Enka İnşaat ve Sanayi Anonim Şirketi

Consolidated Financial Statements Together With Report of Independent Auditors December 31, 2003

ENKA İNŞAAT VE SANAYİ ANONİM ŞİRKETİ

TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEET
As at December 31, 2003
(Currency -- U.S. Dollars)

ASSETS

	Notes	2003	(Restated) 2002
Current assets			
Cash and cash equivalents	4	**215,229,389**	149,340,230
Investments available-for-sale	5	**229,601,767**	215,766,870
Accounts receivable	6	**145,924,674**	92,748,263
Inventories	7	**54,554,964**	37,970,342
Other current assets	8	**35,969,120**	25,884,671
Company's share in current assets of joint ventures	9	**121,258,335**	70,221,981
Costs and estimated earnings in excess of billings on uncompleted contracts	10	**6,393,955**	1,865,013
Total current assets		**808,932,204**	593,797,370
Non-current assets			
Accounts receivable	6	**40,961,829**	25,233,932
Investments in associates	11	**289,256,031**	242,353,559
Investments in subsidiaries	12	**1,485,085**	1,858,738
Investments available-for-sale	13	**6,610,839**	4,587,419
Property, plant and equipment			
Company	14	**167,748,432**	154,211,333
Company's share in joint ventures	9	**35,938,879**	35,494,011
Intangible assets	15	**17,059,870**	17,550,886
Negative goodwill	22	**(16,327,623)**	-
Investment properties	16	**475,710,497**	413,916,762
Other non-current assets	8	**30,836,896**	14,513,572
Company's share in non-current assets of joint ventures	9	**13,435**	8,376,965
Total non-current assets		**1,049,294,170**	918,097,177
Total assets		**1,858,226,374**	1,511,894,547

The accompanying policies and explanatory notes on pages 7 through 49 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As at December 31, 2003
(Currency -- U.S. Dollars)

EQUITY AND LIABILITIES

	Notes	2003	(Restated) 2002
Current liabilities			
Short-term bank borrowings	17	**15,874,855**	23,274,473
Current portion of long-term bank borrowings	17	**44,524,768**	26,591,881
Accounts payable	18	**117,679,217**	72,284,943
Other current liabilities and accrued expenses	19	**41,777,382**	35,752,402
Taxation on income	20	**5,669,667**	6,980,843
Company’s share in current liabilities of joint ventures	9	**66,619,592**	42,414,244
Billings in excess of costs and estimated earnings on uncompleted contracts	10	**7,827,166**	4,211,827
Total current liabilities		**299,972,647**	211,510,613
Non-current liabilities			
Accounts payable	18	**1,081,991**	13,763,401
Long-term bank borrowings	17	**196,492,570**	128,805,567
Employee termination benefit	21	**6,676,090**	5,562,098
Deferred tax liability	20	**117,773,116**	114,391,681
Other non-current liabilities and accrued expenses	19	**-**	1,460,474
Company's share in non-current liabilities of joint ventures	9	**10,652,369**	14,891,500
Total non-current liabilities		**332,676,136**	278,874,721
Minority interests	23	**111,506,346**	102,648,270
Equity			
Share capital	24	**80,004,181**	56,263,395
Revaluation surplus	14	**14,680,842**	12,679,206
Legal reserves and accumulated profit	25	**1,019,386,222**	849,918,342
Total equity		**1,114,071,245**	918,860,943
Total equity and liabilities		**1,858,226,374**	1,511,894,547

The accompanying policies and explanatory notes on pages 7 through 49 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2003
(Currency -- U.S. Dollars)

	Notes	2003	(Restated) 2002
Revenues		**1,041,214,788**	891,790,212
Cost of revenues		**(790,985,406)**	(646,716,543)
Gross profit		**250,229,382**	245,073,669
Selling and administrative expenses		**(112,552,580)**	(82,433,643)
Other operating income	28	**30,663,666**	24,309,995
Other operating expense	28	**(19,604,760)**	(58,035,389)
Profit from operations		**148,735,708**	128,914,632
Financial income	28	**46,297,389**	42,202,427
Financial expenses	28	**(16,436,777)**	(21,199,449)
Income from associates		**41,122,828**	42,916,924
Profit from operations before taxes, minority interests and net translation gain		**219,719,148**	192,834,534
Taxation charge			
Current	20	**(32,638,530)**	(29,227,670)
Deferred	20	**7,456,884**	7,507,997
		(25,181,646)	(21,719,673)
Profit before minority interests and net translation gain		**194,537,502**	171,114,861
Minority interests	23	**(10,887,409)**	(5,287,177)
Profit before net translation gain		**183,650,093**	165,827,684
Translation gain		**9,199,801**	5,081,648
Net profit		**192,849,894**	170,909,332
Weighted average number of shares	26	**100,000,000,000**	**100,000,000,000**
Basic / diluted earnings per share - U.S. Dollar	26	**0.00193**	0.00171

The accompanying policies and explanatory notes on pages 7 through 49 form an integral part of the consolidated financial statement

Enka İnşaat ve Sanayi Anonim Şirketi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2003
(Currency -- U.S. Dollars)

	Share Capital	Revaluation Surplus	Legal Reserves and Accumulated Profit	Total Equity
Balances, January 1, 2002 as previously reported	43,355,043	12,782,175	681,954,934	738,092,152
Proportionate consolidation of Ramenka			8,531,584	8,531,584
Impact of pooling of interest			(1,034,781)	(1,034,781)
Balances, January 1, 2002 as restated	43,355,043	12,782,175	689,451,737	745,588,955
Exchange and remeasurement adjustment	-	279,671	11,298,392	11,578,063
Share capital increase from general reserve	12,908,352	-	(12,908,352)	-
Transfer of depreciation of revaluation and deferred tax into accumulated profit	-	(382,640)	382,640	-
Dividends paid	-	-	(9,215,407)	(9,215,407)
Net profit	-	-	170,909,332	170,909,332
Balances, December 31, 2002	56,263,395	12,679,206	849,918,342	918,860,943
Exchange and remeasurement adjustment	**-**	**685,405**	**16,031,930**	**16,717,335**
Share capital increase from general reserve	**23,740,786**	**-**	**(23,740,786)**	**-**
Transfer of depreciation of revaluation and deferred tax into accumulated profit	**-**	**(402,348)**	**402,348**	**-**
Current year revaluation adjustment	**-**	**1,718,579**	**-**	**1,718,579**
Dividends paid	**-**	**-**	**(16,075,506)**	**(16,075,506)**
Net profit	**-**	**-**	**192,849,894**	**192,849,894**
Balances, December 31, 2003	**80,004,181**	**14,680,842**	**1,019,386,222**	**1,114,071,245**

The accompanying policies and explanatory notes on pages 7 through 49 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2003
(Currency -- U.S. Dollars)

	2003	(Restated) 2002
Cash flows from operating activities		
Net profit	**192,849,894**	170,909,332
Adjustments to reconcile net profit to net cash provided by operating activities :		
Income from associates	**(41,122,828)**	(42,916,924)
Depreciation and amortization	**27,779,348**	26,776,816
Change in minority interests	**8,858,076**	73,367
Forward income	**(8,734,072)**	-
Increase in deferred tax liability	**3,381,435**	(1,822,539)
Provision for legal cases	**2,700,000**	-
Reversal of employee termination benefit	**1,113,992**	(1,178,177)
Fair value adjustment on investment properties	**1,524,075**	1,181,784
Reversal of provision for VAT	**(1,572,702)**	1,572,702
Impairment provision for subsidiaries and investments in associates	**1,414,791**	1,856,100
Bonus accruals, net	**998,075**	-
Provision for inventory obsolescence	**119,496**	450,106
Provision for doubtful receivables	**116,591**	5,700,375
Provision for Iraq losses	**-**	20,293,191
Development cost written off	**-**	19,264,545
Goodwill written off	**-**	2,100,000
Changes in assets and liabilities		
(Increase) in time deposits with maturities more than 3 months	**(9,200,000)**	(20,192,221)
(Increase) in accounts receivable	**(69,020,888)**	(696,692)
(Increase) in inventories	**(16,704,118)**	(3,825,935)
(Increase) decrease in costs and estimated earnings in excess of billings on uncompleted contracts	**(4,528,942)**	452,473
(Increase) decrease in Company's share in assets of joint ventures	**(42,672,824)**	16,455,691
(Increase) in other assets	**(16,579,776)**	(17,664,502)
Increase (decrease) in accounts payables	**32,712,864**	(13,932,800)
(Decrease) increase in taxation on income	**(1,311,176)**	1,904,119
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	**3,615,339**	(5,828,559)
Increase (decrease) in Company's share in liabilities of joint ventures	**19,966,217**	(58,570,211)
(Decrease) increase in other liabilities and accrued expenses	**1,345,143**	6,292,551
Net cash provided by operating activities	**87,048,010**	108,654,592
Cash flows from investing activities		
Increase in investments available for sale	**(13,834,897)**	(62,898,565)
Increase in investments in subsidiaries, investments in associates and investments available for sale	**(8,844,202)**	(25,988,734)
Cash received for the sale of investment in subsidiaries	**-**	325,343
Proceeds from sale of property, plant and equipment and intangible assets	**6,070,433**	1,019,741
Purchases of property, plant and equipment and intangible assets	**(79,956,898)**	(88,138,144)
Net cash used in investing activities	**(96,565,564)**	(175,680,359)
Cash flows from financing activities		
Increase in long-term bank borrowings	**85,619,890**	24,243,516
(Decrease) in short-term bank borrowings	**(7,399,618)**	(4,673,752)
Dividends paid	**(16,075,506)**	(9,215,407)
Net cash provided by (used in) financing activities	**62,144,766**	10,354,357
Negative goodwill	**16,327,623**	-
Exchange and remeasurement adjustment	**(12,265,676)**	10,668,304
Net increase (decrease) in cash and cash equivalents	**56,689,159**	(46,003,106)
Cash and cash equivalents at beginning of year	**127,540,230**	173,543,336
Cash and cash equivalents at end of year	**184,229,389**	127,540,230
Supplemental disclosure of cash flows information		
a)The cash paid by the Company for interest	**5,279,080**	9,798,573
b)The cash received by the Company for interest	**27,431,627**	31,111,519
c)Income taxes paid	**34,120,788**	28,661,897

For the purpose of the statement of cash flows, the Company considers cash on hand and in banks as short-term deposits with on original maturity of three months or less as cash and cash equivalents. Accordingly, time deposits as of December 31, 2003 and 2002 amounting to U.S. Dollars 31,000,000 and U.S. Dollars 21,800,000 respectively are excluded from cash and cash equivalents.

The accompanying policies and explanatory notes on pages 7 through 49 form an integral part of the consolidated financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

General

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

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

The consolidated financial statements of Enka İnşaat are authorised for issue by the management on April 9, 2004.

