS OF PREPARATION (continued)

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. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

The subsidiaries included in consolidation and their shareholding percentages at June 30, 2008 and December 31, 2007 are as follows:

Company Name	Direct / Indirect Ownership	
	June 30, 2008	December 31, 2007
Enka Holding B.V.	100.00%	100.00%
Enka Holding Investment S.A.	100.00%	100.00%
Edco Investment B.V.	100.00%	100.00%
Enru Development B.V.	100.00%	100.00%
City Center Investment B.V.	100.00%	100.00%
Enka Power Systems B.V.	100.00%	100.00%
Esta Construction B.V.	100.00%	100.00%
Enka MW B.V.	100.00%	100.00%
Enka Construction & Development B.V.	100.00%	100.00%
Far East Development B.V.	100.00%	100.00%
Capital City Investment B.V.	100.00%	100.00%
Enka Construction B.V.	100.00%	100.00%
Enmar	100.00%	100.00%
Entrade	100.00%	100.00%
Enka Adapazarı Power Investment B.V.	100.00%	100.00%
Enka Gebze Power Investment B.V.	100.00%	100.00%
Enka İzmir Power Investment B.V.	100.00%	100.00%
Enka Power Investment B.V.	100.00%	100.00%
İzmir Elektrik	100.00%	100.00%
Adapazarı Elektrik	100.00%	100.00%
Gebze Elektrik	100.00%	100.00%
Enka Limited Liability Company	100.00%	100.00%
Rumos S.A.	100.00%	100.00%
MCC Investment SA.	100.00%	100.00%
Enka TC (*)	100.00%	100.00%
Retmos Inv. Ltd.	100.00%	100.00%
EMOS Limited Liability Company	100.00%	-
DMOS Limited Liability Company	100.00%	-
AMOS BV	-	100.00%
BMOS BV	100.00%	100.00%
CMOS B.V.	100.00%	-
Akkuyu Elektrik Üretim A.Ş.	100.00%	-
Akuyu Finance B.V.	100.00%	-
Akkuyu Construction B.V.	100.00%	-
Akkuyu Investment B.V.	100.00%	-
Akkuyu Fuel B.V.	100.00%	-
Akkuyu Operations B.V.	100.00%	-
Akkuyu B.V.	100.00%	-
Air Enka	99.97%	99.97%
Enka Pazarlama	99.99%	99.97%
Enmar Trading	99.97%	99.97%
Metra Akdeniz Dış Ticaret Anonim Şirketi	99.96%	99.96%
Entaş	99.93%	99.93%
Enka Enerji Üretim A.Ş.	99.47%	99.47%
Susanbaş Değirmencilik A.Ş.	99.35%	99.35%
Kaskaş	96.31%	96.31%
Kaskaş Arabia Ltd.	96.31%	64.24%
Burkas Ltd. Şti	96.31%	96.31%
Çimtaş	95.26%	95.26%
Çimtaş Mechanical Contracting B.V.	95.26%	95.26%
Çimtaş (Ningbo) Steel Processing Company Ltd.	95.26%	95.26%
Titaş	91.91%	91.91%
Burtrak Burdur Traktör ve Önyükleyici Sanayi Ticaret Anonim Şirketi	90.02%	90.02%
Pimaş	87.26%	87.26%
Pimapen Joint Stock Company	87.26%	87.26%
Pimapen Logistic Center SRL	87.25%	87.25%
Envin Window Systems B.V.	87.25%	87.25%
Mosenka	80.00%	80.00%
Enka Oil and Gas B.V.	77.40%	75.50%
Enka Teknik	77.40%	75.50%
OOO R-Avtam	60.00%	60.00%
MKH	52.00%	52.00%
Cimtas Boru İmalatları ve Ticaret Anonim Şirketi	50.00%	50.00%

(\*) The Company purchased 50% of the shares in Limited Liability Company Ramenka (Ramenka), a joint venture, followed up on line by line basis, from Migros Türk T.A.Ş. (Migros) with the agreement dated September 11, 2007. Accordingly, the Company's shareholding percentage in Ramenka increased to 100% and the legal title of Ramenka has been changed as "Limited Liability Company Enka TC (Enka TC)".

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures. The principal effects of these changes are as follows :

##### *IFRS 7 - Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

##### *IAS 1 Amendment - Presentation of Financial Statements*

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

##### *IFRIC 8 - Scope of IFRS 2 - Share-Based Payments*

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity can not identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As the Group does not have any share-based payments, the interpretation had no impact on the financial position or performance of the Group.

##### *IFRIC 9 - Reassessment of Embedded Derivatives*

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivatives requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

##### *IFRIC 10 - Interim Financial Reporting and Impairment*

This interpretation requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

##### *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

IFRIC 7 requires entities to apply IAS 29 Financial Reporting in Hyper-inflationary Economies in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Group's operations and did not have an effect on the financial statements.

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)**

##### *Standards, interpretations and amendments to published standards that are not yet effective*

Up to the date of approval of the consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later periods but which the Group has not early adopted, as follows:

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

The amendment clarifies two issues: The definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. IFRS 2 is not relevant to the Group's operations.

##### *Revisions to IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after July 1, 2009)*

A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on January 10, 2008. IFRS 3 revised introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the income statement (rather than by adjusting goodwill). IAS 27 revised requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 revised and IAS 27 revised must be applied prospectively and will affect future acquisitions and transactions with minority interests.

##### *IFRS 8 - Operating Segments (effective for financial years beginning on or after January 1, 2009).*

IFRS 8 replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Group is in the process of assessing the impact of this standard on its consolidated financial statements.

##### *IAS 1 (Revised) Presentation of Financial Statements (effective for financial years beginning on or after January 1, 2009).*

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

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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#### **2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)**

*Amendment to IAS 23 - Borrowing Costs (effective for financial years beginning on or after January 1, 2009)*

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

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

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact its consolidated financial statements.

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

IFRIC 15 addresses the divergence in construction of real estate accounting treatment and clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. This interpretation was issued on July 3, 2008 and is effective for annual periods beginning on or after January 1, 2009 and must be applied retrospectively. This new interpretation will not have any impact on the Group's consolidated financial statements.

*IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after January 1, 2009)*

IFRIC 16 provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument(s) can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation was issued on July 3, 2008 and is effective for annual periods beginning on or after January 1, 2009 and must be applied retrospectively. This new interpretation is not expected to have any impact on the Group's consolidated financial statements.

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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#### **2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

The key assumptions concerning the future and other key resources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are discussed in the relevant sections of Note 2.4.

#### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Interest in a joint venture**

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

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

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has combined its share of each of the assets and liabilities of all of the joint ventures, which are established related to the construction projects, with the similar items on aggregate basis and included separate line items for its share of the assets and liabilities on its consolidated financial statements. Until the acquisition of the remaining 50% of Enka TC (formerly named Ramenka) on September 11, 2007, the Group's share of each of the assets and liabilities in Enka TC, the main activity of which is operating retail supermarkets and renting floor spaces of the shopping malls to other trading companies, was combined on a line by line basis to reflect the substance and economic reality of the arrangement. Income and expense accounts of all of the jointly controlled entities are consolidated on a line by line basis in the consolidated income statements.

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

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

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

Joint Venture	June 30, 2008	December 31, 2007
Bechtel-Enka Joint Venture (Kazakhstan) - Senimdy Kurylys	50%	50%
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	50%	50%
Cadell Construction Company Inc. (Cadell Asia)	-	50%
Cadell Construction Company Inc. (Cadell Africa)	-	50%
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin Islands / Russia)	50%	50%
Bechtel-Enka Joint Venture (Romania)	50%	50%
Bechtel-Enka Joint Venture (Albania)	50%	50%
Cadell Construction Company Inc. (Cadell Europe)	50%	50%
AECO LLC (Oman)	50%	50%



## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Business Combinations and Goodwill**

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

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

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

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

As disclosed in Notes 13 and 22 in detail, the Company acquired 50% of shares in Enka TC (formerly Ramenka) from Migros with the agreement dated September 11, 2007. Such business combination has been initially accounted by the Company on a provisional basis as foreseen in the context of IFRS 3 "Business Combinations". The Company will complete the final purchase price allocation within the twelve month period following the acquisition date. The carrying amount of goodwill at June 30, 2008 is U.S. Dollars 117,587 (December 31, 2007 – U.S. Dollars 228,583) (see Note 22).

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference (negative goodwill) is recognized directly in the income statement. As of June 30, 2008, the Group acquired the 32.07% share of its consolidated subsidiaries Kasktas Arabia Ltd at an amount of U.S. Dollars 1,596 and increased the shareholding percentage to 96.31%. As a result of this acquisition of minority interest, the Group has recorded an amount of U.S. Dollars 764 of negative goodwill which is included in other operating income.

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

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

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Investments in Associates

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

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

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

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

Company Name	June 30, 2008	December 31, 2007
Gretsch - Unitas Yapı Elemanları San. ve Tic. A.Ş. (Gretsch- Unitas)	36.00%	36.00%
Gedora - Altaş El Aletleri Dövme Çelik ve San. Tic. Ltd. (Gedore-Altaş )	38.59%	38.59%
Azen Oil Company B.V. (Azen Oil)	-	37.75%

On April 14, 2008, the Group has sold its interest in Azen Oil BV for U.S. Dollars 64,580, as a result of this sales, U.S. Dollard 54,963 is recorded as gain on sale of investment in other operating income.

