Enka İnşaat ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
December 31, 2006

ENKA İNŞAAT VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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ERNST & YOUNG

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Enka İnşaat ve Sanayi Anonim Şirketi and its Subsidiaries (Enka İnşaat and its Subsidiaries - the Group) which comprise the consolidated balance sheet at December 31, 2006 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of the consolidated entities, Moskva Krasnye Holmy (MKH), Open Joint-Stock Company Mosenka (Mosenka) and Limited Liability Company Ramenka (Ramenka) of which statements reflect total assets constituting 19% and net income constituting 14% of the related consolidated totals as of December 31, 2006. Those financial statements were audited by other international auditors whose reports have been furnished to us and our opinion insofar as they relate to data included for the above mentioned companies, is based solely on the reports of the other international auditors.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

March 23, 2007
İstanbul, Turkey

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED BALANCE SHEET
As at December 31, 2006
(Currency -- U.S. Dollars)

ASSETS

	Notes	2006	2005
Current assets			
Cash and cash equivalents	4	**784,429,703**	590,212,836
Investments available-for-sale	5	**222,706,933**	163,324,087
Trade and other accounts receivable	6	**561,692,610**	487,922,817
Inventories	7	**193,147,269**	147,664,872
Other current assets	8	**146,908,984**	105,845,550
Company's share in current assets of joint ventures	9	**220,177,649**	107,789,020
Costs and estimated earnings in excess of billings on uncompleted contracts	10	**88,296,952**	5,455,001
Total current assets		**2,217,360,100**	1,608,214,183
Non-current assets			
Trade and other accounts receivable	6	**31,508,811**	31,160,653
Investments in associates	11	**5,111,894**	4,771,175
Investments available-for-sale	5	**1,177,628**	1,256,571
Property, plant and equipment			
Company			
Buildings	12	**372,835,466**	312,973,096
Other property, plant and equipments	12	**1,802,803,503**	1,714,691,536
Company's share in joint ventures	9	**49,188,609**	47,420,771
Intangible assets	13	**17,725,930**	18,350,153
Goodwill	20	**55,151,210**	55,151,210
Investment properties	14	**833,567,716**	693,848,532
Other non-current assets	8	**40,246,079**	43,972,998
Deferred tax asset	18	**110,200,716**	144,325,971
Company's share in non-current assets of joint ventures	9	**-**	44,534
Total non-current assets		**3,319,517,562**	3,067,967,200
Total assets		**5,536,877,662**	4,676,181,383

The accompanying policies and explanatory notes on pages 7 through 64 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED BALANCE SHEET
As at December 31, 2006
(Currency -- U.S. Dollars)

LIABILITIES AND EQUITY

	Notes	2006	2005
Current liabilities			
Short-term borrowings	15	**61,464,116**	40,963,462
Current portion of long-term borrowings	15	**268,099,057**	225,371,287
Trade and other payables	16	**634,716,801**	387,288,064
Other current liabilities and accrued expenses	17	**105,580,575**	90,056,709
Taxation on income	18	**8,966,505**	8,075,168
Company's share in current liabilities of joint ventures	9	**80,032,122**	63,666,031
Billings in excess of costs and estimated earnings on uncompleted contracts	10	**36,276,443**	14,711,782
Total current liabilities		**1,195,135,619**	830,132,503
Non-current liabilities			
Trade and other payables	16	**84,035,641**	36,128,399
Long-term borrowings	15	**1,041,435,877**	1,267,855,754
Employee termination benefit	19	**9,777,367**	10,279,263
Deferred tax liability	18	**182,775,110**	167,899,481
Other non-current liabilities	17	**573,677,138**	457,234,091
Company's share in non-current liabilities of joint ventures	9	**103,816,040**	8,973,342
Total non-current liabilities		**1,995,517,173**	1,948,370,330
Equity			
Equity attributable to equity holders of the parent		**2,145,246,896**	1,716,791,087
Share capital	21	**361,567,057**	189,180,014
Revaluation surplus	12	**76,383,885**	78,929,893
Currency translation difference		**60,668,401**	22,869,977
Other reserves		**294,958**	(1,541,739)
Legal reserves and accumulated profit	22	**1,646,332,595**	1,427,352,942
Minority interest		**200,977,974**	180,887,463
Total equity		**2,346,224,870**	1,897,678,550
Total equity and liabilities		**5,536,877,662**	4,676,181,383