Nature of the Activities

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

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

Commonwealth of Independent States (CIS): engaged in construction activities in Russia, Kazakhstan and Azerbaijan, and also engaged in the development and management of real estate properties, which are leased to tenants in Moscow, Russia, as well as run a network of hyperstores and shopping malls in Moscow, and also plans to construct further hyperstores and smaller shopping centers.

Africa: engaged in construction activities in different countries.

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

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

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

1. ORGANIZATION AND NATURE OF ACTIVITIES (continued)

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 Inşaat has the following joint ventures, which are dissolved after the completion of the construction project, as listed below:

Enka-Bechtel Müşterek Teşebbüs Ortaklığı (Turkey)
Bechtel-Enka Joint Venture (Kazakhstan)
Bechtel -Enka Joint Venture Okioc (Kazakhstan)
Bechtel-Enka Holland Projects (Holland)
Bechtel International Incorporation (Croatia)
Bechtel - Enka Power Projects (Turkey)
Cadell Construction Company Inc. (Turkey)
Cadell Construction Company Inc. (Africa)
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin)

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

For the purpose of the consolidated financial statements, Enka İnşaat and its consolidated subsidiaries and its joint ventures are referred as “the Company”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Company 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 an historical cost convention, except for the measurement at fair value of investment properties, land and buildings, and available-for-sale financial assets.

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

The Company also reported separately for the consolidated and unconsolidated financial statements for the same period prepared in accordance with accounting principles promulgated by TCMB.

The significant differences between the consolidated financial statements prepared in accordance with the accounting policies promulgated by TCMB and consolidated IFRS financial statements can be summarized as follows:

- Foreign currency translation
- Accounting for construction contracts
- Recognition of deferred tax effects of taxable temporary differences
- Recognition and measurement of financial instruments
- Accounting for investment property
- Revaluation of property, plant and equipment with market values

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement of Financial Statements

The Company has restated its financial statements for the years ended December 31, 2002 because of the following reasons:

- As of December 31, 2002 the investments in Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı Elektrik), Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) and İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) (power plant companies) are stated at cost, as they were in development stage and they had immaterial operating results for the period than ended. As of December 31, 2003 the financial statements of those companies have been restated retroactively due to the change in deferred tax calculation. Accordingly, the consolidated financial statements of Enka İnşaat as of December 31, 2002 are restated by applying equity accounting for those investments in associates. The development costs which were capitalized as part of the cost of the investments in each of those companies in accordance with the equity funding and common agreements signed in 2000 between the shareholders of the power plant companies and the financial institutions, was eliminated when those companies are accounted for under the equity method.

- The investment in Enka Dış Ticaret Anonim Şirketi (Enka Dış) was excluded from the consolidation in prior years due to the intention of its shareholders to liquidate this subsidiary in the near future. As the financial statements of Enka Dış show a shareholders' deficit, the carrying amount of this investment was accepted as nil in prior years. In 2003, it was decided to merge Enka Dış with one of the consolidated subsidiaries, Enka Pazarlama. Accordingly, as of May 7, 2003 the merger has taken place legally in accordance with the article 451 of Turkish Trade Law and articles 37-39 of Corporate Tax Law. The merger are registered on May 7, 2003 and announced in Turkish Trade Registry Gazzette on May 13, 2003. As Enka Pazarlama and Enka Dış were under the common joint control of Enka İnşaat through direct and / or indirect holdings held by them, such legal merger was merely a restructuring and accordingly it was not within the scope of International Accounting Standard 22 (Business Combinations). The consolidated financial statements are restated retroactively to include the assets, liabilities and income statement items of all these two companies as if they were one single entity as of December 31, 2002.

- The financial statements of Limited Liability Company Ramenka (Ramenka), was fully consolidated in prior years. Starting from January 1, 2003 all figures of Ramenka is accounted for by proportionate consolidation and prior period figures are restated accordingly.

The impact of those adjustments on the consolidated financial results as originally reported is summarized as follows:

Net profit as reported previously	144,407,007
Application of equity accounting for power plant companies	22,924,229
Impact of pooling of interest	(240,886)
Proportionate consolidation of Ramenka	3,818,982
Net profit as restated,	**170,909,332**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Currency, Reporting Currency and Translation Methodology

The consolidated financial statements have been drawn up in U.S. Dollar to deal with the initial recording and remeasurement of transactions denominated in Turkish Lira and other currencies in accordance with International Accounting Standard (IAS) 21 - The Effects of Changes in Foreign Exchange Rates, as described below. As significant amount of construction and real estate operations of Enka İnşaat, its consolidated subsidiaries and its joint ventures which form main part of the operations of the Company are carried out in U.S. Dollar or indexed to U.S. Dollar, this currency is selected as the measurement and the reporting currency of the Company in line with the Interpretation issued by Standing Interpretations Committee (SIC) 19 - Reporting Currency - Measurement and Presentation of Financial Statements under IAS 21 and IAS 29 - Financial Reporting in Hyperinflationary Economies.

The financial statements of the consolidated subsidiaries Enka Pazarlama, Pimaş, Kelebek Mobilya and Entaş for which measurement currency is Turkish Lira, are restated under the provision of IAS 29 before being translated into U.S. Dollar. For other Turkish subsidiaries of Enka İnşaat, the effects of inflation on the consolidated financial statements have in practice been dealt with by selecting the U.S. Dollar as the reporting currency and thus devaluation of the Turkish Lira against the U.S. Dollar has been used as a proxy for a general price index. The comparative rates of currency devaluation against the U.S. Dollar and of general price index as of last three years in Turkey are set out below:

	2003	2002	2001
Currency devaluation of Turkish Lira against U.S. Dollar	**(14.6%)**	13.5%	114.3%
Annual inflation rate	**13.9%**	30.8%	88.6%

As of December 31, 2002, the financial statements of the consolidated subsidiaries of Ramenka and MKH, which are domiciled in Russian Federation, was restated for the general purchasing power of the Russian Rouble in accordance with IAS 29 and the direct translation to U.S. Dollar was made with current rates after the restatement. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from January 1, 2003, those companies no longer applied the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current as of December 31, 2002 are treated as the basis for the carrying amounts in the consolidated financial statements.

The comparative rates of currency devaluation against the U.S. Dollar and of general price index as of last three years in Russian Federation are set out below:

	2003	2002	2001
Currency devaluation of RR against U.S. Dollar	**(7.3%)**	5.4%	7.0%
Annual inflation rate	**12.0%**	15.0%	18.8%

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The main guidelines for the restatement within the context of IAS 29 are as follows

- the financial statements of the subsidiaries of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2003.

- monetary assets and liabilities reported in the balance sheet as of December 31, 2003 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.

- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity (except for the statutory revaluation adjustment which is eliminated) are restated by applying the relevant conversion factors.

- the effect of general inflation on the net monetary position is included in the income statement as net translation gain (loss).

- all items in the income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortisation, gain or loss on disposal of non-monetary assets (which have been calculated based on the restated gross book values and accumulated depreciation/amortisation).

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

The rates used as of December 31, 2003 and 2002 and the rate as of our report date for one U.S. Dollar can be summarized as below:

	As of report date	**2003**	2002
U.S. Dollar	**1,335,509 TL**	**1,395,835 TL**	**1,634,501 TL**
	28.52 RR	**29,45 RR**	**31.78 RR**
	0.82 Euro	**0.80 Euro**	**0.96 Euro**

The translation of assets and liabilities denominated in Turkish Lira and various other local currencies into U.S. Dollar for the purpose of the consolidated financial statements does not necessarily mean that the Company 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 Company 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 include the accounts of Enka İnşaat, its joint ventures and its subsidiaries presented as a single economic entity. The subsidiaries are companies in which Enka İnşaat, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to govern their financials and operating policies so as to obtain benefits from their activities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2003 and 2002 is as follows:

	Direct / Indirect Ownership	
Company Name	**2003**	2002
Enka Holding B.V.	**100.00%**	100.00%
Enka Holding Investment S.A.	**100.00%**	100.00%
Enmar	**100.00%**	100.00%
Entrade	**100.00%**	100.00%
Air Enka	**99.99%**	99.92%
Metra Akdeniz Dış Ticaret Anonim Şirketi (*)	**99.99%**	99.99%
Enka Pazarlama	**99.97%**	99.97%
Entaş	**99.93%**	99.93%
Çimtaş	**95.05%**	95.05%
Çimtaş Mechanical Contracting B.V. (**)	**95.05%**	95.05%
Titaş	**90.71%**	90.71%
Burtrak Burdur Traktör ve Önyükleyici Sanayi Ticaret Anonim Şirketi (*)	**90.05%**	90.05%
Pimaş	**87.25%**	87.25%
Altaş	**86.12%**	86.12%
Kasktaş	**77.32%**	77.32%
Enka Teknik	**69.86%**	69.86%
Kelebek Mobilya	**63.08%**	63.08%
Mosenka	**55.00%**	55.00%
MKH	**52.00%**	52.00%
Cimtas Boru İmalatları ve Ticaret Limited Şirketi (**)	**50.00%**	50.00%

(*) Consolidated in Enka Pazarlama's financial statements
(**) Consolidated in Çimtaş's financial statements

As fully explained in Note 12 certain investments of the Company in which the participation percentages are more than 50%, are carried at cost due to their amounts being considered as immaterial.

The Company's controlling interest in the following jointly controlled entities is accounted for by proportionate consolidation, which involves recognizing a proportionate share of the joint venture's assets and liabilities as a separate line and recognizing a proportionate share of the joint venture's income and expenses on a line by line basis with similar items in the consolidated financial statements.

The breakdown of the controlling interest of the joint ventures are as follows:

Joint Venture	**2003**	2002
Enka-Bechtel Müşterek Teşebbüs Ortaklığı (Turkey)	**50**	50
Bechtel-Enka Joint Venture (Kazakhstan)	**50**	50
Bechtel -Enka Joint Venture Okioc (Kazakhstan)	**50**	50
Bechtel-Enka Holland Projects (Holland)	**35**	35
Bechtel International Incorporation (Croatia)	**50**	50
Bechtel - Enka Power Projects (Turkey)	**50**	50
Cadell Construction Company Inc. (Turkey)	**50**	50
Cadell Construction Company Inc. (Africa)	**50**	-
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin)	**50**	-

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All significant intercompany transactions and balances between Enka İnşaat and its consolidated subsidiaries and joint ventures are eliminated. Minority interest in the equity and results of the consolidated subsidiaries are shown as a separate item in the consolidated financial statements.

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

Company Name	2003	2002
Gebze Elektrik Üretim Limited Şirketi	**48.99%**	40.00%
İzmir Elektrik Üretim Limited Şirketi	**48.99%**	40.00%
Adapazarı Elektrik Üretim Limited Şirketi	**48.99%**	40.00%
Wall Şehir Dizaynı ve Ticaret Limited Şİrketi	**40.00%**	40.00%

As fully explained in Note 11, certain investments of the Company are carried at cost on the grounds of immateriality.