##### Cash and Cash Equivalents

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

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.

##### 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 Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Investments and other financial assets**

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

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

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

##### *Receivables*

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

Provision is made when there is objective evidence that the Group will not be able to collect debt. Bad debt is written off when identified.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. The investments in equity instruments where there is no active market are carried at cost since their fair value could not be measured reliably and other methods of reasonably estimating fair value are inappropriate and unworkable.

#### **Derecognition of Financial Assets and Liabilities**

##### **Financial assets**

A financial asset is derecognized where:

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

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **Financial liabilities**

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

#### **Impairment of Financial Assets**

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

##### *Assets carried at amortized cost*

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

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

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

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

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#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### *Assets carried at cost*

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

##### *Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

#### **Derivative Financial Instruments and Hedging**

The Group uses derivative financial instruments such as forward currency purchase and sale contracts and also interest rate cap transactions, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the 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.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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#### 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### *Cash Flow Hedges*

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

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

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

##### **Property, Plant and Equipment**

With the exception of land and buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is not depreciated. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Land and buildings are carried at revalued amounts, which is the fair value at the date of the valuation less accumulated depreciation and impairment losses charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

Land improvements	5-50 years
Buildings and barracks	10-50 years
Power plant equipment	35 years
Pipelines	16 years
Electrical interconnection lines	16 years
Machinery and equipment	4-10 years
Motor vehicles	3-10 years
Furniture and fixtures	5-10 years
Scaffolding and formworks	5 years
Aircraft	15 years
Others	5-10 years

Any revaluation surplus is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in 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.

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#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

#### **Intangible Assets**

Intangible assets mainly includes software rights that are amortized over 2 to 5 years.

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.

#### **Assets Held for Sale**

The Group classifies an 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.

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

#### **Investment Properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the 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 income statement in the year of retirement or disposal.

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

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

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 Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **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 income statement for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

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

##### **Employee Termination Benefits**

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

###### **(a) Defined Benefit Plans**

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

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

###### **(b) Defined Contribution Plans**

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

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

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

##### **Leases**

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

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

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

##### **(a) *The Group as Lessee***

##### ***Finance leases***

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

##### ***Operating lease***

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

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***(b) The Group as Lessor***

###### ***Operating Lease***

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.

###### ***Operating Lease Commitments - Group as Lessor***

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.

###### **Interest Bearing Loans and Borrowings**

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

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

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

###### **Accounts Payable**

Liabilities for accounts payable are carried at amortised cost using the effective interest rate method.

###### **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.

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***Current Tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

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

##### ***Deferred Tax***

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

##### **Revenue and Cost Recognition**

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

###### ***(a) Construction Contract Activities***

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

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

#### **(b) Energy Activities**

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

#### **(c) Sale of Goods**

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

#### **(d) Rental Income**

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

#### **(e) Rendering of Services**

Revenue is recognized by reference to the stage of completion.

#### **(f) Interest Income**

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

#### **(g) Dividends**

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

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Borrowing Costs**

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

##### **Earnings per Share**

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

In Turkey, companies can increase their share capital by making a pro rata distribution of shares (Bonus Shares) to existing shareholders without a consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation, such bonus share distributions are regarded as stock dividends.

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

##### **Offsetting**

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

#### **3. SEGMENT INFORMATION**

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

The segmental information of the Group is based on two formats. The first format represents information regarding business segments: construction, rental, retail, energy and trading and manufacturing. The second format represents information regarding four geographical segments for the period ended June 30, 2008 and June 30, 2007.

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

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 3. SEGMENT INFORMATION (continued)

(a) Business Segments :

	June 30, 2008						
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Revenues earned	1,392,776	125,851	317,090	264,316	1,228,760	-	3,328,793
Inter-segment revenues earned	69,417	-	-	8,933	-	(78,350)	-
Cost of revenues	(1,181,037)	(26,196)	(193,616)	(216,042)	(1,123,500)	-	(2,740,391)
Inter-segment cost of revenues	(73,232)	(58)	-	(4,278)	(67)	77,635	-
Gross profit	207,924	99,597	123,474	52,929	105,193	(715)	588,402
Selling and administrative expense	(47,814)	(16,365)	(105,203)	(28,407)	(6,500)	-	(204,289)
Other operating income and expense, net	196,639	(3,991)	861	3,069	3,593	1,694	201,865
Profit from operations	356,749	79,241	19,132	27,591	102,286	979	585,978
Financial income and expense, net	34,600	4,666	4,505	(13,748)	(17,574)	(1,473)	10,976
Income from associates	-	-	-	(323)	2,131	-	1,808
Profit from operations before taxes	391,349	83,907	23,637	13,520	86,843	(494)	598,762
Taxation charge							
Current							(66,103)
Deferred							(39,702)
Net profit for the period							492,957
<b>Assets and Liabilities</b>							
Segment assets	1,764,286	1,252,877	1,331,383	563,035	2,079,384	(82,894)	6,908,071
Investment in associates and investments available for sale	1,057	-	-	2,788	-	-	3,845
Unallocated assets							1,477,294
Total assets	1,765,343	1,252,877	1,331,383	565,823	2,079,384	(82,894)	8,389,210
Segment liabilities	1,579,958	106,322	377,655	458,267	1,812,993	(36,814)	4,298,381
Unallocated liabilities	-	-	-	-	-	-	383,626
Total liabilities	1,579,958	106,322	377,655	458,267	1,812,993	(36,814)	4,682,007
<b>Other Segment Information</b>							
Capital expenditures							
Property, plant and equipment	61,768	3,833	48,823	3,296	6,945	-	124,665
Intangible assets	15	-	306	92	7	-	420
Investment properties	-	-	-	-	-	-	-
Total capital expenditures	61,783	3,833	49,129	3,388	6,952	-	125,085
Depreciation expense	35,113	2,278	17,095	3,058	26,630	-	84,174
Amortisation	55	89	171	124	72	-	511
Fair value adjustments of investment property and property, plant and equipment	-	-	-	-	-	-	-
Employee termination benefit	428	-	-	627	-	-	1,055

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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#### 3. SEGMENT INFORMATION (continued)

	June 30, 2007						
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Revenues earned	779,127	92,689	172,409	230,491	1,026,507	-	2,301,223
Inter-segment revenues earned	81,729	-	-	5,708	-	(87,437)	-
Cost of revenues	(654,637)	(18,495)	(117,161)	(191,440)	(913,569)	-	(1,895,302)
Inter-segment cost of revenues	(84,506)	-	-	(3,320)	(90)	87,916	-
Gross profit	121,713	74,194	55,248	41,439	112,848	479	405,921
Selling and administrative expense	(23,638)	(17,216)	(48,152)	(21,991)	(6,038)	-	(117,035)
Other operating income and expense, net	1,915	(323)	(3,166)	5,056	(1,640)	(1,409)	433
Profit from operations	99,990	56,655	3,930	24,504	105,170	(930)	289,319
Financial income and expense, net	22,201	(745)	(3,084)	(3,123)	(31,524)	1,395	(14,880)
Income from associates	-	-	-	537	2,317	-	2,854
Profit from operations before taxes	122,191	55,910	846	21,918	75,963	465	277,293
Taxation charge							
Current							(41,777)
Deferred							15,641
Net profit for the period							251,157

	December 31, 2007						
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Assets and Liabilities							
Segment assets	1,569,410	1,320,076	1,369,493	420,523	1,845,511	(119,762)	6,405,251
Investment in associates and investments available for sale	1,534	-	-	3,342	6,751	-	11,627
Unallocated assets							1,449,039
Total assets	1,570,944	1,320,076	1,369,493	423,865	1,852,262	(119,762)	7,865,917
Segment liabilities	1,628,840	140,818	557,723	359,974	1,695,424	(82,429)	4,300,350
Unallocated liabilities	-	-	-	-	-	-	347,174
Total liabilities	1,628,840	140,818	557,723	359,974	1,695,424	(82,429)	4,647,524

	June 30, 2007						
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Other Segment Information							
Capital expenditures							
Property, plant and equipment	87,798	54,758	9,472	7,621	354	-	160,003
Intangible assets	400	53	140	169	-	-	762
Investment properties	-	-	-	-	-	-	-
Total capital expenditures	88,198	54,811	9,612	7,790	354	-	160,765
Depreciation expense	23,575	2,025	6,127	2,361	26,504	-	60,592
Amortisation	216	144	10	101	72	-	543
Fair value adjustments of investment property and property, plant and equipment	-	-	-	-	-	-	-
Employee termination benefit	350	-	-	511	-	-	861



## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 3. SEGMENT INFORMATION (continued)

(b) Geographical Segments:

	Turkey	Russian Federation Kazakhstan, Tajikistan and Ukraine	Europe	North Africa and Other	Eliminations	Consolidated
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#### OTHER INFORMATION

June 30, 2008						
Net sales	1,639,445	1,461,518	202,496	25,334	-	3,328,793
Inter-segment sales	73,962	(812)	5,200	-	(78,350)	-
Segment assets	3,013,091	3,590,105	296,966	90,803	(82,894)	6,908,071
Capital expenditures	26,103	76,112	15,792	7,078	-	125,085