The accompanying policies and explanatory notes on pages 7 through 64 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2006
(Currency -- U.S. Dollars)

	Notes	2006	2005
Revenues		**4,029,756,515**	3,002,493,069
Cost of revenues		**(3,256,781,995)**	(2,431,239,206)
Gross profit		**772,974,520**	571,253,863
Selling and administrative expenses		**(243,948,562)**	(181,580,243)
Other operating income	25	**85,723,879**	113,968,368
Other operating expense	25	**(14,311,524)**	(13,024,927)
Profit from operations		**600,438,313**	490,617,061
Financial income	25	**64,148,736**	37,846,800
Financial expenses	25	**(113,874,579)**	(114,835,626)
(Loss)/Income from associates		**(160,220)**	710,004
Profit from operations before taxes		**550,552,250**	414,338,239
Taxation charge			
Current	18	**(60,888,282)**	(35,468,270)
Deferred	18	**(44,644,806)**	(26,294,061)
Net profit for the year		**445,019,162**	352,575,908
Attributable to :			
Equity holders of the parent		**411,949,975**	304,661,516
Minority interest		**33,069,187**	47,914,392
Net profit		**445,019,162**	352,575,908
Weighted average number of shares	21	**60,000,000,000**	60,000,000,000
Basic earnings per share attributable to equity holders of the parent - U.S. Dollar	23	**0.00687**	0.00508

The accompanying policies and explanatory notes on pages 7 through 64 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2006
(Currency -- U.S. Dollars)

	Attributable to equity holders of the parent						Minority interest	Total equity
	Share Capital (Note 21)	Revaluation Surplus (Note 12)	Currency Translation Difference	Other Reserves	Legal Reserves and Accumulated Profit	Total		
Balances, January 1, 2005 (as previously stated)	115,952,128	14,819,725	45,936,648	(2,393,899)	1,208,839,418	1,383,154,020	167,646,372	1,550,800,392
Revised effect of IAS 39 for available for sale investments (Note 2)	-	-	-	4,218,432	(4,218,432)	-	-	-
Adoption of IFRS 3 (Note 2)	-	-	-	-	17,037,868	17,037,868	-	17,037,868
Balances, January 1, 2005 (restated)	115,952,128	14,819,725	45,936,648	1,824,533	1,221,658,854	1,400,191,888	167,646,372	1,567,838,260
Currency translation difference	-	1,901	(23,066,671)	-	-	(23,064,770)	(5,074,685)	(28,139,455)
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 12)	-	(867,513)	-	-	867,513	-	-	-
Revaluation of buildings (Note 12)	-	64,975,780	-	-	-	64,975,780	20,157,644	85,133,424
Fair value adjustment on derivative assets	-	-	-	(285,251)	-	(285,251)	-	(285,251)
Net change in unrealized loss on available-for-sale investments	-	-	-	(3,081,021)	-	(3,081,021)	-	(3,081,021)
Total income and expense for the year recognized directly in equity	-	64,110,168	(23,066,671)	(3,366,272)	867,513	38,544,738	15,082,959	53,627,697
Profit for the year	-	-	-	-	304,661,516	304,661,516	47,914,392	352,575,908
Total income and expense for the year	-	64,110,168	(23,066,671)	(3,366,272)	305,529,029	343,206,254	62,997,351	406,203,605
Share capital increase from general reserve (Note 21)	73,227,886	-	-	-	(73,227,886)	-	-	-
Acquisition of minority interest in a subsidiary	-	-	-	-	-	-	(21,740,744)	(21,740,744)
Dividends paid (Note 22)	-	-	-	-	(26,607,055)	(26,607,055)	(28,015,516)	(54,622,571)
Balances, December 31, 2005	189,180,014	78,929,893	22,869,977	(1,541,739)	1,427,352,942	1,716,791,087	180,887,463	1,897,678,550
Currency translation difference	**-**	**224,603**	**37,798,424**	**-**	**-**	**38,023,027**	**14,007,007**	**52,030,034**
Transfer of depreciation difference (net of deferred tax) of revaluation effect (Note 12)	**-**	**(2,663,550)**	**-**	**-**	**2,663,550**	**-**	**-**	**-**
Revaluation of buildings (Note 12)	**-**	**1,714,264**	**-**	**-**	**-**	**1,714,264**	**1,582,400**	**3,296,664**
Effect of tax rate change (Note 12)	**-**	**4,312,560**	**-**	**-**	**-**	**4,312,560**	**-**	**4,312,560**
Fair value adjustment on derivative assets	**-**	**-**	**-**	**1,067,698**	**-**	**1,067,698**	**-**	**1,067,698**
Net change in unrealized loss on available-for-sale investments	**-**	**-**	**-**	**768,999**	**-**	**768,999**	**-**	**768,999**
Total income and expense for the year recognized directly in equity	**-**	**3,587,877**	**37,798,424**	**1,836,697**	**2,663,550**	**45,886,548**	**15,589,407**	**61,475,955**
Profit for the year	**-**	**-**	**-**	**-**	**411,949,975**	**411,949,975**	**33,069,187**	**445,019,162**
Total income and expense for the year	**-**	**3,587,877**	**37,798,424**	**1,836,697**	**414,613,525**	**457,836,523**	**48,658,594**	**506,495,117**
Share capital increase from general reserve (Note 21)	**172,387,043**	**-**	**-**	**-**	**(172,387,043)**	**-**	**-**	**-**
Change in scope of consolidation (*) (Note 12)	**-**	**(6,133,885)**	**-**	**-**	**-**	**(6,133,885)**	**-**	**(6,133,885)**
Acquisition of minority interest in a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**(23,468,265)**	**(23,468,265)**
Dividends paid (Note 22)	**-**	**-**	**-**	**-**	**(23,246,829)**	**(23,246,829)**	**(5,099,818)**	**(28,346,647)**
Balances, December 31, 2006	**361,567,057**	**76,383,885**	**60,668,401**	**294,958**	**1,646,332,595**	**2,145,246,896**	**200,977,974**	**2,346,224,870**