Foreign Currency Translation

Transactions in foreign currencies (i.e any currency other than U.S. Dollar) are recorded at the 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.

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. The amounts paid under the reverse purchase agreements are included in the cash and cash equivalents.

Accounts Receivables

Trade receivables of the Company are recognized at original invoice and carried at amortised cost less an allowance for any uncollectible amounts. Average term of current portion of the trade receivable is varying between 30-180 day terms and the collection term of the long-term trade receivables could extend up to the year of 2005 depending upon the agreement.

Collection terms of contract receivables vary depending upon the agreement that is generally 30 days.

Post-dated checks which are classified within accounts receivables and notes which are held to maturity are measured at amortized cost using the effective interest rate method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

- Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.

- Goods for resale – purchase cost on first-in, first-out (FIFO) method

- Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity.

The Company also provides an allowance for the slow moving items.

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

Investments Available-for-Sale

All investments are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments are measured at fair value, unless fair value can not be reliably measured. Any gain or loss arising from a change in fair value of such investments is included in the consolidated statement of income in the period in which it arises.

For investments traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, without deduction for transaction costs necessary to realize the asset.

For investments where there is no quoted market price or quoted market price is not indicative of the fair value of the instrument, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the securities. Investments, for which other methods of reasonably estimating fair values are clearly inappropriate or impractical, are stated at cost, less any impairment in value.

Investments in Associates

Investments in associates over which the Company has significant influence and the voting power between 20%-50% are accounted for under the equity basis of accounting, except certain associates that are listed in Note 11, and which are carried in the balance sheet at cost plus post - acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The consolidated statement of income reflects the Company's share of the current year results of operations of its associates accounted under the equity basis accounting.

Associates, for which equity method of accounting has not been applied for due to their operations being immaterial, are stated at cost. Provision is made for diminution in value if there is a permanent impairment.

Investments in Subsidiaries

Investments in subsidiaries, which are excluded from the consolidation on the grounds of immateriality or due to an intention to liquidate such subsidiaries, are stated at cost. Provision is made for diminution in value if there is a permanent impairment. Non-consolidated investments in subsidiaries are disclosed in Note 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for certain properties which are owner occupied and carried at market values.

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

Land improvements	5-50 years
Buildings and barracks	5-50 years
Machinery and equipment	5-10 years
Motor vehicles	3-10 years
Furniture and fixtures	5-10 years
Scaffolding and formworks	5 years
Others	5-10 years

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an objective evidence that the asset is impaired, then the estimated recoverable amount of related asset is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount is accounted for as an allowance on the balance sheet and the amount of the loss is included in the consolidated statement of income of the year.

Leases - the Company as Lessee

Finance leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset or the lease term.

Operating lease

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

Prepayment for land leases

Prepayments for operational leases of land plots on which hyper stores are constructed are expensed over the life of the respective lease which in general equals to 49 years.

Intangible Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative Goodwill

The excess of fair value of net assets acquired over cost, arising from the acquisition of 8.99% shares of Adapazarı Elektrik, Gebze Elektrik and İzmir Elektrik, is being amortized on a systematic basis over the remaining weighted average useful life of the acquired non monetary assets.

Investment Properties

Investment property is treated as a long-term investment and is carried at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

Borrowings

All borrowings are initially recognised 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 recognised in net profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Accounts Payable

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

Employee Termination Benefits

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

In the normal course of business, foreign subsidiaries and joint ventures contributes to the related government body for the pension scheme of its employees, in the country they are domiciled. Mandatory contributions to the governmental pension scheme are expensed when incurred.

Provisions

Provisions are recognised when the Company 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. Provisions are evaluated and re-estimated annually, and are included in the financial statements at their expected net present values using discount rates appropriate to the Company in the economic environment in Turkey and other countries, in which the Company operates, at each balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

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

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

Deferred income tax assets are recognised 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.

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.

Revenue and Cost Recognition

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

Construction contract activities

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 costs incurred through the end of the current year divided by the total estimated costs of the project.

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

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

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the consolidated statement of income as incurred. Provisions for estimated losses on uncompleted contracts are made in 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 recognised in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trading activities

Revenue from trading activities which consist of sales of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer. Net sales represent the invoiced value of goods, net of sales returns and discounts.

Rental activities

Rental activities which consist of rental income from premises leased to tenants is recognised as earned on a monthly basis. Rental income collected in advance is treated as deferred income and is amortised on a monthly basis during the lease period.

Rendering of services

Revenue is recognized by reference to the stage of completion.

Interest revenue

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

Borrowing Costs

Interest costs on borrowings to finance the construction of investment property are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowings costs are recognised as an expense in the period in which they are incurred.

Recognition and Derecognition of Financial Instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

Offsetting

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

Uses of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The most significant areas requiring the use of management estimates are related to the unaccrued interest on Irak related Eximbank borrowings (see Note 17) and possible outcome of outstanding litigations (see Note 29).

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

3. SEGMENT INFORMATION

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

The segmental information of the Company is based on two formats. The primary format represents information regarding business segments: construction, rental, retail, energy and trading and manufacturing. The secondary format represents information regarding four geographical segments for the year ended December 31, 2003 and 2002.

(a) Business Segments :

	2003						
	Contracting	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Revenues earned	618,685,999	77,466,160	178,375,000	206,942,709	-	(40,255,080)	1,041,214,788
Cost of revenues	(506,618,667)	(7,530,000)	(134,999,000)	(179,374,582)	-	37,536,843	(790,985,406)
Gross profit	112,067,332	69,936,160	43,376,000	27,568,127	-	(2,718,237)	250,229,382
Selling and administrative expense	(45,513,108)	(11,944,129)	(30,230,241)	(26,171,909)	-	1,306,807	(112,552,580)
Other operating income and expense, net	18,610,644	(9,627,290)	4,429,353	(532,453)	-	(1,821,348)	11,058,906
Profit from operations	85,164,868	48,364,741	17,575,112	863,765	-	(3,232,778)	148,735,708
Financial income and expense, net	34,598,308	362,000	1,236,000	(4,678,196)	-	(1,657,500)	29,860,612
Income from associates	-	-	-	939,129	40,183,699	-	41,122,828
Profit from operations before taxes, minority interests, and net translation gain	119,763,176	48,726,741	18,811,112	(2,875,302)	40,183,699	(4,890,278)	219,719,148
Taxation charge							
Current							(32,638,530)
Deferred							7,456,884
Profit before minority interests and net translation gain							194,537,502
Minority interests							(10,887,409)
Profit before net translation gain							183,650,093
Translation gain							9,199,801
Net profit							192,849,894
Assets and Liabilities							
Segment assets	358,906,603	469,118,326	161,080,805	161,712,189	(16,327,623)	(11,836,198)	1,122,654,102
Investment in associates and subsidiaries	72,764	-	-	5,583,506	285,084,846	-	290,741,116
Unallocated assets							444,831,156
Total assets	358,979,367	469,118,326	161,080,805	167,295,695	268,757,223	(11,836,198)	1,858,226,374
Segment liabilities	274,775,061	88,236,832	101,637,541	127,151,733	-	(6,945,920)	584,855,247
Unallocated liabilities		-	-				47,793,536
Total liabilities	274,775,061	88,236,832	101,637,541	127,151,733	-	(6,945,920)	632,648,783
Other Segment Information							
Capital expenditures							
Property, plant and equipment	43,909,980	19,548,098	13,904,779	2,417,295	-	-	79,780,152
Intangible fixed assets	-	3,633	-	36,235	-	-	39,868
Investment properties	-	-	-	136,878	-	-	136,878
Total capital expenditures	43,909,980	19,551,731	13,904,779	2,590,408			79,956,898
Depreciation expense	19,298,196	675,000	3,716,185	3,453,415	-	-	27,142,796
Amortisation	387,928	8,000	60,012	180,612	-	-	636,552
Fair value adjustments	-	5,695,934	(4,360,353)	188,494	-	-	1,524,075

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

3. SEGMENT INFORMATION (continued)

	2002						
	Contracting	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Revenues earned	586,888,109	69,022,435	126,556,121	143,997,691	-	(34,674,144)	891,790,212
Cost of revenues	(449,010,441)	(6,850,000)	(90,089,066)	(124,805,883)	-	24,038,847	(646,716,543)
Gross profit	137,877,668	62,172,435	36,467,055	19,191,808		(10,635,297)	245,073,669
Selling and administrative expense	(40,292,048)	(7,073,063)	(17,706,913)	(23,968,759)	-	6,607,140	(82,433,643)
Other operating income and expense, net	(6,322,077)	(12,774,000)	12,032,432	(1,745,958)	(19,264,545)	(5,651,246)	(33,725,394)
Profit from operations	91,263,543	42,325,372	30,792,574	(6,522,909)	(19,264,545)	(9,679,403)	128,914,632
Financial income and expense, net	30,674,320	(189,000)	(1,320,813)	(8,161,529)	-	-	21,002,978
Income from associates	-	-	-	728,150	42,188,774	-	42,916,924
Profit from operations before taxes, minority interests, and net translation gain	121,937,863	42,136,372	29,471,761	(13,956,288)	22,924,229	(9,679,403)	192,834,534
Taxation charge							
Current							(29,227,670)
Deferred							7,507,997
Profit before minority interests and net translation gain							171,114,861
Minority interests							(5,287,177)
Net profit before net translation gain							165,827,684
Translation gain							5,081,648
Net profit							170,909,332
Assets and Liabilities							
Segment assets	299,025,095	403,826,847	100,487,981	105,215,029	-	(6,461,604)	902,093,348
Investment in associates and subsidiaries	72,758	-	-	5,834,627	238,304,912	-	244,212,297
Unallocated assets							365,588,902
Total assets	299,097,853	403,826,847	100,487,981	111,049,656	238,304,912	(6,461,604)	1,511,894,547
Segment liabilities	221,530,932	61,968,453	65,875,745	91,727,463	-	(3,800,739)	437,301,854
Unallocated liabilities							53,083,480
Total liabilities	221,530,932	61,968,453	65,875,745	91,727,463	-	(3,800,739)	490,385,334
Other Segment Information							
Capital expenditures							
Property, plant and equipment	46,751,522	5,418,000	29,238,264	5,884,908	-	-	87,292,694
Intangible fixed assets	-	-	-	845,450	-	-	845,450
Investment properties	-	-	-	-	-	-	
Total capital expenditures	46,751,522	5,418,000	29,238,264	6,730,358			88,138,144
Depreciation expense	18,485,349	490,000	2,489,632	4,632,440	-	-	26,097,421
Amortisation	-	-	-	679,395	-	-	679,395
Fair value adjustments	-	12,782,000	(12,067,921)	467,705	-	-	1,181,784

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

3. SEGMENT INFORMATION (continued)

(b) Geographical Segments:

	Turkey	Commonwealth of Independent States	North Africa	Europe	Eliminations	Consolidated
OTHER INFORMATION						
31.12.2003						
Net sales	360,704,605	463,058,776	24,462,025	233,244,462	(40,255,080)	1,041,214,788
Segment assets	268,992,316	738,199,322	15,271,637	112,027,025	(11,836,198)	1,122,654,102
Capital expenditures	11,373,273	59,142,634	2,096,665	7,344,326	-	79,956,898
31.12.2002						
Net sales	343,522,144	376,377,352	9,877,384	196,687,476	(34,674,144)	891,790,212
Segment assets	231,705,034	583,383,770	13,834,294	79,631,854	(6,461,604)	902,093,348
Capital expenditures	22,402,612	56,634,878	2,444,294	6,656,360	-	88,138,144

4. CASH AND CASH EQUIVALENTS

	2003	2002
Cash on hand	**1,548,689**	3,562,165
Cash in bank-Demand deposits	**53,519,901**	2,533,070
Cash in bank-Time deposits	**159,831,818**	142,958,023
Other	**328,981**	286,972
Total	**215,229,389**	149,340,230
Less: time deposits with maturity over three months	**(31,000,000)**	(21,800,000)
Cash and cash equivalents at consolidated cash flow statement	**184,229,389**	127,540,230

Interest rates of bank deposits are as follows:

	2003	2002
Time deposits with maturities less than three months		
U.S.Dollars	0.75%-3.50%	1.00 % - 4.04 %
Russian Rouble	5.00%	5.00 % - 11.50%
TL	18.00%-25.00%	43.00%
Time deposits with maturities over three months		
U.S.Dollars	3.00%-12.90%	3.00%-12.90%

As of December 31, 2003 and 2002, time deposit with maturity over three months has the maximum maturity of December 4, 2008 and they are blocked as collateral against the letters of guarantee and bank borrowings obtained for various projects and subsidiaries.

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

5. INVESTMENT AVAILABLE FOR SALE (CURRENT)

	2003		2002	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Private sector bonds				
(international markets)	**3.75% - 6.75%**	**138,523,675**	3.87% - 11.00%	159,837,810
Foreign government bonds				
(international markets)	**4.00% - 5.38%**	**71,953,835**	1.13% - 5.37%	44,962,268
Equity securities				
(international markets)	**-**	**12,552,991**	-	6,402,953
Turkish Government Bonds				
(international markets)	**9.63%**	**2,761,288**	9.63% - 12.00%	2,641,144
(in terms of TL)	**24.36%**	**211,343**	-	-
Mutual Funds				
(international markets)	**-**	**3,564,305**	-	1,922,695
(in terms of TL)	**-**	**34,330**	-	-
		229,601,767		215,766,870

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

	2003	2002
Private sector bonds		
(international markets)	**January 4, 2030**	August 17, 2040
Foreign government bonds		
(international markets)	**February 15, 2031**	February 15, 2031
Turkish Government Bonds		
(international markets)	**November 30, 2006**	December 15, 2008
(in terms of TL)	**April 2, 2004**	-

6. ACCOUNTS RECEIVABLE

The breakdown of short-term accounts receivable is as follows:

	2003	2002
Trade receivables	**58,699,480**	50,813,919
Notes and cheques receivables	**41,772,263**	24,252,018
Contract receivables	**57,699,799**	26,715,534
Retention receivables	**899,253**	4,580,293
Other receivables	**7,724,452**	7,198,544
	166,795,247	113,560,308
Less : Allowance for doubtful receivables	**(20,870,573)**	(20,812,045)
	145,924,674	92,748,263

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

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

6. ACCOUNTS RECEIVABLE (continued)

Movement of allowance for doubtful receivables is as follows:

	2003
Balance at beginning of year	20,812,045
Additional provision	116,591
Collection from doubtful receivables	(950,589)
Write-offs	(362,232)
Restatement and foreign currency translation effect	1,254,758
Balance at the end of year	**20,870,573**

The breakdown of long-term accounts receivable is as follows :

	2003	2002
Trade receivables	**15,533,335**	11,434,316
Accrued receivables for Iraq losses,net	**-**	7,058,521
Notes and cheques receivables	**25,428,494**	6,741,095
	40,961,829	25,233,932

Accrued receivables for Iraq losses

The Company's operations in Iraq ceased since August 6, 1990, due to invasion of Kuwait by Iraq forces. The Turkish Government provided long-term loan facilities through Turkish Eximbank (Eximbank) to companies, which suffered losses resulting from the invasion. Accordingly, the loans from various banks amounting to U.S. Dollars 80,699,079 and German Marks 4,382,267 (Euro 2,240,618) were transferred to Eximbank and, additionally, for the loans amounting to U.S. Dollars 30,159,644 provided by various other banks, Eximbank provided letters of guarantee for the same amount to the related banks.

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

As of December 31, 2003, the money received by Eximbank, after the closing down of the above mentioned secured loans, at an amount U.S. Dollars 31,863,355 (2002- U.S. Dollars 24,804,834) was netted off from the receivable balance as well as the long term bank borrowings in the consolidated balance sheet. Also, the Company provided full provision for the receivable amount which was not compensated by UNCC at the amount of U.S. Dollars 53,093,086.

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

7. INVENTORIES

	2003	2002
Raw materials and spare parts	**10,368,855**	6,957,116
Work in progress	**5,312,544**	2,244,949
Finished goods	**7,163,184**	4,736,959
Merchandise and goods for resale (machinery and others)	**30,303,921**	21,208,262
Construction materials	**384,544**	640,179
Goods in transit and advances for inventory purchases	**1,869,359**	2,910,824
	55,402,407	38,698,289
Less: Allowance for slow moving inventory and net realizable value	**(847,443)**	(727,947)
	54,554,964	37,970,342

As of December 31, 2003, U.S. Dollars 13,230,000 (2002- U.S. Dollars 7,936,280) of the inventories are pledged as security for the IFC loan for the full value.

8. OTHER CURRENT AND NON-CURRENT ASSETS

The breakdown of other current assets is as follows:

	2003	2002
V.A.T. receivables	**16,518,629**	16,542,241
Prepaid expenses	**4,240,571**	1,296,182
Deferred VAT	**4,167,618**	954,890
Forward income accrual	**2,539,589**	-
Other V.A.T	**1,667,613**	65,070
Prepaid tax	**1,591,270**	1,769,832
Income accruals	**1,028,127**	27,724
Advances given	**991,006**	2,432,257
Accrual for incentive revenue	**948,500**	-
Job advances	**844,822**	902,382
Prepayments for land leases	**209,000**	248,332
Due from personnel	**215,043**	50,003
Miscellaneous	**1,007,332**	1,595,758
	35,969,120	25,884,671

The breakdown of other non current assets is as follows:

	2003	2002
Prepayment for land leases	**18,644,755**	7,791,379
Prepaid taxes and funds	**8,665,372**	6,242,544
Prepaid expense	**2,406,101**	137,403
Deposits and guarantees given	**239,697**	266,355
Miscellaneous	**880,971**	75,891
	30,836,896	14,513,572

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

9. INTEREST IN JOINT VENTURES

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

	2003			2002		
Balance Sheet	**Joint Ventures Followed Up On Aggregate Basis**	**Joint Venture Followed Up On line By Line Basis**	**Total**	Joint Ventures Followed Up On Aggregate Basis	Joint Venture Followed Up On Line By Line Basis	Total
Cash and cash equivalents	22,942,266	11,346,000	**34,288,266**	36,252,187	3,413,515	39,665,702
Accounts receivable	57,935,504	4,042,000	**61,977,504**	19,651,264	2,975,551	22,626,815
Inventories	-	13,230,000	**13,230,000**	-	7,936,280	7,936,280
Other current assets	24,991,123	11,400,000	**36,391,123**	14,318,530	12,616,975	26,935,505
Costs and estimated earnings in excess of billings on uncompleted contracts	15,389,442	-	**15,389,442**	-	-	-
Company's Share in Joint Venture's Current Assets	**121,258,335**	**40,018,000**	**161,276,335**	70,221,981	26,942,321	97,164,302
Accounts receivable	**-**	**-**	**-**	8,315,838	204,389	8,520,227
Investment property	-	67,901,339	**67,901,339**	-	55,682,302	55,682,302
Other current assets	13,435	8,871,000	**8,884,435**	61,127	7,791,378	7,852,505
Company's Share in Joint Venture's Non-Current Assets	**13,435**	**76,772,339**	**76,785,774**	8,376,965	63,678,069	72,055,034
Cost	74,589,257	74,011,296	**148,600,553**	68,001,977	58,710,572	126,712,549
Accumulated depreciation	(38,650,378)	(11,052,329)	**(49,702,707)**	(32,507,966)	(6,595,689)	(39,103,655)
Company's Share in Joint Venture's Property Plant and Equipment	**35,938,879**	**62,958,967**	**98,897,846**	35,494,011	52,114,883	87,608,894
Short-term bank borrowings	-	-	**-**	-	10,328,870	10,328,870
Current portion of long-term bank borrowings	-	7,848,000	**7,848,000**	-	4,921,995	4,921,995
Accounts payable	46,173,797	30,428,000	**76,601,797**	20,060,220	21,043,187	41,103,407
Other current liabilities and accrued expenses	13,393,275	4,945,000	**18,338,275**	7,039,394	5,684,990	12,724,384
Taxation on income	276,756	-	**276,756**	-	-	-
Billings in excess of costs and estimated earnings on uncompleted contracts	6,775,764	-	**6,775,764**	15,314,630	1,305,035	16,619,665
Company's Share in Joint Venture's Current Liabilites	**66,619,592**	**43,221,000**	**109,840,592**	42,414,244	43,284,077	85,698,321
Long term bank borrowings	-	46,790,000	**46,790,000**	-	24,617,055	24,617,055
Accounts payable	9,602,494	-	**9,602,494**	10,543,680	-	10,543,680
Deferred tax liabilities	1,049,875	16,571,541	**17,621,416**	4,347,820	13,747,028	18,094,848
Other non-current liabilities and accrued expenses	**-**	**-**	**-**	-	1,295,043	1,295,043
Company's Share in Joint Venture's Non-Current Liabilities	**10,652,369**	**63,361,541**	**74,013,910**	14,891,500	39,659,126	54,550,626

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

9. INTEREST IN JOINT VENTURES (continued)

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

	2003	2002
Revenues	**492,612,316**	397,892,531
Cost of revenues	**(376,032,146)**	(307,970,711)
Selling and administrative expense	**(39,053,502)**	(24,920,324)
Other operating income and expense	**(3,843,430)**	14,071,763
Financial income and expense	**10,200,607**	(1,134,723)
Taxation charge	**(7,074,355)**	(2,493,196)
Translation gain	**4,131,709**	4,622,112
Net profit	**80,941,199**	80,067,452

10. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

	2003	2002
Costs incurred on uncompleted contracts	**170,275,485**	130,110,918
Estimated earnings	**49,716,702**	45,813,816
	219,992,187	175,924,734
Less: Billings to date	**(221,425,398)**	(178,271,548)
	(1,433,211)	(2,346,814)

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

	2003	2002
Costs and estimated earnings in excess of billings on uncompleted contracts	**6,393,955**	1,865,013
Billings in excess of costs and estimated earnings on uncompleted contracts	**(7,827,166)**	(4,211,827)
	(1,433,211)	(2,346,814)

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

11. INVESTMENTS IN ASSOCIATES

	2003		2002	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
accounted for using the equity method				
Power plant companies (*)	**48.99**	**284,625,467**	40.00	238,304,912
Wall Şehir	**40.00**	**3,718,199**	40.00	3,229,478
		288,343,666		241,534,390
carried at cost				
Gretsch-Unitas Yapı Elemanları Sanayi ve Ticaret A.Ş. (Gretsch-Unitas)	**34.00**	**452,986**	-	-
Intergen Enka Santral İşletme ve Bakım Hizmetleri A.Ş. (Intergen Enka)	**38.40**	**459,379**	29.40	40,977
Derince Uluslararası Konteyner Terminali İşletmeciliği A.Ş. (Derince)	**37.06**	**-**	37.06	208,830
Pencere ve Kapı Donanımları Sanayi ve Ticaret .A.Ş. (PKD)	**-**	**-**	34.00	569,362
		912,365		819,169
Total		**289,256,031**		242,353,559

(*) including Adapazarı Elektrik, Gebze Elektrik and İzmir Elektrik

During 2003, PKD merged with Gretsch-Unitas legally and investment in Derince has been written off due to the permanent impairment realized in this company.

In accordance with the equity funding and common agreements signed in 2000 between the power plant companies and the financial institutions, which has provided the related funds for these companies, the parties are agreed on the equity contributions which will be made by the shareholders which is approximately 25% of the total construction cost. Accordingly, the Company has placed a deposit to the Hollandische Bank-Unie N.V. to finance the construction cost not funded by the financial institutions as a guarantee for the loan obtained by the above mentioned power plant companies. The interest rate of this deposit is Libor+4% (2002- Libor+4%) and shall be repaid in full at the repayment date of loans used. The Company accepts the related time deposit as part of the investment cost.

The breakdown of the investment cost in the power plant companies is as follows:

	2003		2002	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Gebze Elektrik	**48.99**	**42,172,207**	40.00	18,619,828
İzmir Elektrik	**48.99**	**40,736,216**	40.00	15,811,459
Adapazarı Elektrik	**48.99**	**18,378,118**	40.00	8,067,899
		101,286,541		42,499,186
Time deposits held for equity commitments		**183,338,926**		195,805,726
Total investment in power plant companies		**284,625,467**		238,304,912

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

12. INVESTMENTS IN SUBSIDIARIES

	2003		2002	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Çimtaş (Ningbo) Steel Processing Company Ltd.	**95.05**	**1,000,000**	95.05	1,000,000
2K Oturma Grupları Sanayi ve Ticaret A.Ş.	**62.85**	**176,764**	62.85	132,601
3K Mobilya Dekorasyon Sanayi ve Ticaret A.Ş.	**61.56**	**97,202**	61.56	73,095
Enka Müteahhitlik Hizmetleri A.Ş. (Enka Müteahhitlik)	**100.00**	**72,765**	99.98	72,758
Kelebek Möbel Vertriebs GmbH (Kelebek Möbel)	**63.08**	**68,932**	63.08	51,663
Enmar Trading Limited (Enmar Trading)	**99.97**	**48,931**	99.97	36,698
Pimapen Joint Stock Company (Pimapen Moscow)	**87.25**	**13,498**	87.25	10,000
Çimtaş Mechanical Constructing B.V.*	**-**	**-**	95.05	18,030
Diagno Tıbbi Cihaz ve Malzemeleri Tic. A.Ş. (Diagno)	**-**	**-**	99.01	337,095
Likya Turizm A.Ş. (Likya Turizm)	**-**	**-**	97.00	119,886
Enet Proje Araştırma ve Müşavirlik A.Ş. (Enet)	**-**	-	-	-
Kasktaş Arabia Ltd.	-	-	-	-
Yapı Sistemleri İnşaat ve Sanayi A.Ş.(Yapı Sistemleri)	-	-	-	-
Others		**6,993**	-	6,912
		1,485,085		1,858,738

* included in the scope of consolidation as of December 31, 2003 on the grounds of increased materiality.

During 2003, Diagno and Likya Turizm have been written off due to the permanent impairment realised in those subsidiaries.

During 2002, Yapı Sistemleri, Enet and Kasktaş Arabia was written off due to the permanent impairment realised in those subsidiaries

13. INVESTMENTS AVAILABLE FOR SALE (NON-CURRENT)

	2003		2002	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Susanbaş Değirmencilik A.Ş. (Susanbaş)	**99.35**	**6,004,985**	99.35	4,179,613
Bursa Serbest Bölge Kurucu ve İşleticisi A.Ş.	**1,00**	**150,000**	1.00	150,000
Yapı ve Kredi Bankası A.Ş. (YKB)	**less than 1**	**238,928**	less than 1	96,886
Tohum Türkiye Otizm Erken Tanı ve Eğitim Vakfı (Tohum Vakfı)	**16.65**	**50,000**	-	-
Sınai Mali Yatırım Holding	**less than 1**	**53,244**	less than1	51,000
T. İmar Bankası	**less than 1**	**43,428**	less than 1	43,428
Türk Sınai Kalkınma Bankası (TSKB)	**less than 1**	**57,213**	less than 1	24,408
Others		**13,041**		42,084
		6,610,839		4,587,419

All the investments whose fair value could be measured reliably are carried at fair value with unrealized gains or losses reflected in consolidated statement of income. For those investments whose fair value could not be measured reliably, they are continued to be carried at cost less a provision for diminution in value and restated to equivalent purchasing power as of December 31, 2003.

13. INVESTMENTS AVAILABLE FOR SALE (NON-CURRENT) (continued)

In prior years, the investment in Susanbaş was written off due to the permanent impairment realized because of the cease of this investment's operations. After the adoption of IAS 39 in 2001, in order to measure its investment in Susanbaş at fair value, the Company obtained an appraisal report from professionally qualified valuers to determine the market value of this company's assets and the appraisal value is accepted as the fair value of this investment.

As of December 31, 2003 and 2002, fair value of TSKB and YKB, whose shares are traded at ISE, are determined by reference to ISE quoted market bid prices at the close of business at balance sheet dates.

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings and Barracks	Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Scaffolding and Formworks	Others	Construction in Progress	Leased Assets	Total
COST										
At January 1, 2003, as previously reported	9,421,128	217,364,460	141,115,876	12,229,601	34,801,567	3,693,564	5,645,832	35,392,865	8,145,809	467,810,702
Change in the scope of consolidation	34,740	(43,712,446)	(10,328,084)	-	(1,436,583)	-	-	(3,010,557)	-	(58,452,930)
At January 1, 2003, as restated	9,455,868	173,652,014	130,787,792	12,229,601	33,364,984	3,693,564	5,645,832	32,382,308	8,145,809	409,357,772
Exchange and remeasurement adjustment	429,063	26,523,877	16,166,418	658,273	2,198,272	-	272,490	937,326	-	47,185,719
Additions	269,311	1,190,373	13,992,693	2,070,851	3,568,537	482,353	1,066,610	41,711,483	929,793	65,282,004
Disposals	(133,626)	(172,949)	(4,098,398)	(3,046,345)	(1,269,888)	-	(617,507)	(378,392)	-	(9,717,105)
Revaluation adjustment	-	1,718,579	-	-	-	-	-	-	-	1,718,579
Transfers to investment property	-	(347,588)	-	-	-	-	-	(42,981,994)	-	(43,329,582)
Transfers from construction in progress	108,276	1,547,695	1,965,780	-	57,693	-	-	(3,679,444)	-	-
At December 31, 2003	**10,128,892**	**204,112,001**	**158,814,285**	**11,912,380**	**37,919,598**	**4,175,917**	**6,367,425**	**27,991,287**	**9,075,602**	**470,497,387**
ACCUMULATED DEPRECIATION										
At January 1, 2003, as previously reported	1,725,968	98,092,279	114,986,430	10,433,838	25,497,965	3,603,703	3,822,857	-	3,546,549	261,709,589
Change in the scope of consolidation	6,684	(2,506,152)	(3,291,866)	-	(771,816)	-	-	-	-	(6,563,150)
At January 1, 2003, as restated	1,732,652	95,586,127	111,694,564	10,433,838	24,726,149	3,603,703	3,822,857	-	3,546,549	255,146,439
Exchange and remeasurement adjustment	283,569	21,093,852	14,800,604	462,094	1,537,394	-	130,461	-	-	38,307,974
Charge for the year	179,201	3,036,471	6,990,830	1,037,388	2,882,314	173,676	823,118	-	418,654	15,541,652
Disposals	(168)	(66,451)	(2,058,191)	(2,645,041)	(1,245,282)	-	(201,123)	-	-	(6,216,256)
Transfers to investment property	-	(30,854)	-	-	-	-	-	-	-	(30,854)
At December 31, 2003	**2,195,254**	**119,619,145**	**131,427,807**	**9,288,279**	**27,900,575**	**3,777,379**	**4,575,313**	**-**	**3,965,203**	**302,748,955**
NBV at January 1, 2003	**7,723,216**	**78,065,887**	**19,093,228**	**1,795,763**	**8,638,835**	**89,861**	**1,822,975**	**32,382,308**	**4,599,260**	**154,211,333**
NBV at December 31, 2003	**7,933,638**	**84,492,856**	**27,386,478**	**2,624,101**	**10,019,023**	**398,538**	**1,792,112**	**27,991,287**	**5,110,399**	**167,748,432**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Market Valuations

The Company's lands and buildings in Turkey have been revalued as a result of appraisal studies carried out in 2003 by an international appraisal firms to the extent of a total amount at U.S. Dollars 24,059,674 (2002 - U.S.Dollars 21,201,351). 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 9,378,832 (2002 - U.S. Dollars 8,522,145). Such revaluation surplus is not available for distribution.

When assets are sold or otherwise disposed of, the costs and the related accumulated depreciation are removed from the accounts and resulting gain or loss is reflected in the net income. Upon the disposal of the revalued asset, the relevant portion of the revaluation surplus realized in respect of previous valuation is released from the revaluation surplus directly to retained earnings. Further, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is realized from the revaluation surplus to retained earnings on annual basis as the asset is used by the Company.