	Turkey	Russian Federation Kazakhstan, Tajikistan and Ukraine	Europe	North Africa and Other	Eliminations	Consolidated
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#### OTHER INFORMATION

December 31, 2007						
Net sales	2,843,302	2,163,720	218,924	56,826	-	5,282,772
Inter-segment sales	94,902	88,152	4,543	-	(187,597)	-
Segment assets	2,586,492	3,530,100	316,167	92,254	(119,762)	6,405,251
Capital expenditures	58,413	239,824	53,382	14,738	-	366,357

	Turkey	Russian Federation Kazakhstan, Tajikistan and Ukraine	Europe	North Africa and Other	Eliminations	Consolidated
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#### OTHER INFORMATION

June 30, 2007						
Net sales	1,364,069	849,085	62,648	25,421	-	2,301,223
Inter-segment sales	37,899	49,537	-	-	(87,436)	-
Segment assets	2,391,172	2,171,392	157,947	83,666	(99,867)	4,704,310
Capital expenditures	19,094	111,178	26,775	3,718	-	160,765

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 4. CASH AND CASH EQUIVALENTS

	June 30, 2008	December 31, 2007
Cash on hand	7,468	4,126
Cash in bank-Demand deposits	216,386	310,820
Cash in bank-Time deposits	825,128	730,966
Other	4,930	13,000
<b>Subtotal</b>	<b>1,053,912</b>	1,058,912
Less: time deposits with maturity over one year	(143,428)	(175,643)
<b>Total</b>	<b>910,484</b>	883,269
Less: time deposits with maturity over three months and less than one year	(58,647)	(84,789)
Less: time deposits with maturity less than three months	(29,714)	(5,714)
<b>Cash and cash equivalents at consolidated cash flow statement</b>	<b>822,123</b>	792,766

Interest rates of bank deposits are as follows:

	June 30, 2008	December 31, 2007
<b>Time deposits with maturities less than three months</b>		
<i>Variable interest rate</i>		
U.S. Dollars	-	Libor + 3.55%
<i>Fixed interest rate</i>		
U.S. Dollars	2.00%-5.00%	2.25%-5.40%
Russian Ruble	3.33%	0.75%-6.25%
Euro	3.50%-5.40%	3.50%-5.40%
British Pound	4.90%	6.35%
Swiss Franc	1.85%	2.15%-2.55%
YTL	13.00%-18.40%	12.00%-17.50%
Japanese Yen	0.35%-0.40%	0.30%-0.45%
<b>Time deposits with maturities over three months</b>		
U.S. Dollars - Variable interest rate	Libor+3.60%	Libor + 3.55%
Russian Ruble - Fixed interest rate	-	3.50%-4.25%
YTL - Fixed interest rate	16.50%-16.80%	
Euro - Fixed interest rate	-	5.05%-5.10%

As of June 30, 2008, time deposit with maturity over three months has the maximum maturity of July 31, 2012 (December 31, 2007 – July 31, 2012). Amongst time deposits, U.S. Dollars 221,190 (December 31, 2007 – U.S. Dollars 253,572) are blocked as collateral against the bank borrowings obtained for subsidiaries.

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June 30, 2008

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

#### 5. INVESTMENTS AVAILABLE FOR SALE

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

	June 30, 2008		December 31, 2007	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
Private sector bonds (international markets)	3.29%-7.65%	55,216	2.75%-6.02%	64,746
Foreign government bonds (international markets)	3.56%-4.53%	115,906	3.88%-4.53%	17,109
Turkish Government Bonds (domestic market)	17.45%-23.32%	58,516	15.89%-17.36%	65,749
Equity securities (international markets)	-	32,920	-	42,484
(domestic market)	-	4,605	-	8,374
Mutual Funds (international markets)	-	42,892	-	52,161
(domestic market)	-	-	-	199
		<b>310,055</b>		<b>250,822</b>

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

	June 30, 2008	December 31, 2007
Private Sector Bonds (international markets)	May 18, 2015	March 10, 2015
Foreign Government Bonds (international markets)	April 25, 2018	April 25, 2019
Turkish Government Bonds (domestic market)	January 19, 2011	February 28, 2010

For the period ended June 30, 2008, the net increase in the fair values of the investments available for sale amounting to U.S. Dollars 9,901 has been included in "Other Reserves" in equity. Furthermore, U.S. Dollars 5,011 has been removed from equity and included under "Financial Income" as a result of the sale of a portion of investments available for sale.

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

	June 30, 2008		December 31, 2007	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Yapı ve Kredi Bankası A.Ş. (YKB) - listed	less than 1	528	less than 1	1,030
Bursa Serbest Bölge Kurucu ve İşleticisi A.Ş. - unlisted	1.00	150	1.00	150
Türk Sınai Kalkınma Bankası (TSKB) - listed	less than 1	134	less than 1	208
Sınai Mali Yatırım Holding - unlisted	less than 1	85	less than 1	82
Others - unlisted		84		100
		<b>981</b>		<b>1,570</b>

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#### 5. INVESTMENTS AVAILABLE FOR SALE (continued)

##### Non-current Investments Available for Sale:

As of June 30, 2008 and December 31, 2007, fair value of TSKB and YKB, whose shares are traded at ISE, are determined by reference to ISE quoted market bid prices at the close of business at balance sheet dates.

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

#### 6. TRADE AND OTHER ACCOUNTS RECEIVABLES

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

	June 30, 2008	December 31, 2007
Trade receivables, net	684,099	397,921
Notes and cheques receivables	129,742	101,732
Contract receivables	364,608	227,368
Retention receivables	21,821	25,172
Other receivables	2,185	7,172
	<b>1,202,455</b>	<b>759,365</b>
Less : Allowance for doubtful receivables	(24,518)	(24,721)
	<b>1,177,937</b>	<b>734,644</b>

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#### 6. TRADE AND OTHER RECEIVABLES (continued)

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

Contract receivables have varying collection periods depending on contract terms and are generally on 30 days terms.

Movement of allowance for doubtful receivables is as follows:

	June 30, 2008	December 31, 2007
Balance at beginning of year	24,721	19,286
Additional provision	907	8,750
Change in the scope of the consolidation	-	1,510 (*)
Foreign currency translation effect	(473)	1,604
Write-offs	(235)	(6,315)
Reversal of provision	(402)	(114)
<b>Balance at the end of period / year</b>	<b>24,518</b>	<b>24,721</b>

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

As of June 30, 2008 and December 31, 2007, the analysis of trade receivables that were past due but not impaired is as follows:

	Neither past due nor impaired		Past due but not impaired				Total
	< 30 days	30-60 days	60-90 days	90-120 days	>120 days		
<b>June 30, 2008</b>	<b>814,862</b>	<b>277,227</b>	<b>23,607</b>	<b>8,615</b>	<b>7,844</b>	<b>45,782</b>	<b>1,177,937</b>
December 31, 2007	665,676	27,762	8,558	3,213	4,484	24,951	734,644

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

	June 30, 2008	December 31, 2007
Accrued receivables from Iraq	115,116	115,116
Notes and cheques receivables	32,454	27,521
Trade receivables	253	1,829
Allowance for accrued receivables for Iraq losses	(53,093)	(53,093)
Money received from UNCC for the repayment of bank borrowings (Note 17)	(30,160)	(30,160)
Money received from UNCC by Eximbank (Note 17)	(31,863)	(31,863)
	<b>32,707</b>	<b>29,350</b>

The collection terms of the long-term trade receivables could extend up to the year of 2011 depending upon the agreement.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 6. TRADE AND OTHER RECEIVABLES (continued)

As of June 30, 2008, total collaterals and letter of guarantees obtained to secure certain accounts receivable amounted to U.S. Dollars 25,170 (December 31, 2007 - U.S. Dollars 19,928). Furthermore, mortgages received from the customers amounted to U.S. Dollars 13,923 (December 31, 2007 - U.S. Dollars 12,631).

##### *Accrued receivables for Iraq losses*

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

The Group had accrued for Iraq receivables in its consolidated financial statements at an amount of U.S. Dollars 115,116 on a conservative basis keeping the total amount at the level of cash facilities provided by Eximbank. As a result of the claim amounting to U.S. Dollars 264,301 filed to the United Nations Compensation Commission (UNCC) to compensate for its losses, the Group was entitled to receive compensation at the amount of U.S. Dollars 62,023 that was received by Eximbank. Accordingly, Eximbank closed the loans amounting to U.S. Dollars 30,160 secured by itself using the transferred amounts. The remaining amount of the compensation received is still kept in Eximbank against the bank borrowings provided to the Group.

As of June 30, 2008, the money received by Eximbank, after the closing down of the above mentioned secured loans, at an amount U.S. Dollars 31,863 (December 31, 2007 - U.S. Dollars 31,863) was netted off from the receivable balance as well as the long term bank borrowings in the consolidated balance sheet. Also, the Group provided full provision for the receivable amount which was not compensated by UNCC at the amount of U.S. Dollars 53,093. The provision for Iraq losses was accounted for at U.S. Dollars 20,293 U.S. Dollars 15,000, U.S. Dollars 15,848, U.S. Dollars 1,952 in the income statements of the years 2002, 2001, 2000 and before 2000, respectively.