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

The accompanying policies and explanatory notes on pages 7 through 64 form an integral part of the consolidated financial statements.

Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2006
(Currency -- U.S. Dollars)

	Notes	2006	2005
Cash flows from operating activities			
Net profit before taxes and minority interest		**550,552,250**	414,338,239
Adjustments to reconcile net profit to net cash provided by operating activities :			
Loss/(Income) from associates		**160,220**	(710,004)
Depreciation and amortization	25	**107,843,283**	98,799,748
Forward expense/ income	25	**8,775,071**	2,139,306
Employee termination benefit charge	19, 25	**2,312,253**	1,537,915
Fair value adjustment on investment properties	14, 25	**(56,620,342)**	(69,242,045)
Provision for inventory obsolescence		**190,162**	686,136
Provision for doubtful receivables	6, 25	**963,521**	1,326,392
Revenue levelization adjustment	17	**114,768,709**	133,058,338
Negative goodwill	20, 25	**(8,968,265)**	(13,793,620)
Gain from sales of property, plant and equipment, net	25	**(23,406)**	(3,040,056)
Interest income	25	**(35,330,189)**	(26,389,326)
Interest expense	25	**98,626,074**	94,563,989
Changes in assets and liabilities			
Trade and other receivables		**(75,081,472)**	(138,040,448)
Inventories		**(45,672,559)**	(31,925,570)
Costs and estimated earnings in excess of billings on uncompleted contracts		**(82,841,951)**	6,133,981
Company's share in assets of joint ventures		**(112,344,095)**	12,260,559
Other assets		**(37,427,267)**	51,681,821
Trade and other payables		**295,335,979**	161,693,567
Billings in excess of costs and estimated earnings on uncompleted contracts		**21,564,661**	5,065,495
Company's share in liabilities of joint ventures		**103,292,030**	(30,174,439)
Other liabilities and accrued expenses		**16,003,010**	(44,304,326)
Taxes paid		**(59,996,943)**	(60,864,127)
Employee termination benefit paid	19	**(1,051,873)**	(603,459)
Net cash provided by operating activities		**805,028,861**	564,198,066
Cash flows from investing activities			
Time deposits with maturities more than 3 months	4	**101,721,804**	(133,366,601)
Investments available for sale		**(57,546,149)**	62,982,712
Investments in associates		**(500,939)**	1,052,688
Proceeds from sale of property, plant and equipment and intangible assets		**21,881,744**	21,112,796
Purchases of property, plant and equipment and intangible assets		**(294,447,518)**	(249,692,330)
Cash used in acquisition of minority interests net of cash acquired		**(14,500,000)**	(7,947,124)
Proceeds from sales of investment properties	14	**36,391**	3,184,516
Interest received		**35,324,488**	26,232,947
Consolidation effect		**(1,601,530)**	-
Net cash used in investing activities		**(209,631,709)**	(276,440,396)
Cash flows from financing activities			
Short-term borrowings, net		**20,500,654**	(7,452,114)
Addition to long-term borrowings and current portion of long-term borrowings		**182,749,265**	232,630,241
Payments of long-term borrowings and current portion of long-term borrowings		**(364,524,846)**	(241,551,454)
Dividends paid to minority interests		**(5,099,818)**	(28,015,516)
Dividends paid to equity holders of the parent		**(23,246,829)**	(26,607,055)
Interest paid		**(100,542,600)**	(85,717,211)
Net cash used in financing activities		**(290,164,174)**	(156,713,109)
Exchange and remeasurement adjustment		**(9,294,307)**	(18,230,983)
Net increase in cash and cash equivalents		**295,938,671**	112,813,578
Cash and cash equivalents at beginning of year	4	**391,146,235**	278,332,657
Cash and cash equivalents at end of year	4	**687,084,906**	391,146,235