Construction in Progress

As of December 31, 2003, construction in progress account mainly represents activities in Moscow; for a construction of a hotel complex at a cost of U.S. Dollars 12,750,563, which is commenced in April 2003 and expected to be completed in 2005 with an estimated cost of USD 60 million excluding VAT tax; new hyperstores in Sivastopolsky and Vernandskovo at a total cost of U.S. Dollars 7,106,244 and a new business center at a total cost of U.S. Dollars 6,357,535. Upon completion, these constructions in progress will be transferred mainly to investment property.

Leased Assets

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

Pledge on Property Plant and Equipment

Under the terms of the loan agreement signed with the International Finance Corporation (IFC) the property, plant and equipment with a net book value of U.S. Dollars 62,958,967 (2002-U.S. Dollars 52,114,883) are pledged for security. Also the Company has collateralized the plant facilities with an amount of U.S. Dollars 5,464,330 (2002-U. S. Dollars 1,923,930) as guarantee to Ministry of Finance for the possible penalty charges (See Note 29).

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

15. INTANGIBLE ASSETS

	Land Lease Rights	Others	Total
At January 1, 2003, net of accumulated amortisation, as previously reported	16,477,305	1,211,895	17,689,200
Change in the scope of the consolidation	-	(138,314)	(138,314)
At January 1, 2003, net of accumulated amortisation, as restated	**16,477,305**	**1,073,581**	**17,550,886**
Exchange and remeasurement adjustment	-	114,471	114,471
Additions		39,868	39,868
Disposals		(8,803)	(8,803)
Amortisation charge for the year	(395,877)	(240,675)	(636,552)
At December 31, 2003, net of accumulated amortisation	**16,081,428**	**978,442**	**17,059,870**
At December 31, 2002			
Cost	19,434,984	1,647,571	21,082,555
Accumulated amortisation	(2,957,679)	(573,990)	(3,531,669)
Net carrying amount	16,477,305	1,073,581	17,550,886
At December 31, 2003			
Cost	19,434,984	1,930,924	21,365,908
Accumulated amortisation	(3,353,556)	(952,482)	(4,306,038)
Net carrying amount	**16,081,428**	**978,442**	**17,059,870**

Land lease rights mainly represents the rights to use 4 land plots in the city of Moscow for the purpose of constructing buildings, for a period of 49 years. These rights are amortised over a 49 year period.

The intangible assets of the Company at the amount of U.S. Dollars 97,000 (2002 - U.S. Dollars 145,500) are pledged as security for IFC loan (see Note 17). No indication of impairment of the intangible assets exists at the reporting date.

16. INVESTMENT PROPERTIES

The movement of investment properties is as follows :

	2003
At January 1, as previously reported	469,599,064
Change in the scope of the consolidation	(55,682,302)
At January 1, as restated	**413,916,762**
Exchange and remeasurement adjustment	19,990,843
Transfers from property, plant and equipment and construction in progress	43,298,728
Additions	136,878
Disposals	(108,639)
Loss from change in fair value, net	(1,524,075)
At December 31,	**475,710,497**

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

16. INVESTMENT PROPERTIES (continued)

The investment properties owned by MKH, located in central Moscow, Russia on land 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 July 1, 2003 at fair value by an independent professionally qualified valuer and the fair value has been set as U.S. Dollars 188,776,000 (2002- U.S. Dollars 177,000,000). The basis used for the appraisal was the income capitalization approach and the land which is hold under operating lease has been excluded from the valuation of the property Bank borrowings of MKH are secured by investment property with a value of U.S. Dollars 50,000,000 .

The fair value of the investments in leased properties of Mosenka amounting at a total of U.S. Dollars 61,731,000 (2002 - U.S. Dollars 63,469,000) has been determined based on valuations performed by independent professionally qualified valuers on the basis of market value, supported by market evidence, in accordance with International Valuation Standards

Part of the premises owned by Ramenka and leased to tenants on a continuing basis are treated as an investment property. The fair value of investment properties as of December 31, 2003 based on an independent appraiser's report is U.S Dollars 67,901,339. 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 marketing evidence to an 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. As of December 31, 2002, the fair value of the investment property has been estimated as U.S. Dollars 55,682,302 using the discounted cash flow projections as of the year end. The investment property was not valued by an independent valuer as of December 31, 2002. The investment property of Ramenka is shown as a security for the IFC loan.

Fair value of the investment properties in Russia at a total amount of U.S. Dollars 150,789,000 (2002 – U.S. Dollars 112,999,469) which are used as business centers and apartment complexes as well as the remaining investment properties owned by Enka İnşaat are determined based on the valuations performed by independent, professionally qualified valuers on the basis of the calculations, considerations and other information obtained in the course of market research.

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

17. BANK BORROWINGS

	Interest Rate	Original Currency		U.S. Dollar Equivalent
	2003			
Short-term				
Short-term bank borrowings	**3.50% - 5.40%**	**USD**	**3,529,554**	**3,529,554**
	4.54% - 7.00%	**EURO**	**3,990,371**	**4,987,964**
	26.00 % - 53.00%	**TL**	**10,269,629**	**7,357,337**
Total short-term bank borrowings				**15,874,855**
Long-term				
IFC Loan	**Libor+(2.35%- 5.83%)**	**USD**	**54,638,000**	**54,638,000**
Iraq related Eximbank loans		**USD**	**80,699,079**	**80,699,079**
		EURO	**2,240,618**	**2,801,218**
Other long-term bank borrowings	**2.58% - 6.40%**	**EURO**	**42,565,249**	**53,206,561**
	1.12% -13.00%	**USD**	**60,593,919**	**60,593,919**
	0.50%- 4.00%	**JPY**	**1,745,419,658**	**16,288,341**
Obligations under financial lease	**1.27%**	**EURO**	**643,788**	**804,735**
	3.81%	**USD**	**3,848,840**	**3,848,840**
				272,880,693
Less: Current portion of long-term bank borrowings and financial lease obligations				**(44,524,768)**
Less: Money received from UNCC by Eximbank (also see Note 6)				**(31,863,355)**
Total long-term bank borrowings				**196,492,570**

	Interest Rate	Original Currency		U.S. Dollar Equivalent
	2002			
Short-term				
Short-term bank borrowings	Libor+(1.80%-12.23%)	USD	20,694,524	20,694,524
	6.25%- 7.13%	EURO	1,090,880	1,136,914
	0.90%	JPY	115,477,243	968,119
	-	TL	776,250	474,916
Total short-term bank borrowings				23,274,473
Long-term				
IFC Loan	Libor+(2.35%-5.83%)	USD	29,144,997	29,144,997
Iraq related Eximbank loans	-	USD	80,699,079	80,699,079
	-	EURO	2,240,618	2,335,170
Eximbank loans	Libor+ 1.18%	USD	1,189,021	1,189,021
Other long-term bank borrowings	3.0% - 13.0%	USD	36,153,928	36,153,928
	Libor +(0.50%-6.40%)	EURO	22,334,020	23,276,166
	Tibor +(1.5% -4.29%)	JPY	379,176,307	3,173,062
Obligations under finance leases	3.81%	USD	4,179,916	4,179,916
	1.00%-1.81%	EURO	48,880	50,943
				180,202,282
Less: Current portion of long-term bank borrowings and financial lease obligations				(26,591,881)
Less: Money received from UNCC by Eximbank (also see Note 6)				(24,804,834)
Total long-term bank borrowings				128,805,567

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

17. BANK BORROWINGS (continued)

IFC Loan

Ramenka signed five loan agreements with IFC which are utilised for the construction and development of hyperstores and supermarkets in Moscow. Loan agreements contain covenants on adequacy of free cash flow, liquidity and gearing ratios. In year 2003 and 2002, the Company complied with all covenants. Under the terms of the loan agreement, the loans are secured by the entire amount of the Ramenka's assets. In addition, the shares of the Company in Ramenka with nominal value of RR 155,286,560 has been pledged based on the amendment of IFC loan agreement conditions. All IFC loans are repayable in equal instalments every six months and libor is fixed every six months.

Iraq Related Eximbank Loans

Iraq related loans are secured by Eximbank. Iraq progress billings amounting to U.S. Dollars 55,230,457, treasury bills amounting to U.S. Dollars 1,611,437, machinery and equipment amounting to U.S. Dollars 101,587,253 that were left at Iraq jobsites, were assigned to Eximbank. As further explained in Note 6**,** a portion of the money received from UNCC at an amount of U.S. Dollars 31,863,355 (2002- U.S. Dollars 24,804,834) is kept by Eximbank for the loans provided. Such amounts are netted of from the above-mentioned borrowing balance. There is not any repayment plan between the Company and Eximbank for the remaining balance and the Company has not accrued any interest for these borrowings. Management's expectation is that those interests will not be collected from the Company and this issue will ultimately be resolved among Eximbank and the Turkish Undersecretariat of Treasury.

Other Long Term Bank Borrowings

As of December 31, 2003, U.S Dollars 30,000,000 (2002- U.S. Dollars 20,000,000) of the long-term bank borrowings is secured with the bank deposit at the same amount.

On 5 November 2003 the consolidated subsidiary MKH obtained a loan for USD 45 millions for financing of the construction of a hotel complex with final repayment on 30 October 2011. As at 31 December 2003, the Company has drawn down USD 20.5 million of the loan in accordance with the draw down schedule. As of December 31, 2003, these long-term bank borrowings are secured by the pledge of rental revenues, investment property to the value of USD 50 million and leasehold rights on land.

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

	2003	2002
Years	Amount	
2003	**-**	26,591,881
2004	**44,524,768**	15,948,274
2005	**35,871,378**	10,338,427
2006	**27,245,442**	7,492,988
2007	**45,478,453**	26,319,984
2008	**23,819,279**	2,546,014
2009	**5,259,123**	2,601,019
2010	**5,075,350**	2,930,343
2011	**1,404,269**	1,696,769
2012	**463,824**	463,824
2013	**238,510**	238,510
Less : Current portion of long term debt	**(44,524,768)**	(26,591,881)
Total long term borrowings	**144,855,628**	70,576,152

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

18. ACCOUNTS PAYABLE

The breakdown of current accounts payable is as follows :

	2003	2002
Trade payables	**80,664,136**	55,458,110
Advances payable	**34,501,576**	15,664,859
Notes payable	**860,711**	648,068
Other payables	**1,652,794**	513,906
	117,679,217	72,284,943

The breakdown of non current accounts payable is as follows :

	2003	2002
Trade payables	**346,484**	11,363,700
Advances payable	**735,507**	2,399,701
	1,081,991	13,763,401

19. OTHER CURRENT AND NON CURRENT LIABILITIES AND ACCRUED EXPENSES

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

	2003	2002
Deferred income	**17,525,611**	14,595,818
VAT payable	**8,756,258**	3,306,847
Taxes and funds payable	**6,288,833**	3,910,122
Payroll payable	**4,143,704**	7,127,816
Deposit taken	**1,356,006**	1,648,915
Operating lease payable	**1,250,000**	1,250,000
Cost of contract accrual	**28,279**	1,323,386
Other accrued liabilities	**2,428,691**	2,589,498
	41,777,382	35,752,402

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

	2003	2002
Operating lease payable	**-**	1,250,000
Other	**-**	210,474
	-	1,460,474

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

The corporation tax rate for the fiscal year ended December 31, 2002 was 30% plus an additional 10% fund levy, giving an effective tax rate of 33%. A 19.8% withholding tax was applied to investment deductions which were exempt from corporation tax. Until April 24, 2003,where distributions had been made in respect of 2002 and prior years, withholding taxes of 5.5% and 16.5% (both including the additional 10% fund levy) applied to distributions made by either public or private corporations, respectively. This withholding tax only applied to amounts distributed that had been subject to corporation tax.