#### 7. INVENTORIES

	June 30, 2008	December 31, 2007
Raw materials and spare parts	85,050	79,537
Work in progress	5,697	8,984
Finished goods	38,116	21,895
Merchandise and goods for resale (machinery and others)	139,826	123,300
Construction materials	37,098	9,231
Goods in transit and advances for inventory purchases	84,720	34,607
	<b>390,507</b>	277,554
Less: Allowance for slow moving inventory and net realizable value (*)	<b>(3,290)</b>	(4,401)
	<b>387,217</b>	273,153

(\*) As of June 30, 2008 and December 31, 2007, write-down of finished goods and merchandise and goods for resale is recognized as an expense in cost of sales.

As of December 31, 2007, U.S. Dollars 45,464 of the inventories are pledged as security for the IFC loan.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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#### 8. OTHER CURRENT AND NON-CURRENT ASSETS

The breakdown of other current assets is as follows:

	June 30, 2008	December 31, 2007
Advances given	175,381	69,721
V.A.T. receivables	32,769	87,644
Deferred and other VAT	24,232	11,068
Prepaid expenses	12,956	9,505
Prepaid tax	11,636	14,313
Job advances	7,771	3,483
Derivative assets (*)	3,246	3,287
Income accruals	1,526	428
Due from personnel	1,269	1,092
Miscellaneous	6,751	4,353
	<b>277,537</b>	<b>204,894</b>

(\*) As of June 30, 2008 the derivative assets of the Group includes the foreign currency forward purchase and sale contracts amounting to U.S. Dollars 3,246 (December 31, 2007 – U.S. Dollars 3,287) which is classified under “Other Current Assets” as stated above. Derivative liability amounting to U.S. Dollars 11,855 (December 31, 2007 – U.S. Dollars 11,162) is included in “Company’s Share in Current Liabilities of Joint Ventures” and derivative asset amounting to U.S. Dollars 765 is included in “Company’s Share in Current Assets of Joint Ventures”. Furthermore, the Company has a derivative liability of U.S. Dollars 471 resulting from foreign currency forward contracts as of June 30, 2008. These contracts are reflected in the consolidated financial statements as disclosed in Note 28.

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

	June 30, 2008	December 31, 2007
Prepayment for land leases	33,091	32,280
Prepaid expense	6,507	12,054
Restricted cash (*)	6,929	11,070
Derivative assets (**)	1,541	691
Miscellaneous	7,143	3,267
	<b>55,211</b>	<b>59,362</b>

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

(\*\*) In 2002 the Company entered into Libor interest cap transactions to hedge itself from the cash flow risk of certain bank borrowings with floating interest rates. Such derivative instruments are reflected with their fair value of U.S. Dollars 1,540 (December 31, 2007 - U.S. Dollars 691) under “Other Non-Current Assets” as stated above. As at June 30, 2008, effect of net change (net of deferred tax) in the fair values of derivatives amounting to U.S. Dollars 1,253 (December 31, 2007 – U.S. Dollars 1,032) are reflected in the “Other Reserves” under equity. The amount before deferred taxation is U.S. Dollars 1,566 (December 31, 2007 – U.S. Dollars 1,290). Due dates of derivative instruments stated above are December 31, 2012 and April 30, 2013, respectively.

#### 9. ASSET HELD FOR SALE

Asset held for sale consists of the trade goods and machinery and equipment that are planned to be sold by Enka TC. These are the remaining assests of two stores which will be transferred to Auchan Group based on the agreement signed on December 15, 2007 and stores located at Kazan and St. Petersburg which are planned to be closed.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 10. INTEREST IN JOINT VENTURES

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

<b>Balance Sheet</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Cash and cash equivalents	<b>140,707</b>	136,363
Accounts receivable	<b>152,823</b>	163,669
Other current assets	<b>22,268</b>	16,752
Costs and estimated earnings in excess of billings on uncompleted contracts	<b>25,009</b>	13,840
<b>Company's Share in Joint Venture's Current Assets</b>	<b>340,807</b>	330,624
Investment properties	-	-
Other non-current assets	-	-
<b>Company's Share in Joint Venture's Non-Current Assets</b>	<b>-</b>	-
Cost	<b>192,690</b>	160,580
Accumulated depreciation	<b>(80,754)</b>	(65,305)
<b>Company's Share in Joint Venture's Property Plant and Equipment</b>	<b>111,936</b>	95,275
Accounts payable	<b>48,869</b>	43,386
Other current liabilities and accrued expenses	<b>129,291</b>	154,911
Taxation on income	<b>6,617</b>	13,334
Billings in excess of costs and estimated earnings on uncompleted contracts	<b>121,837</b>	85,619
<b>Company's Share in Joint Venture's Current Liabilities</b>	<b>306,614</b>	297,250
Advances payable	<b>60,829</b>	60,830
Deferred tax liabilities	<b>2,523</b>	(2,414)
<b>Company's Share in Joint Venture's Non-Current Liabilities</b>	<b>63,352</b>	58,416
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:		
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Revenues	<b>402,910</b>	364,786
Cost of revenues	<b>(295,468)</b>	(280,024)
Selling and administrative expense	<b>(52)</b>	(49,216)
Other operating income and (expense)	<b>774</b>	(2,994)
Financial income and (expense)	<b>361</b>	(3,039)
Taxation charge	<b>(26,628)</b>	(8,777)
<b>Net profit</b>	<b>81,897</b>	20,736



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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 11. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

	June 30, 2008	December 31, 2007
Costs incurred on uncompleted contracts	2,146,332	1,428,493
Estimated earnings	244,537	216,272
	<b>2,390,869</b>	1,644,765
Less: Billings to date	(2,299,618)	(1,468,126)
	<b>91,251</b>	176,639

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

	June 30, 2008	December 31, 2007
Costs and estimated earnings in excess of billings on uncompleted contracts	184,515	249,475
Billings in excess of costs and estimated earnings on uncompleted contracts	(93,264)	(72,836)
	<b>91,251</b>	176,639

As of June 30, 2008, the amount of advances received and retention receivables are U.S Dollars 778,659 (December 31, 2007 – U.S. Dollars 834,219) and U.S Dollars 21,821 (December 31, 2007 – U.S Dollars 25,172), respectively.

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#### 12. INVESTMENTS IN ASSOCIATES

	June 30, 2008		December 31, 2007	
	Effective Ownership Percentage (%)	Amount	Effective Ownership Percentage (%)	Amount
<i>accounted for using the equity method</i>				
Azen Oil	-	-	37.75	6,751
Gedore-Altas	38.59	1,082	38.59	1,839
Gretsch-Unitas	36.00	1,782	36.00	1,467
<b>Total</b>		<b>2,864</b>		<b>10,057</b>

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

	GEDORE-ALTAŞ		GRETSCH-UNITAS		AZEN OIL	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Total assets	32,960	31,245	49,561	38,800	-	28,793
Total liabilities	30,157	26,480	44,610	34,724	-	15,291

  

	GEDORE-ALTAŞ		GRETSCH-UNITAS		AZEN OIL	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue	17,570	16,561	37,055	29,763	-	12,890
Net profit/(loss)	(1,728)	836	1,070	213	-	4,075

#### 13. BUSINESS COMBINATION

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

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#### 13. BUSINESS COMBINATION (continued)

Such business combination has been initially accounted by the Group on a provisional basis in accordance with the IFRS 3 “Business Combinations”. The Group will complete the final purchase price allocation within the twelve months period following the acquisition date and will make adjustments to it, if deemed as necessary.

Provisional fair market values of the assets and liabilities at acquisition date and total purchase consideration are as follows:

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

The cash outflow on acquisition is as follows:

Net cash acquired	6,991
Cash paid	(514,647)
<b>Net cash outflow at the end of the transaction</b>	<b>(507,656)</b>

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#### 14. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings and Barracks	Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Scaffolding and Formworks	Aircraft (*)	Others	Construction in Progress	Total
<b>COST</b>										
<b>At January 1, 2008</b>	<b>110,663</b>	<b>1,030,708</b>	<b>1,962,502</b>	<b>21,831</b>	<b>86,414</b>	<b>27,823</b>	<b>4,420</b>	<b>11,641</b>	<b>33,525</b>	<b>3,289,527</b>
Currency translation differences	(1,040)	41,807	(1,278)	32	1,508	28	-	41	2,033	43,131
Additions	1,343	28,606	23,316	2,990	2,988	5,409	-	2,182	30,633	97,467
Disposals	-	(18,889)	(28,239)	(1,544)	(1,166)	(439)	-	(828)	(2,070)	(53,175)
Transfers from construction in progress	1,693	1,258	17,493	-	-	-	-	-	(20,444)	-
Other transfers (**)	-	(84,626)	-	-	-	-	-	-	(1,825)	(86,451)
Asset held for sale (***)	-	-	(3,898)	-	-	-	-	-	-	(3,898)
<b>At June 30, 2008</b>	<b>112,659</b>	<b>998,864</b>	<b>1,969,896</b>	<b>23,309</b>	<b>89,744</b>	<b>32,821</b>	<b>4,420</b>	<b>13,036</b>	<b>41,852</b>	<b>3,286,601</b>
<b>ACCUMULATED DEPRECIATION</b>										
<b>At January 1, 2008</b>	<b>12,742</b>	<b>9,276</b>	<b>424,397</b>	<b>10,363</b>	<b>56,130</b>	<b>8,798</b>	<b>1,769</b>	<b>6,751</b>	-	<b>530,226</b>
Currency translation difference	(60)	389	(1,291)	(45)	734	6	-	(38)	-	(305)
Charge for the year	1,147	11,035	43,942	1,700	7,724	4,164	147	946	-	70,805
Disposals	-	(3,661)	(5,896)	(662)	(53)	(6)	-	(10)	-	(10,288)
Other transfers (**)	-	(5,006)	-	-	-	-	-	-	-	(5,006)
Asset held for sale (***)	-	-	(2,055)	-	-	-	-	-	-	(2,055)
<b>At June 30, 2008</b>	<b>13,829</b>	<b>12,033</b>	<b>459,097</b>	<b>11,356</b>	<b>64,535</b>	<b>12,962</b>	<b>1,916</b>	<b>7,649</b>	-	<b>583,377</b>
<b>NBV at January 1, 2008</b>	<b>97,921</b>	<b>1,021,432</b>	<b>1,538,105</b>	<b>11,468</b>	<b>30,284</b>	<b>19,025</b>	<b>2,651</b>	<b>4,890</b>	<b>33,525</b>	<b>2,759,301</b>
<b>NBV at June 30, 2008</b>	<b>98,830</b>	<b>986,831</b>	<b>1,510,799</b>	<b>11,953</b>	<b>25,209</b>	<b>19,859</b>	<b>2,504</b>	<b>5,387</b>	<b>41,852</b>	<b>2,703,224</b>