The accompanying policies and explanatory notes on pages 7 through 64 form an integral part of the consolidated financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

General

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

As of June 30, 2002 Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. After the merger, 12.70% of the shares of Enka İnşaat are traded publicly in İstanbul Stock Exchange.

Nature of the Activities

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

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

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

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

Asia *:* engaged in construction activities in Nepal and Oman.

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

1. ORGANIZATION AND NATURE OF ACTIVITIES (continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings and available-for-sale financial assets which are measured at fair value. The consolidated financial statements are presented in U.S. Dollars.

The Group adopted all standards, which were mandatory as of December 31, 2006. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on March 23, 2007. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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

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

There are no differences between the consolidated financial statements prepared in accordance with the accounting policies promulgated by CMB and consolidated IFRS financial statements except for the application of IAS 29 ("Financial Reporting in Hyperinflationary Economies") in 2005.

2.2 Changes in Accounting Policies

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted, as follows:

– IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures *(effective for financial years beginning on or after 1 January 2007)*

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS.

The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital.

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

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

- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies *(effective for financial years beginning on or after 1 March 2006)*

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

- ***IFRIC 8, Scope of IFRS 2*** *(effective for financial years beginning on or after 1 May 2006)*

IFRIC 8 clarifies that IFRS 2 *Share-based payment* will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instrument) are incurred by an entity, when the identifiable consideration appears to be less that the fair value of the instruments given. IFRIC 8 is not relevant to the Group's operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***IFRIC 9, Reassessment of Embedded Derivatives*** *(effective for financial years beginning on or after 1 June 2006)*

IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. IFRIC 9 is not relevant to the Group's operations.

- ***IFRIC 10, Interim Financial Reporting and Impairment*** *(effective for financial years beginning on or after 1 November 2006)*

This Interpretation may impact the financial statements should any impairment losses be recognised in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements.

- ***IFRIC 11, IFRS 2-Group and Treasury Share Transactions*** *(effective for financial years beginning on or after 1 March 2007)*

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Group's operations.

- ***IFRIC 12, Service Concession Arrangements*** *(effective for financial years beginning on or after 1 January 2008)*

The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides for the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and / or an intangible asset. IFRIC 12 is not relevant to the Group's operations.

Reclassifications on 2005 financials

The Group has made certain reclassification in the consolidated financial statements as of December 31, 2005 to conform to the current year's presentation. This reclassification is as follows:

- Service expenses in the amount of U.S. Dollars 2,063,581 has been reclassified from other operating expense to cost of revenues to ensure comparability with the current year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Judgments, Estimates and Assumptions

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

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

Functional and Presentation Currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint ventures which form main part of the operations of the Group are carried out in U.S. Dollar or indexed to U.S. Dollar, this currency has been determined as the functional currency of the parent and the majority of its operating and the presentation currency of the Group in line with IAS 21 - The Effects of Changes in Foreign Exchange Rates and IAS 29 - Financial Reporting in Hyperinflationary Economies. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies (i.e. any currency other than U.S. Dollar) are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgment when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in July 2004. As of December 31, 2006, the three-year cumulative inflation rate has been 32.8% (2005 – 33.1%) based on the indices published by the State Institute of Statistics (SIS). On November 22, 2005, AICPA International Practices Task Force in its highlights memorandum declared that Turkey will come off its highly inflationary status as of the first period beginning after December 15, 2005. Based on these considerations, IAS 29 ("Financial Reporting in Hyperinflationary Economies") has not been applied in the preparation of the current period financial statements.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