Law No. 4842, effective from April 24, 2003, abolished the 10% fund levy. Beginning with 2003, the effective corporation tax rate reverted to 30%. However, with Law No. 5035 published at January 2, 2004, only for the year 2004 the corporation tax will be calculated at 33%.

Effective from April 24, 2003, income from 2002 and prior years will not be subject to withholding taxes if it is undistributed, is transferred to share capital or is distributed to resident tax-paying corporations. Where profits are distributed to resident taxpaying real persons, to those who are exempt from income and corporate tax, to those who are not income or corporation tax payers, to non-resident corporations, to non-resident real persons and to those who are exempt from income tax, a 10% withholding tax is applied. However profit distributions up to December 31, 2003 shall be subject to an effective tax rate of 11% due the continuation of the fund levy until that date. On the other hand, profit distributions on income from 2002 and prior years which had been exempt from corporation tax and income which had been subject to 19.8% withholding tax due to investment incentive certificates obtained based on applications made prior to April 24, 2003 will not be subject to withholding tax.

Effective from April 24, 2003, investment incentive certificates will not be required to utilise an investment deduction in calculating the corporate income tax base. No withholding taxes will apply to the investment deduction; however the deduction will be limited to 40%. Investment deductions made as a result of holding investment incentive certificates for which application was made prior to April 24, 2003, and unused investment deductions carried forward from previous periods due to insufficient taxable profits, will be subject to a 19.8% withholding tax. Where, however, investment certificates were obtained based on applications made prior to April 24, 2003, an exemption from this withholding tax is available if written notification was made to the tax authorities before May 15, 2003. In this case the investment deduction will be limited to 40%. With the Law No. 5024 published on December 30, 2003, tax-paying corporations which did not notify the tax authorities were given right to make a notification until the filing date of first quarterly temporary tax return subsequent to the date Law No. 5024 became effective which is January 1, 2004.

The tax legislation provides for a temporary tax of 30% (25% before April 24, 2003) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year. However, in accordance with Law No. 5035, effective from January 2, 2004, temporary taxes for the year 2004 will be calculated and paid at the rate of 33%.

Tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month (2002- 3 installments).

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

20. TAXATION ON INCOME (continued)

In 2003 and prior years, corporation tax is computed on the statutory income tax base determined in accordance with the Procedural Tax Code without any adjustment for inflation accounting. With Law No. 5024 published on December 30, 2003 related to changes in Procedural Tax Code, Income Tax Law and Corporation Tax Law, starting from January 1, 2004, taxable income will be derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet will not be subject to corporation tax, and similarly accumulated deficits arising from such application will not be deductable for tax purposes. Moreover, accumulated tax loss carryforwards related to 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years.

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

The Turkish tax legislation does not allow the calculation of taxes on a consolidation basis. Therefore, each subsidiary, joint venture and Enka İnşaat are taxed on the profits reported in their stand-alone financial statements at rates applicable in countries in which they are registered with the tax authorities.

Tax Legislations in Other Countries

Starting from January 1, 2002, as a result of the changes in the Russian tax legislations, the Company's operations in Russia are subject to corporation tax calculated based on the actual profit with a rate of 24% instead of the deemed profit method of taxation with an effective rate of 7%.

As of December 31, 2003, the effective tax rates in Croatia and Holland is 20% and 34.5% respectively. For the projects located in Africa, the tax rates vary between 30% and 38.5%.

The total provision for taxation applicable to net income is different than the amount computed applying the statutory tax rate to income before taxation since certain expenses are not tax deductible.

As of December 31, 2003 and 2002, the total taxation charge applicable to income is different than the amount computed by applying the statutory tax rate to income before taxes as shown in the following reconciliation:

	2003		2002	
	Amount		Amount	
Tax per statutory tax rate	**65,915,744**	**30%**	63,167,329	33%
Effect of equity pick up revenue	**(12,336,848)**	**(6%)**	(14,162,585)	(7%)
Effect of lower tax rates in foreign jobsites	**(7,641,660)**	**(3%)**	(25,374,770)	(13%)
Jobsites exempt from income tax	**(5,810,668)**	**(3%)**	(5,411,436)	(3%)
Permanent differences	**5,456,494**	**3%**	7,010,179	3%
Adjustments effect on jobsites subject to completed contract taxation method	**(9,143,930)**	**(4%)**	(5,462,020)	(3%)
Others	**(11,257,486)**	**(5%)**	1,952,976	1%
Taxation charge	**25,181,646**	**12%**	21,719,673	11%

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

20. TAXATION ON INCOME (continued)

The breakdown of temporary differences which give rise to deferred taxes is as follows :

	2003	2002
Deferred income tax liabilities		
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	**(102,602,730)**	(102,409,543)
Adjustment for percentage of completion method application on construction projects	**(15,705,375)**	(13,685,947)
Adjustment to construction projects subject to Double Tax Treaties	**(750,233)**	(288,263)
Income accrual adjustments	**(569,100)**	-
Utilization of investment incentives	**(465,181)**	-
Deferred financial expenses	**(421,515)**	-
Remeasurement of inventories	**-**	(761,070)
Others	**(1,176,329)**	(196,351)
Gross deferred income tax liabilities	**(121,690,463)**	(117,341,174)
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	**1,534,992**	-
Reserve for employee termination benefit	**1,129,627**	1,557,640
Allowance for doubtful receivables	**757,971**	416,623
Remeasurement of inventories	**184,555**	-
Tax loss carry-forward	**-**	640,985
Others	**310,202**	334,245
Gross deferred income tax assets	**3,917,347**	2,949,493
Net deferred tax liability	**(117,773,116)**	(114,391,681)

As of December 31, 2003, the Company has tax losses arising in Turkey of U.S. Dollars 13,322,534 (TL 18,596,059 million) (2002- U.S.Dollars 9,234,885 equivalent of TL 15,094,428 million) that are available for five years for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Company and they have arisen in subsidiaries that have been loss-making for some time. Also Kelebek Mobilya, the Company's fully consolidated subsidiary, has not recognised deferred tax asset arising from remeasurement and revaluation of property, plant and equipment, intangible assets and investment property amounting to U.S. Dollars 3,834,444 and from reserve for employee termination benefit amounting to U.S. Dollars 942,374, due to uncertainty regarding their realizability.

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

	2003
Balance at January 1, of Enka İnşaat and its susidiaries	100,644,652
Balance at January 1, of the joint ventures followed up on line by line basis	13,747,029
Balance at January 1, of the joint ventures	4,347,820
	118,739,501
Deferred income tax benefit recognized in income statement	**7,456,884**
Deferred income tax benefit recognized in equity	**(198,172)**
Monetary loss	**(7,175,222)**
Balance at December 31 of Enka İnşaat and its susidiaries	**101,201,575**
Balance at January 31, of the joint ventures followed up on line by line basis	**16,571,541**
Balance at December 31, of the joint ventures	**1,049,875**
	118,822,991

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

21. EMPLOYEE TERMINATION BENEFİT

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or who retires after completing 25 years of service (20 years for women). The amount payable consists of one month's salary limited to a maximum of TL 1,390 million (U.S. Dollars 996) (2002-TL 1,260 million (U.S. Dollars 771)) for each year of service at December 31, 2003.

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

The movement of provision for employee termination is as follows:

	2003
At January 1,	5,562,098
Charge for the year	1,936,132
Utilized provision	(526,400)
Monetary gain	(295,740)
At December 31,	**6,676,090**

22. NEGATIVE GOODWILL

As a result of the purchase of 8.99% of the shares of Adapazarı Elektrik, Gebze Elektrik and İzmir Elektrik on December 3, 2003, a negative goodwill in excess of the fair value of net assets acquired over cost at the amount of U.S. Dollars 16,327,623 has been recorded in the consolidated financial statements.

23. MINORITY INTERESTS

The movement minority interest during the year ended December 31, 2003 is as follows:

	2003
January 1, as previously reported	171,693,487
Change in the scope of the consolidation	(69,045,217)
January 1, as restated	102,648,270
Exchange and remeasurement adjustment	5,596,757
Dividends paid	(7,626,090)
Share of net profit of subsidiaries	10,887,409
December 31	**111,506,346**

24. SHARE CAPITAL

	2003		2002	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Tara Holding	**47.24%**	**37,793,975**	47.11%	26,505,857
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	**4.37%**	**3,496,183**	3.24%	1,822,934
Enka Spor Eğitim ve Sosyal Yardım Vakfı	**6.49%**	**5,192,271**	6.49%	3,651,494
Tara and Gülçelik families	**29.89%**	**23,913,250**	30.95%	17,413,522
Publicly traded	**12.01%**	**9,608,502**	12.21%	6,869,588
	100.00%	**80,004,181**	100.00%	56,263,395

24. SHARE CAPITAL (continued)

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

As of December 31, 2003, the Company's historical subscribed and issued share capital in the statutory books is TL 100,000,000 million (2002- TL 50,355,593 million), which consisted of 100,000,000,000 (2002- 50,355,593,000) authorized and fully paid shares, each with TL one thousand nominal value.

The movement of the share capital *(in numbers and in historical TL)* of the Company during 2003 is as follows:

	2003	
	Number	**Million TL**
At January 1,	50,355,593,000	50,355,593
Shares issued in		
- bonus shares issued out of revaluation reserve of investment and fixed assets	22,359,631,000	22,359,631
- bonus shares issued out of general reserve	27,284,776,000	27,284,776
At January 31	**100,000,000,000**	**100,000,000**

In addition to the above mentioned shares, founders of Enka İnşaat and Enka Holding have one thousand founders share each. The founders' share of Enka İnşaat and the founders share of Enka Holding are entitled to receive, 10% and 5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

25. 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 Turkish lira in accordance with the Company's Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Composition of retained earnings (per statutory financial statements of the Company) at December 31, 2003 and 2002 is as follows:

	2003		2002	
	TL Millions	**U.S. Dollars**	TL Millions	U.S. Dollars
- Legal reserves	**11,275,757**	**8,078,145**	6,933,516	4,967,289
- Undistributed general reserve	**-**	**-**	-	-

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

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

25. LEGAL RESERVES AND ACCUMULATED PROFIT (continued)

Dividends Paid and Proposed

During 2003, the dividend distributed was at an amount of TL 23,299,259 million (U.S Dollars 16,075,506).