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

(\*\*) Consists of amounts transferred to investment property.

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

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

#### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and Land Improvements	Buildings and Barracks	Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Scaffolding and Formworks	Aircraft (**)	Others	Construction in Progress	Total
<b>COST</b>										
<b>At January 1, 2007</b>	56,449	409,790	1,893,456	13,179	59,556	10,878	4,420	8,939	156,562	2,613,229
Currency translation differences	543	28,497	14,546	541	3,150	-	-	135	2,155	49,567
Scope change (***)	1,463	397,424	36,777	-	21,740	-	-	-	41,861	499,265
Revaluation (**)	36,581	203,961	-	-	-	-	-	-	-	240,542
Additions	12,000	42,709	59,653	10,530	4,986	17,407	-	5,430	143,847	296,562
Disposals	(54)	(1,189)	(19,463)	(2,175)	(5,321)	(462)	-	(118)	(17,965)	(46,747)
Netting	-	(58,643)	-	-	-	-	-	-	-	(58,643)
Transfers from construction in progress	3,681	56,333	4,843	(244)	2,303	-	-	(2,745)	(64,171)	-
Other transfers	-	(29,357)	-	-	-	-	-	-	(228,764)	(258,121) (***)
Assets held for sale (****)	-	(18,817)	(27,310)	-	-	-	-	-	-	(46,127)
<b>At December 31, 2007</b>	<b>110,663</b>	<b>1,030,708</b>	<b>1,962,502</b>	<b>21,831</b>	<b>86,414</b>	<b>27,823</b>	<b>4,420</b>	<b>11,641</b>	<b>33,525</b>	<b>3,289,527</b>
<b>ACCUMULATED DEPRECIATION</b>										
<b>At January 1, 2007</b>	10,548	36,955	337,717	7,256	34,056	3,654	1,474	5,930	-	437,590
Currency translation difference	68	1,384	11,559	394	1,718	-	-	776	-	15,899
Scope change (***)	-	15,268	19,410	-	11,377	-	-	-	-	46,055
Charge for the year	2,126	13,405	79,091	3,444	8,832	5,169	295	2,163	-	114,525
Disposals	-	(151)	(7,107)	(684)	(2,055)	(25)	-	(25)	-	(10,047)
Other transfers	-	1,058	(1,120)	(47)	2,202	-	-	(2,093)	-	-
Netting	-	(58,643)	-	-	-	-	-	-	-	(58,643)
Assets held for sale (****)	-	-	(15,153)	-	-	-	-	-	-	(15,153)
<b>At December 31, 2007</b>	<b>12,742</b>	<b>9,276</b>	<b>424,397</b>	<b>10,363</b>	<b>56,130</b>	<b>8,798</b>	<b>1,769</b>	<b>6,751</b>	<b>-</b>	<b>530,226</b>
<b>NBV at January 1, 2007</b>	<b>45,901</b>	<b>372,835</b>	<b>1,555,739</b>	<b>5,923</b>	<b>25,500</b>	<b>7,224</b>	<b>2,946</b>	<b>3,009</b>	<b>156,562</b>	<b>2,175,639</b>
<b>NBV at December 31, 2007</b>	<b>97,921</b>	<b>1,021,432</b>	<b>1,538,105</b>	<b>11,468</b>	<b>30,284</b>	<b>19,025</b>	<b>2,651</b>	<b>4,890</b>	<b>33,525</b>	<b>2,759,301</b>

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

(\*\*) Land and buildings of Enka Pazarlama, Pimaş, Çimtaş, hotel building of MKH, various real estate of Enka TC, buildings of Enka İnşaat are revalued by independent qualified valuers as of December 31, 2007. The land and buildings of Enka Pazarlama, land and buildings of Pimaş, Çimtaş and Enka İnşaat, hotel building of MKH, various real estate of Enka TC and the factory of Pimaş in Russia have been revalued by Turyap Gayrimenkul Degerleme A.S., Artı Gayrimenkul Degerleme A.S., Dtz Holdings PLC Russia branch and K.O.M.I.T. Invest respectively. Revaluations are made on the basis of market value. Revaluation differences arising from difference between book value and fair value are netted of with the related deferred tax and classified as revaluation surplus and included under equity.

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

(\*\*\*\*) Consists of transfers to investment property and transfers to other non-current assets in the amount of U.S. Dollars 245,532 and U.S. Dollars 12,589 respectively.

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

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

##### Revalued buildings

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

	June 30, 2008	December 31, 2007
Cost	<b>704,888</b>	731,423
Accumulated depreciation	<b>(184,589)</b>	(178,787)
Net book value	<b>520,299</b>	552,636

##### Market Valuations

The revaluation surplus is included within equity netted off with the related deferred tax and depreciation effects at a total amount of U.S. Dollars 242,194 (December 31, 2007 - U.S. Dollars 271,341). Such revaluation surplus is not available for distribution.

##### Construction in Progress

As of June 30, 2008 and December 31, 2007, construction in progress account mainly represents activities of subsidiaries in Moscow. Upon completion, these constructions in progress will be transferred mainly to investment property.

##### Pledge on Property Plant and Equipment

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 U.S. Dollars 2,538,861 (December 31, 2007- 3,397,113) .

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 15. INTANGIBLE ASSETS

	Land Lease Rights	Others	Total
At January 1, 2008, net of accumulated amortization	-	2,981	2,981
Exchange and remeasurement adjustment	-	5	5
Additions	-	420	420
Amortisation charge for the year	-	(511)	(511)
<b>At June 30, 2008, net of accumulated amortization</b>	-	<b>2,895</b>	<b>2,895</b>
At January 1, 2007, net of accumulated amortization	15,052	2,674	17,726
Exchange and remeasurement adjustment	21	202	223
Change in the scope of the consolidation (*)	(15,075)	146	(14,929)
Additions	2	791	793
Amortisation charge for the year	-	(832)	(832)
<b>At December 31, 2007, net of accumulated amortization</b>	-	<b>2,981</b>	<b>2,981</b>
At June 30, 2008			
Cost	-	7,021	7,021
Accumulated amortization	-	(4,126)	(4,126)
<b>Net carrying amount</b>	-	<b>2,895</b>	<b>2,895</b>
At December 31, 2007			
Cost	-	6,563	6,563
Accumulated amortization	-	(3,582)	(3,582)
<b>Net carrying amount</b>	-	<b>2,981</b>	<b>2,981</b>

(\*) Comprised from the land lease rights transferred to investment properties.

As of December 31, 2007, the intangible assets of the Group at the amount of U.S. Dollars 508 are pledged as security for IFC loan.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 16. INVESTMENT PROPERTIES

The movement of investment properties is as follows :

	June 30, 2008	December 31, 2007
Opening balance as at January 1	1,394,309	833,568
Exchange and remeasurement adjustment	40,629	41,353
Transfers from property, plant and equipment and construction in progress	81,445	245,532
Addition	-	36,910
Change in consolidation scope (*)	-	187,826
Disposals	(5,005)	(4,593)
Change in fair value, net	-	53,713
Closing balance as at June 30 /December 31	1,511,378	1,394,309

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

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants.

The investment properties owned by MKH, located in central Moscow, Russia on land are leased from the Moscow City Authorities under a 49 year operating lease which is renewable at the option of MKH. The property was last valued on December 31, 2007 at fair market value by an independent professionally qualified valuers and the fair value has been set as 7.9 billion RR equivalent to U.S. Dollars 337,532 (December 31, 2007 – 7.9 billion RR equivalent to U.S. Dollars 322,559).

Bank borrowings of MKH are secured by investment property with a value of U.S. Dollars 11,528 (December 31, 2007 - U.S. Dollars 50,000).

The fair market values of the investments in leased properties of Mosenka amounting at a total of 3.6 billion RR equivalent to U.S. Dollars 153,327 (December 31, 2007 – 3.6 billion RR equivalent to U.S. Dollars 146,525) have been determined based on valuations performed by independent professionally qualified valuers on the basis of market value, supported by market evidence, in accordance with International Valuation Standards.