	Preparation Date (March 23, 2007)		**December 31, 2006**		December 31, 2005	
U.S. Dollar	**YTL**	**1.3766**	**YTL**	**1.4056**	YTL	1.3418
	RR	**25.97**	**RR**	**26.33**	RR	28.78
	Euro	**0.75**	**Euro**	**0.76**	Euro	0.85
	Swiss Francs	**1.213**	**Swiss Francs**	**1.212**	Swiss Francs	1.317

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

Basis of Consolidation

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	Direct / Indirect Ownership	
Company Name	**2006**	2005
Enka Holding B.V.	**100.00%**	100.00%
Enka Holding Investment S.A.	**100.00%**	100.00%
Enmar	**100.00%**	100.00%
Entrade	**100.00%**	100.00%
Adapazarı B.V	**100.00%**	100.00%
Gebze B.V	**100.00%**	100.00%
İzmir B.V	**100.00%**	100.00%
Enka Power Investment B.V	**100.00%**	100.00%
İzmir Elektrik	**100.00%**	100.00%
Adapazarı Elektrik	**100.00%**	100.00%
Gebze Elektrik	**100.00%**	100.00%
Enka Limited Liability Company	**100.00%**	-
Rumos S.A.	**100.00%**	100.00%
Air Enka	**99.99%**	99.99%
Metra Akdeniz Dış Ticaret Anonim Şirketi	**99.97%**	99.97%
Enka Pazarlama	**99.97%**	99.97%
Enmar Trading	**99.97%**	99.97%
Entaş	**99.93%**	99.93%
Enka Enerji	**99.47%**	-
Kasktaş	**96.31%**	96.31%
Çimtaş	**95.26%**	95.26%
Çimtaş Mechanical Contracting B.V.	**95.26%**	95.26%
Çimtaş (Ningbo) Steel Processing Company Ltd.	**95.26%**	95.26%
Altaş	**95.15%**	86.12%
Titaş	**91.91%**	91.91%
Burtrak Burdur Traktör ve Önyükleyici Sanayi Ticaret Anonim Şirketi	**90.05%**	90.05%
Pimaş	**87.25%**	87.25%
Pimapen Joint Stock Company (**)	**87.25%**	87.25%
Pimapen Logistic Center SRL (**)	**87.25%**	87.25%
Envin Window Systems B.V.I. (**)	**87.24%**	87.24%
Susanbaş Değirmencilik A.Ş.	**83.80%**	83.80%
Mosenka	**80.00%**	55.00%
Enka Oil and Gas B.V. (**)	**75.50%**	75.50%
Enka Teknik	**75.50%**	75.50%
Kasktaş Arabia Ltd. (**)	**64.23%**	64.23%
MKH	**52.00%**	52.00%
Kelebek Mobilya (*)	**-**	63.08%
ZAO Kelebek (*)(**)	**-**	63.08%
2K Oturma Grupları San. ve Tic. A.Ş. (*) (**)	**-**	63.08%
3K Mobilya Dekorasyon San. ve Tic. A.Ş. (*) (**)	**-**	63.08%

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

(**) In 2006 Kasktaş Moscow branch and Kasktaş Arabia Ltd. were consolidated in Kasktaş financial statements, Enka Oil and Gas B.V. were consolidated in Enka Teknik financial statements, Pimapen Joint Stock Company (Pimapen Moscow), Pimapen Logistic Center SRL (Pimapen Romania) and Envin Window Systems B.V.I. (Pimapen Hollanda) were consolidated in Pimaş's financial statements and ZAO Kelebek, 2K Oturma Grupları San. ve Tic. A.Ş. and 3K Mobilya Dekorasyon San. ve Tic. A.Ş. were consolidated in Kelebek Mobilya's financial statements. The effect of first time consolidation of such entities amounting U.S. Dollars 7,040,633 were reflected in the other operating income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture

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

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

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

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

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

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

Joint Venture	**2006**	2005
Bechtel-Enka Joint Venture (Kazakhstan)	**50%**	50%
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	**50%**	50%
Cadell Construction Company Inc. (Cadell Asia)	**50%**	50%
Cadell Construction Company Inc. (Cadell Africa)	**50%**	50%
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin Islands / Russia)	**50%**	50%
Bechtel-Enka Joint Venture (Romania)	**50%**	50%
Bechtel-Enka Joint Venture (Albania)	**50%**	-
Ramenka (Russia)	**50%**	50%
AECO LLC (Oman)	**50%**	-