As of the report date, the dividend distribution from 2003 operations has not been approved yet.

26. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2003.

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.

27. RELATED PARTY TRANSACTIONS

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Tara Holding (47.24%) and Tara and Gülçelik families (in total 29.89 %). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also includes management and members of the Company's Board of Directors

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

(a) Trade receivables/payables

	2003		2002	
	Receivables	**Payables**	Receivables	Payables
Entrade Limited	**15,533,335**	**-**	15,179,554	-
ZAO Kelebek	**687,520**	**-**	633,816	-
Burkas	**577,184**	**-**	-	-
Enmar Trading Limited	**-**	**13,099,386**	-	4,526,909
Others	**634,503**	**221,460**	679,409	-
	17,432,542	**13,320,846**	16,942,779	4,526,909

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

27. RELATED PARTY TRANSACTIONS (continued)

As of December 31, 2003, U.S. Dollars 15,533,335 (2002 - U.S. Dollars 11,341,980) of total receivables from Entrade Limited consists of long-term receivables.

(b) Other receivables/payables

	2003		2002	
	Receivables	**Payables**	Receivables	Payables
Entrade Limited	**5,599,332**	**-**	4,199,332	-
Enet	**322,687**	**-**	568,814	-
Enka Muteahhitlik	**-**	**-**	1,661,067	-
Others	**1,005,554**	**-**	275,124	155,785
Individual Shareholders	**-**	**21,815**	312,470	-
	6,927,573	**21,815**	7,016,807	155,785

(c) Transactions during the year

	2003	2002
Sales and Services to Related Parties		
Sales	**2,914,523**	2,632,567
Marketing, research and other services given	**1,187,958**	1,006,945
Rent income	**198,166**	272,210
Participation of the related parties into general and administration expenses of the Company	**36,243**	117,974
Other income, net	**-**	214,368
Purchases and Services from Related Parties		
Purchases	**57,363,991**	27,386,258

Director's remuneration

The executive management of the Company received remuneration totaling U.S. Dollars 8,136,794 (2002- U.S. Dollars 6,692,616).

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

28. REVENUES AND EXPENSES

	2003	2002
Other Operating Income		
Service income	**10,044,114**	3,405,191
Insurance compensation income	**5,657,531**	3,623,313
Reversal of excess tax expense	**3,728,804**	3,064,340
Rent income	**2,896,371**	1,516,104
Reversal of provision for VAT	**1,572,702**	-
Gain from sales of property, plant and equipment, net	**1,284,594**	672,918
Incentive received	**1,093,925**	-
Reversal and collection of doubtful receivables previously reserved for	**950,589**	6,705,203
Difference arising from the reconciliation of current accounts	**845,118**	1,157,033
Commission income	**442,126**	164,738
Term difference income	**345,327**	524,402
Machinery rent income	**314,044**	1,237,945
Others	**1,488,421**	2,238,808
	30,663,666	24,309,995
Other Operating Expense		
Loss from sales of property, plant and equipment	**2,856,756**	1,502,031
Provision for legal cases	**2,700,000**	-
Loss from change in fair value in investment properties	**1,524,075**	1,181,784
Incentives given	**2,092,000**	-
Tax indemnities	**2,622,922**	-
Idle time expenses	**1,361,496**	-
Impairment provision of subsidiaries and investments in associate (including the re-measurement effect)	**1,414,791**	1,856,100
Donations	**1,072,839**	1,412,614
Non-deductible expenses	**896,137**	-
Tax penalties	**493,738**	916,305
Commission expense	**217,275**	676,162
Provision for doubtful receivables	**116,591**	5,700,375
Provision for Iraq losses	**-**	20,293,191
Development cost written off (see Note 2)	**-**	19,264,545
Goodwill written off	**-**	2,100,000
Provision for VAT Deductible	**-**	1,572,702
Others	**2,236,140**	1,559,580
	19,604,760	58,035,389
Financial Income		
Interest income	**23,195,958**	25,646,975
Forward income	**8,734,072**	-
Income from valuation and sale of investment securities	**8,037,949**	16,555,452
Foreign exchange difference income	**6,329,410**	-
	46,297,389	42,202,427

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

28. REVENUES AND EXPENSES (continued)

	2003	2002
Financial Expenses		
Interest expenses	**6,024,348**	9,935,131
Bank commission expenses	**6,328,993**	3,459,390
Losses from valuation and sale of investment securities	**3,886,956**	6,855,774
Commission expenses of letters of guarantee	**80,502**	641,195
Others	**115,978**	307,959
	16,436,777	21,199,449

Depreciation and amortisation included in consolidated income statement is as follows:

	2003	2002
Depreciation included in		
Cost of revenues	**18,167,650**	21,444,267
Selling and administrative expenses	**8,441,871**	4,175,758
Other operating expense	**246,840**	125,289
Inventory	**286,435**	352,107
	27,142,796	26,097,421
Amortization included in		
Cost of revenues	**31,588**	50,652
Selling and administrative expenses	**602,524**	615,564
Inventory	**2,440**	13,179
	636,552	679,395
Staff costs		
Wages and salaries	**102,315,832**	73,340,478
Social security costs	**8,053,428**	8,346,955
Provision for employee termination benefits	**1,936,132**	2,533,024
Other benefits	**4,613,846**	5,985,530
Staff costs capitalized on construction in process	**1,572,610**	1,073,394
	118,491,848	91,279,381

The average number of employees for the years is:

	2003	2002
Turkey	**1,989**	2,292
Other regions	**12,995**	10,208
	14,984	12,500

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

29. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

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

	2003	2002
Within one year	**2,457,012**	633,171
After one year but not more than five years	**9,424,226**	2,532,700
More than five years	**20,600,654**	11,939,863
	32,481,892	15,105,734

Construction Commitments

The Company has a commitment in respect of the construction of a hotel in Moscow, Russia. Construction will commence during 2003 and is estimated to cost approximately USD 60 million excluding VAT tax. The Company's Management believes that future net revenues and external funding will be sufficient to cover this commitment.

Litigations

- The Company has a tax dispute with the Croatian Tax Authorities related to the profit tax of the years 1998, 1999 and 2000 at an amount of U.S Dollars 8,743,201 including the interest of U.S Dollars 2,806,600. As the Company's Management currently believes that the case will result in favor of the Company, no provision is provided for this case in the consolidated financial statements. Furthermore, there are several lawsuits opened against the Company related to the quarries' permit through the construction of the motorway project. The Company has reflected a provision of U.S Dollars 2,700,000 in the consolidated financial statements for those lawsuits as of December 31, 2003.

- One of the consolidated companies, Pimaş is a party to various legal proceedings opened by Ministry of Finance related to its export transactions. In addition to this, Foreign Trade Tax Office of Ministry of Finance has resolved to demand precautionary assessment and guaranty from Pimaş relating to the VAT liabilities for the export transactions mentioned above. Pimaş has showed its plant facilities as guarantee for the amount demanded, which was U.S. Dollars 5,464,330 (TL 7,627,304 million), and the plant facilities were sequestrated on the related title deed registration. Pimaş has opened a legal case for the annulment of the guarantee decision by defending that the sequestration process was unjust. In 2003, Pimaş decided to benefit from the Tax Peace Laws, which came into effect in 2003, and accepted to pay tax indemnities at an amount U. S. Dollars 1,751,454 to close such disputes. The provision for such liabilities amounting to U.S. Dollars 950,017 has been reflected in the consolidated financial statements as of December 31, 2003, additional to the amount provided as of December 31,2002 which was U.S Dollars 801,437. As of the report date, the case opened for the annulment of the sequestration is still continuing.

  In addition to the above-mentioned litigations, the Company is involved in various other less significant legal proceedings. The Company believes it has adequate legal defenses with respect of the each suits. The Company's Management currently believes that the cases will result in favor of the Company. As the ultimate outcome of such cases can not presently determined, no provision for any liability has been made in the consolidated financial statements.

29. COMMITMENTS AND CONTINGENCIES (continued)

Others

- The Russian economy while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms

  The Company's operations and financial position will continue to be affected by Russian political developments including the application of existing and future legislations and tax regulations. The Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in Russia.

- The Company has signed a pledge and assignment agreement dated as of October 27, 2000, with Westdeutsche Landesbank Girozentrale İstanbul Branch (Onshore Collateral Agent) in return of the loans obtained by Adapazarı Elektrik, Gebze Elektrik and İzmir Elektrik, its investments in associates. The Company 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 December 31, 2003, the Company has outstanding letters of guarantee and collaterals amounting to U.S. Dollars 258,617,780 (2002 - U.S. Dollars 333,515,592) 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 81,813,646 (2002 - U.S. Dollars 174,446,624) is related to joint ventures.

- As of December 31, 2003, the Company is contingently liable as an endorser of notes discounted and/or as guarantor at the close of business on that date at the total amount of U.S. Dollars 79,042,718 (2002 – U.S. Dollars 59,414,784).

30. DERIVATIVES

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

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

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

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

30. DERIVATIVES (continued)

As of December 31, 2003 the notional amounts of forward transactions comprised :

	2003						
	Unrealized Gains	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives held for trading							
Forward sale contract	8,734,072	16,012,5544	18,158,032	33,165,234	20,153,222	-	-
Forward purchase contract	-	16,956,044	20,386,272	37,076,330	21,687,060	-	-

31. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Company'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 Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Company is exposed to market risk, including primarily changes in interest rates and currency exchange rates and uses other instruments in connection with its risk management activities. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

Interest Rate Risk

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

Foreign Currency Risk

The Company is engaged in construction, trading 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 Company is also exposed to foreign exchange movements on its net investments in foreign subsidiaries. The Company manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

Price Risk

The Company's exposure to price risk is minimal.

Credit Risk

Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instruments is generally limited to the amounts, if any, by their carrying values. It is the Company's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Company does not expect to incur material credit losses on its risk management or other financial instruments.

31. FINANCIAL INSTRUMENTS (continued)

Credit Risk Exposures

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

Significant Concentration of the Credit Risk

Concentration of credit risk exists when changes in economic, industrial or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. As of December 31, 2003, the Company's portfolio of financial instruments is broadly diversified along product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Liquidity Risk

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

Fair Value of Financial Instruments

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

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

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

32. SUBSEQUENT EVENTS

(a) Based on the Board of Directors'resolution dated January 26, 2004, the Company has decided to purchase the 25% of the shares of its associates Adapazarı Elektrik, Gebze Elektrik ve İzmir Elektrik at the amount of U.S. Dollars 167 million.

(b) The Company has signed a contract jointly with Bechtel International Inc. at the amount of Euro 2.2 billion related to the Romania motorway project that is planned to be completed in 9 years.