Part of the premises owned by Enka TC and leased to tenants on a continuing basis are treated as an investment property. The fair market value of investment properties as of December 31, 2007 based on an independent appraiser's report is 12 billion RR equivalent to U.S. Dollars 507,752 (December 31, 2007 – 10 billion RR equivalent to U.S. Dollars 407,395). It was evaluated using a combination of income, market and cost approaches. As comparable sales of property, plant and equipment are infrequent, the valuation is supported by market evidence to the extent that market rental rates were used in the income approach. The valuation was also based on other factors such as proposed transactions on the market.



## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 16. INVESTMENT PROPERTIES (continued)

The fair market values of the investment properties in Russia at a total amount of U.S. Dollars 500,000 (December 31, 2007 - U.S. Dollars 505,000) which are used as business centers and residential property as well as the fair market values of the investment properties in Turkey at a total amount of U.S. Dollars 12,772 (December 31, 2007 - U.S. Dollars 12,830) owned by the Group are determined based on the valuations performed by independent professionally qualified valuers on the basis of the calculations, considerations and other information obtained in the course of market research. Fair values of such investment properties are periodically reviewed by the Group through the report of independent valuers.

#### 17. BORROWINGS

June 30, 2008				
	Interest Rate	Original Currency		U.S. Dollar Equivalent
<b>Short-term</b>				
Short-term bank borrowings	%5.50-%6.40	EUR	4,558	7,178
	%3.85-%4.80	USD	3,830	3,830
	%15.00-%18.25	YTL	23,033	18,822
	-	JPY	118,812	1116
Total short-term borrowings				<b>30,946</b>
<b>Long-term</b>				
Eximbank loans	Libor+%0.10-%4.26	USD	381,067	381,067
OPIC loan	%7.54-%7.90	USD	157,775	157,775
OND loan	Libor +%0.70	USD	40,891	40,891
Hermes loan	Libor+%0.625	USD	50,137	50,137
ABN Amro loan	Libor+(%2.50 -% 3.80)	USD	225,890	225,890
Hermes loan	%5.00 -% 5.90	EUR	60,473	95,234
Other long-term bank borrowings	Libor+(%1.15-%2.75)	USD	124,013	124,013
	Euribor+%1.20-%6.90	EUR	70,100	110,395
	%2.40-%3.70	JPY	10,777,904	101,147
Iraq related Eximbank loans		USD	80,699	80,699
		EUR	2,241	3,529
Obligations under finance leases	Libor +% 1.9	USD	2,195	2,195
	%3.00	RBL	1,556,093	66,336
	%4.00-%4.50	EUR	677	1,067
				<b>1,440,375</b>
Less: Current portion of long-term bank borrowings and financial lease obligations				<b>(406,129)</b>
Less: Money received from UNCC by Eximbank (Note 6)				<b>(31,863)</b>
Total long-term borrowings				<b>1,002,383</b>

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 17. BORROWINGS (continued)

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

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **17. BORROWINGS (continued)**

##### ***IFC Loan***

Enka TC signed six loan agreements with IFC which are utilised for the construction and development of hyperstores and supermarkets in Moscow. Loan agreements contain covenants on adequacy of free cash flow, liquidity and gearing ratios. As of June 30, 2008, the Company closed all IFC Loan prior to their maturities. In 2007, Enka TC violated certain covenants of the IFC loan and obtained a waiver from IFC that in spite of violation no trigger for earlier repayment will be made by the bank. Under the terms of the loan agreement, the loans are secured by the entire amount of the Enka TC's assets. In addition, the shares of the Group in Enka TC have been pledged based on the amendment of IFC loan agreement conditions.

##### ***Iraq Related Eximbank Loans***

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

##### ***Hermes Loans***

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

##### ***Power Companies Bank Loans***

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

##### ***Eximbank Loans***

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

##### ***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. (2007 - fixed rate of 7.54%, 7.85% and 7.90% for İzmir Elektrik, Gebze Elektrik and Adapazarı Elektrik, respectively).

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 17. BORROWINGS (continued)

##### *Hermes Loans*

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

##### *OND Loans*

The OND Loans are guaranteed by the Export Credit Agencies of the Belgian Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. A syndicate of commercial banks provides the funding. The interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0.70% (2006 - 12-months LIBOR plus a margin of 0.70%).

##### *Other Long Term Bank Borrowings*

As of June 30, 2008, ABN Amro loans are secured with the bank deposit at an amount of U.S. Dollars 221,190 (December 31, 2007 – 253,571).

On 5 November 2003, the consolidated subsidiary MKH obtained a loan for the financing of the construction of a hotel complex with final repayment on December 5, 2011. As of June 30, 2008, the remaining amount of the total loan amount is U.S. Dollars 10,416 (December 31, 2007 - U.S. Dollars 22,255) of the loan in accordance with the drawdown schedule. As of June 30, 2008, these long-term bank borrowings are secured by the pledge of rental revenues, investment property to the value of U.S. Dollars 11,528 (December 31, 2007 - U.S. Dollars 50,000) and leasehold rights on land. Principal and interest is paid quarterly.

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

	June 30, 2008	December 31, 2007
Less than 1 year	406,129	384,803
1-5 years	872,367	944,239
More than 5 years	77,651	172,505
Less : Current portion of long term borrowings	(406,129)	(384,803)
Total long term borrowings	950,018	1,116,744

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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#### 18. TRADE AND OTHER PAYABLES

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

	June 30, 2008	December 31, 2007
Trade payables	717,247	687,509
Advances received	639,202	656,693
Notes payable	4,526	4,981
Other payables	3,353	1,034
	<b>1,364,328</b>	<b>1,350,217</b>

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

	June 30, 2008	December 31, 2007
Trade payables	4,682	1,864
Advances received	85,434	54,284
	<b>90,116</b>	<b>56,148</b>

#### 19. OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES AND NON-CURRENT LIABILITIES

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

	June 30, 2008	December 31, 2007
Deferred rent revenue	55,591	52,625
Payroll payable	41,838	31,042
Taxes and funds payable	23,124	23,797
Cost of contract accrual	18,818	8,699
Deposit taken	14,890	12,769
VAT payable	32,214	14,708
Bonus accrual	11,639	17,709
Accrued expenses	6,726	3,821
Other liabilities	8,699	6,643
	<b>213,539</b>	<b>171,813</b>

The non current part is as follows :

	June 30, 2008	December 31, 2007
Deferred revenue (*)	711,461	675,738
Deposits taken	5,121	3,549
Other	274	-
	<b>716,856</b>	<b>679,287</b>

(\*) It is 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 Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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#### **20. TAXATION ON INCOME**

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

##### ***Tax Legislation in Turkey***

In Turkey, the corporation tax rate effective from January 1, 2006 is reduced to 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (December 2007 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

With the new law enacted, effective from January 1, 2006. Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008. The Group elected not to benefit from the investment incentive.

Effective from January 1, 2006 capital gains derived from cash sales of participation shares that have been held for at least two years are subject to effective corporation tax rate of 5% if the gains are added to share capital. Furthermore, in the event the profit arising from the dividend receipt is not distributed or included in capital, no withholding tax shall be applicable. As a result, the Group did not recognize a deferred tax liability on the undistributed profits of subsidiaries and associates and other temporary differences pertaining to other investments in shares issued by Turkish companies, if the Company does not have the intention to sell these shares in the future.

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

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.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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#### 20. TAXATION ON INCOME (continued)

##### *Tax Legislations in Other Countries*

As of June 30, 2008 and December 31, 2007, effective corporation tax rate in other countries are as follows:

	June 30, 2008	December 31, 2007
Russia	24%	24%
Netherlands	25,5%	29,6%
Kazakhstan	30% - 37%	30% - 37%
Nepal	25%	25%
Algeria	25%	25%
Germany	25%	25%
Ukraine	25%	25%
Tajikistan	25%	25%
Romania	16%	16%
Albania	10%	20%
Oman	12%	12%

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 June 30, 2008 and December 31, 2007 is provided below:

	June 30, 2008		June 30, 2007	
	Amount		Amount	
Profit from operations before taxes	598,762		277,293	
Tax per statutory tax rate 20%	119,622	20%	55,459	20%
Effect of unrealized financial expense	(13,828)	(2)%	(12,970)	(4)%
Effect of equity pick up revenue	(356)	0%	(571)	(0)%
Jobsites exempt from income tax	(5,859)	(1)%	(1,656)	(0)%
Effect of tax rate change and others	6,226	1%	(14,126)	(6)%
<b>Taxation charge</b>	<b>105,805</b>	<b>18%</b>	<b>26,136</b>	<b>9%</b>

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 20. TAXATION ON INCOME (continued)

As of June 30, 2008 and December 31, 2007, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	Consolidated Balance Sheet		Consolidated Income Statement, Revaluation Surplus and Currency Translation Difference and Change in Scope of Consolidation	
	June 30, 2008	December 31, 2007	June 30, 2008	June 30, 2007
<b>Deferred income tax liabilities</b>				
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(466,941)	(421,545)	(45,396)	(16,870)
Adjustment for percentage of completion method on construction projects	-	(55)	55	6,277
Adjustment of revenue levelization	(9,178)	(6,307)	(2,871)	(580)
Deferred financial expenses	-	(18)	18	262
Inventories	(12,522)	(3,262)	(9,261)	3,943
Others	(6,685)	-	(6,685)	2,365
<b>Gross deferred income tax liabilities</b>	<b>(495,326)</b>	<b>(431,187)</b>	<b>(64,140)</b>	<b>(4,603)</b>
Adjustment of revenue levelization	143,938	144,682	(744)	12,128
Tax loss carry-forward	91,234	90,115	1,119	8,457
Reserve for employee termination benefit	2,408	2,254	154	89
Allowance for doubtful receivables	11,719	465	11,254	(378)
Remeasurement of inventories	1,727	2,712	(985)	(22)
Financial expense accrual adjustments	935	1,211	(275)	(88)
Others	8,362	4,441	3,053	58
<b>Gross deferred income tax assets</b>	<b>260,323</b>	<b>245,880</b>	<b>13,576</b>	<b>20,244</b>
<b>Net deferred tax liability</b>	<b>(235,003)</b>	<b>(185,307)</b>	<b>(50,564)</b>	<b>15,641</b>

Reflected as:

	June 30, 2008	December 31, 2007
Deferred tax assets	112,475	133,508
Deferred tax liabilities	(347,478)	(318,815)
<b>Net deferred liabilities</b>	<b>(235,003)</b>	<b>(185,307)</b>



## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 20. TAXATION ON INCOME (continued)

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

	June 30, 2008	December 31, 2007
Balance at January 1, of Enka İnşaat and its subsidiaries	185,307	37,902
Balance at January 1, of the joint ventures followed up on line by line basis	-	34,672
Balance at January 1, of the joint ventures	(2,414)	(467)
Balance at January 1	182,893	72,107
Change in the scope of the consolidation	-	80,602 (*)
Deferred income tax (benefit) / expense recognized in income statement	39,702	(22,976)
Deferred income tax expense / (benefit) recognized in equity	3,138	50,142
Translation loss	11,793	3,018
Balance at June 30 / December 31, of Enka İnşaat and its subsidiaries	235,003	185,307
Balance at June 30 / December 31, of the joint ventures	2,523	(2,414)
	237,526	182,893

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

#### 21. EMPLOYEE TERMINATION BENEFIT

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of YTL 2.088 and YTL 2.030 at June 30, 2008 and December 31, 2007 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the consolidated financial statements as of June 30, 2008 and December 31, 2007, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date.

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

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

	June 30, 2008	December 31, 2007
Discount rate	11%	11%
Expected rates of salary/limit increases	5%	5%

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 21. EMPLOYEE TERMINATION BENEFIT (continued)

Movements of the provision for employee termination benefits during years ended December 31, 2007 and 2006 are as follows:

	June 30, 2008	December 31, 2007
Opening balance as at January 1	13,071	9,777
Interest cost	719	1,076
Charge for the year, net	336	2,172
Translation loss	(380)	652
Utilized / paid	(317)	(606)
Closing balance as at June 30 / December 31	13,429	13,071

The Company does not provide any other post employment benefits other than the termination benefits described above. The current year charge consisting of interest cost and charge for the year amounting to USD 1,055 has been charged to cost of revenues and selling and administrative expenses.

#### 22. GOODWILL

The Group acquired 60% interest stake in the Power Companies where the Company had 40% shareholding. As a result of this acquisition a positive goodwill amounting to U.S. Dollars 55,151 has been recorded in the consolidated financial statements.

As of June 30, 2008, the Group acquired the 32.07% share of its consolidated subsidiaries Kasktas Arabia Ltd at an amount of U.S. Dollars 1,596 and increased the shareholding percentage to 96.31%. As a result of this acquisition of minority interest, the Group has recorded an amount of U.S. Dollars 764 of negative goodwill which is included in other operating income.

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

The Group purchased 50% of shares in Enka TC (formerly named Ramenka) with the agreement on September 11, 2007 from Migros. As a result of the purchase, a positive goodwill of U.S. Dollars 173,432 was provisionally recorded in the consolidated financial statements (Note 13).

On April 9, 2008, the group has sold AMOS B.V., fully owned subsidiary, to Meelakker B.V. at an amount of Euros 173,572. As a result of this disposal, a part of goodwill amounting to U.S. Dollars 110,996 has been charged into consolidated financial statements and the Group has recorded U.S. Dollars 141,596 gain on sale of investment in other operating income.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 22. GOODWILL (continued)

As of June 30, 2008 and December 31, 2007, the movement of sources of goodwill is as follows:

	June 30, 2008	December 31, 2007
Beginning of the year, net book value	228,583	55,151
Additions (Note 13)	-	173,432
Disposals	(110,996)	
As at June 30 / December 31, net book value	117,587	228,583

#### 23. SHARE CAPITAL

	June 30, 2008		December 31, 2007	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Tara Holding	47.86%	396,652	47.85%	281,276
Tara and Gülçelik families	28.93%	239,816	28.88%	169,765
Publicly traded	12.79%	105,983	12.82%	75,360
Enka Spor Eğitim ve Sosyal Yardım Vakfı	6.05%	50,172	6.08%	35,740
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	36,208	4.37%	25,687
	100.00%	828,831	100.00%	587,828

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

As of June 30, 2008, the Company's historical issued share capital in the statutory books is YTL 1,200,000 (December 31, 2007 - YTL 900,000), which consisted of 120,000,000,000 (December 31, 2007 - 90,000,000,000) authorized and fully paid shares.

As of June 30, 2008 the Company's nominal value of the shares is YTL 120,000,000,000 each with YKR 1 nominal value.

The movement of the share capital (in numbers and in historical YTL) of the Company during June 30, 2008 and December 31, 2007 is as follows:

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

Within the above mentioned shares, founders of Enka İnşaat and former Enka Holding have one thousand founders share each. The founder shares of Enka İnşaat and the founder shares of former Enka Holding are entitled to receive, 5% and 2.5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **24. LEGAL RESERVES AND ACCUMULATED PROFIT**

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

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

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

Based on the profits calculated in financial statements prepared in accordance with the accounting policies promulgated by CMB, appropriation of 20% of the distributable profit is obligatory if a statutory financial statement has sufficient reserve to distribute. Based on the General Assembly's decision, this appropriation may be on cash basis or through the distribution of free shares not less than 20% of the distributable profit, or may be distributed both as cash and free shares. If the General Assembly does not decide to distribute dividend but to retain it in the company, the amount calculated in accordance with this rule is added to general reserve.

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

#### **Dividends Paid and Proposed**

Enka İnşaat decided to make dividend distribution for year 2007 out of 2007 net income. YTL 354,000 has been distributed as a dividend after the appropriation of the first legal reserve. Out of this amount, YTL 54,000 has been distributed in cash proportionally and the remaining YTL 300,000 has been injected into the capital.

5% of the remaining will be distributed to founders of Enka İnşaat and 2,5% of the remaining has been distributed the founder of Enka Holding and the remaining of 1% after all has been distributed proportionally to the Board of Directors. YTL 1,759 has been appropriated as a second legal reserve and YTL 22,567 has been transferred into general reserve.

#### **25. EARNINGS PER SHARE**

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through June 30, 2008 and June 30, 2007.

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

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 25. EARNINGS PER SHARE (continued)

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

	June 30, 2008	June 30, 2007
Earning per share		
- ordinary share certificate (full cent)	0.394	0.200
Weighted average number of share certificates( nominal value of 1 YKr each)		
- ordinary share certificate	120,000,000,000	120,000,000,000
- founder shares	2,000	2,000

Since profit distribution is not made at the end of each interim period, total of the earning per share is reflected on ordinary share certificates.

#### 26. RELATED PARTY BALANCES AND TRANSACTIONS

##### Related Parties

Parties are considered related to the Company if;

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

The Group is controlled by Tara Holding (47.86%) and Tara and Gülçelik families (28.93%). 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.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 26. RELATED PARTY TRANSACTIONS (continued)

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

##### (a) Trade receivables/payables

	June 30, 2008		December 31, 2007	
	Receivables	Payables	Receivables	Payables
Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş. (Derince)	852 (*)	-	833 (*)	-
Gretch Unitas	-	169	-	2
Azen Oil BV	-	-	4,964 (*)	-
	<b>852</b>	<b>169</b>	<b>5,797</b>	<b>2</b>

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

##### (b) Other receivables/payables

	June 30, 2008		December 31, 2007	
	Receivables	Payables	Receivables	Payables
Individual shareholders	-	2,407	-	764
	<b>-</b>	<b>2,407</b>	<b>-</b>	<b>764</b>

##### (c) Transactions during the year

	June 30, 2008	June 30, 2007
--	---------------	---------------

#### Sales and Services to Related Parties

Rent income	140	125
Sales	14	61

#### Director's remuneration

The executive management of the Group received remuneration totaling U.S. Dollars 11,334 (June 30, 2007 – U.S. Dollars 7,342), As of June 30, 2008, the social security payment and accrued retirement pay liability is U.S. Dollars 890 (June 30, 2007 – U.S. Dollar 224) and U.S. Dollar 1,409 (December 31, 2007 – U.S. Dollar 1,203) respectively,

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 27. REVENUES AND EXPENSES

	June 30, 2008	June 30, 2007
<b>Other Operating Income</b>		
Gain on sale of investment	196,559	-
Gain from sales of property, plant and equipment	10,161	1,886
Commission income	3,574	4,841
Service income	3,315	194
Dividend Income	1,651	1,306
Machinery rent income	1,098	976
Rent Income	640	812
Other	5,324	3,422
	<b>222,322</b>	<b>13,437</b>
<b>Other Operating Expense</b>		
Cost of contracts completed in prior years	(8,082)	(3,668)
Loss from sales of property, plant and equipment	(3,890)	(116)
Donations	(1,769)	(270)
Commission expense	(889)	(1,283)
Depreciation expense	(110)	(445)
Expenses of closed stores	-	(3,430)
Others	(5,717)	(3,792)
	<b>(20,457)</b>	<b>(13,004)</b>
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
<b>Financial Income</b>		
Foreign exchange gains, net	33,483	1,357
Interest income	26,459	26,643
Income from sale of investment securities	5,339	4,766
Due date charges on credit sales	772	1,370
Others	-	621
	<b>66,053</b>	<b>34,757</b>
<b>Financial Expenses</b>		
Interest expenses	(43,872)	(38,576)
Deferred financing cost	(5,906)	(6,573)
Forward loss, net	(2,415)	-
Bank commission expenses	(1,855)	(2,111)
Commission expenses of letters of guarantee	(965)	(2,360)
Others	(64)	(17)
	<b>(55,077)</b>	<b>(49,637)</b>

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 27. REVENUES AND EXPENSES (continued)

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

	June 30, 2008	June 30, 2007
<b>Depreciation included in</b>		
Cost of revenues	63,416	49,888
Selling and administrative expenses	20,043	10,136
Other operating expense	111	445
Inventory	604	123
	<b>84,174</b>	<b>60,592</b>
<b>Amortization included in</b>		
Selling and administrative expenses	375	521
Cost of revenues	136	22
	<b>511</b>	<b>543</b>
<b>Staff costs</b>		
Wages and salaries	210,269	141,739
Social security costs	43,450	21,867
Other benefits	20,765	11,895
Provision for employee termination benefits	1,055	861
	<b>275,539</b>	<b>176,362</b>



## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 28. COMMITMENTS AND CONTINGENCIES

##### Operating Lease Commitments – Group as Lessee

Future minimum lease payments under non-cancellable operating leases of the Group due to its operations in Russia are as follows as of June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
Within one year	27,308	27,214
After one year but not more than five years	88,850	84,663
More than five years	54,098	66,467
	<b>170,256</b>	178,344

##### Operating Lease Commitments – Group as Lessor

The minimum future rental income of the Company under non-cancelable operating leases at June 30, 2008 and December 31, 2007 is as follows:

	June 30, 2008	December 31, 2007
Within one year	174,661	210,639
After one year but not more than five years	719,873	601,194
	<b>894,534</b>	811,833

##### Finance Lease Commitments

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

	June 30, 2008		December 31, 2007	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
Within one year	3,382	3,302	3,977	3,892
After one year but not more than five years	10,634	10,471	10,338	10,159
More than five years	55,827	55,825	54,430	54,426
Total financial lease debt	<b>69,843</b>	<b>69,598</b>	68,745	68,477
Less amounts representing finance charges	(245)	-	(268)	-
Present value of minimum lease payments	<b>69,598</b>	<b>69,598</b>	68,477	68,477

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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#### **28. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Litigations**

- In the year 2004, a case is opened against Enka Pazarlama, one of the consolidated subsidiary, regarding the non-compliance with respect to the payment of the period commissions of the guarantee given by a local bank in favor of Iran GTC Company. The Group management believes that the case will be resulted in favor of the Group.
- There are some lawsuits filed against Enka TC by tax authorities with mainly respect to VAT and corporate tax calculations. The Group has reflected provision amounting to U.S. Dollars 11,194 related to those filings, in its consolidated financial statements.

##### **Others**

- The operations and financial positions of the companies operating in Russia may be impacted by the political, monetary and fiscal practices that may be applied in the Russian Federations. As of June 30, 2008, the Group does not believe that any material matters exist relating to fiscal and regulatory environment in Russia, including current pending or future governmental claims and demands, which would require adjustment to the consolidated financial statements in order for those statements not to be misleading.
- The Group has signed a pledge and assignment agreement dated as of October 27, 2000, with Westdeutsche Landesbank Girozentrale İstanbul Branch (Onshore Collateral Agent) in return of the loans obtained by the Power Companies. The Group has pledged and assigned all number of shares in these companies to the Onshore Colleteral Agent for the benefit of the financial institutions.
- As of June 30, 2008, the Group has outstanding letters of guarantee and collaterals amounting to U.S. Dollars 1,694,382 (December 31, 2007 – U.S. Dollars 1,786,733) obtained from various banks and given to local and foreign banks, custom authorities, local and foreign government institutions and contract parties for contract advances, project transactions and bank borrowings obtained, of which U.S. Dollars 343,641 (December 31, 2007 - U.S. Dollars 355,275) are related to joint ventures.
- As of June 30, 2008, Pimaş has export commitments at the amount of U.S. Dollars 2,000 (December 31, 2007 – U.S. Dollars 3,362), YTL 13,875 (December 31, 2007 - YTL 10,875) and Euro 1,500 (December 31, 2007 – Euro 2,500) with respect to the foreign currency loans with export commitments.

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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#### 29. DERIVATIVES

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

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

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

	June 30, 2008			
	Unrecognized (Loss)	1 to 12 months	2 to 3 years	4 to 5 years
<b>Derivative instruments</b>	<b>(8,315)</b>			
<b>Forward contracts sales agreements</b>	-	<b>83,344</b>	<b>51,918</b>	-
<b>Forward contracts purchase agreements</b>	-	<b>80,329</b>	<b>44,741</b>	-
	December 31, 2007			
	Unrecognized (Loss)	1 to 12 months	2 to 3 years	4 to 5 years
Derivative instruments	(7,875)	-	-	-
Forward contracts sales agreements	-	91,252	50,996	-
Forward contracts purchase agreements	-	95,783	60,674	-

#### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the period/ year ended June 30, 2008 and December 31, 2007.

##### Interest Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the floating rate borrowings of the Group's profit before tax for the period /year ended June 30, 2008 and December 31, 2007:

Increase in interest rates	Effects on profit before tax	
	June 30, 2008	June 30, 2007
0.5%	(2,419)	(2,317)

##### Foreign Currency Risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to U.S. Dollars, Euro and Russian Ruble.

Net foreign currency exposure for the Group as of June 30, 2008 and December 31, 2007 is U.S. Dollars 34,033 short (liability) and U.S. Dollars 251,372 short (liability), respectively.

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

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

Currency	June 30, 2008		June 30, 2007	
	Increase rate	Effect on profit before tax	Increase rate	Effect on profit before tax
U.S. Dollar	10%	(12,935)	10%	(15,755)
Euro	10%	4,300	10%	16,691
YTL	10%	4,156	10%	(936)

## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2008

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

#### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and trade receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

##### Liquidity Risk

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

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

	June 30, 2008				December 31, 2007			
	Less than 1 month	1 to 3 months	3 to 12 months	Total	Less than 1 month	1 to 3 months	3 to 12 months	Total
<b>Current Liabilities</b>								
Short-term borrowings	8,537	5,345	18,168	32,050	18,722	16,589	13,886	49,197
Current portion of long-term borrowings	25,219	50,944	341,055	417,218	12,452	41,642	371,986	426,080
Trade and other payables	237,222	502,772	624,334	1,364,328	40,566	552,656	756,995	1,350,217
Other current liabilities and accrued expenses and taxation on income	60,076	98,149	88,887	247,112	52,688	71,659	75,058	199,405
Company's share in current liabilities of joint ventures	144,034	54,685	107,895	306,614	94,825	48,070	154,355	297,250
	June 30, 2008				December 31, 2007			
<b>Non-current Liabilities</b>	1 to 3 years	3 to 5 years	More than 5 years	Total	1 to 3 years	3 to 5 years	More than 5 years	Total
Trade and other payables	90,116	-	-	90,116	56,148	-	-	56,148
Long-term borrowings	622,245	222,613	178,824	1,023,682	745,297	249,515	212,233	1,207,045
Other non-current liabilities	1,151	1,845	713,860	716,856	685	2,083	676,519	679,287
Company's share in non-current liabilities of joint ventures	63,352	-	-	63,352	58,416	-	-	58,416

## **Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2008**

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

#### **30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

##### **Fair Value of Financial Assets and Liabilities**

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

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

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

- The fair values of balances denominated in foreign currencies, which are translated at year-end foreign exchange rates, are considered to approximate to carrying value.
- The fair values of cash, amounts due from banks and other monetary assets are considered to approximate their respective carrying values due to their short-term nature.
- The carrying values of trade receivables are estimated to be their fair values due to their short-term nature.
- The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- The fair values of bank borrowings are considered to approximate their respective carrying values, since initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.

#### **31. SUBSEQUENT EVENTS**

- On July 02, 2008, the Board of Directors of Enka Oil and Gas B.V. decided to liquidate this consolidated subsidiary of the Group.
- On July 01, 2008, Enka TC has signed a protocol with O'KEY LLC in order to transfer 6 stores. As of the reporting date, the detailed plan is not certain and parties continue to work of the final settlement.