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations and Goodwill

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

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

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

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

The carrying amount of goodwill at December 31, 2006 was U.S. Dollars 55,151,210 (2005 – U.S. Dollars 55,151,210) (see Note 20) while based on the impairment tests performed no impairment issue was identified.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference (negative goodwill) is recognized directly in the income statement. On November 2, 2006, the Group acquired the 25% share of its consolidated subsidiaries Mosenka and increased the shareholding percentage to 80%. As a result of this acquisition of minority interest, the Group has recorded an amount of U.S. Dollars 8,968,265 of negative goodwill which is included in other operating income.

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

Investments in Associates

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Company Name	**2006**	2005
Gretsch - Unitas Yapı Elemanları San. ve Tic. A.Ş. (Gretsch- Unitas)	**36.00%**	36.00%
Gedora - Altaş El Aletleri Dövme Çelik ve San. Tic. Ltd. (Gedore-Altaş)	**38.59%**	38.20%
Azen Oil Company B.V. (Azen Oil)	**37.75%**	37.75%

Cash and Cash Equivalents

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

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

Accounts Receivable

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

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

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

Inventories

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

- Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.
- Goods for resale - purchase cost on first-in, first-out (FIFO) method
- Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

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

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

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Receivables and payables

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for sale. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models. The cumulative effect of the revision of IAS 39 with respect to available-for-sale investments was accounted for in the accumulated profit as of January 1, 2005.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized where:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial liabilities

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

Impairment of Financial Assets

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

Assets carried at amortized cost

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

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

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

Assets carried at cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets

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

Derivative Financial Instruments and Hedging

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

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

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

Cash Flow Hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Power Companies have borrowings with variable interest rates and the Group has derivative assets to hedge the exposure to variability in cash flows due to the change in interest rates. The Group has classified these cash flow hedge derivative assets under "Other Non current Assets" and classified the fair value changes in these instruments directly in Equity under "Other Reserves" as fair value adjustment on derivative assets. The due dates of the derivative assets are 16 November 2012 and 15 April 2013.

Property, Plant and Equipment

With the exception of buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Buildings are carried at revalued amounts, which is the fair value at the date of the valuation less accumulated depreciation and impairment losses charged subsequent to the date of the revaluation.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

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

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

Impairment of Non-Financial Assets

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

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or has decreased. The reversal is recorded in income or as a revaluation increase.

Investment Properties

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Employee Termination Benefits

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

(a) Defined Benefit Plans

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

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

(b) Defined Contribution Plans

For defined contribution plans the Group pays contributions to publicly administered Social Security Funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Leases

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

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

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

(a) The Group as Lessee

Finance leases

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

Operating lease

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) The Group as Lessor

Operating Lease

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

Interest bearing loans and borrowings

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

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

Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Accounts Payable

Liabilities for accounts payable which are settled with changing terms up to two years are carried at amortised cost using the effective interest rate method.

Income Tax

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

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

Current Tax

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

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

Deferred Tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Revenue and Cost Recognition

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

(a) Construction Contract Activities

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Energy Activities

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

(c) Sale of Goods

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

(d) Rental Income

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

(e) Rendering of Services

Revenue is recognized by reference to the stage of completion.

(f) Interest Income

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

Borrowing Costs

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

Earnings Per Share

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

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

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

Offsetting

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

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

3. SEGMENT INFORMATION

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

The segmental information of the Group is based on two formats. The first format represents information regarding business segments: construction, rental, retail, energy and trading and manufacturing. The second format represents information regarding four geographical segments for the year ended December 31, 2006 and 2005.

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

(a) Business Segments :

	2006						
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Revenues earned	1,132,161,655	164,978,582	295,924,243	386,508,114	2,050,183,921	-	4,029,756,515
Inter-segment revenues earned	191,895,822	-	-	2,989,720	-	(194,885,542)	-
Cost of revenues	(880,166,993)	(35,764,351)	(201,186,829)	(322,326,581)	(1,817,337,241)	-	(3,256,781,995)
Inter-segment cost of revenues	(194,547,753)	(39,493)	-	(248,766)	(97,889)	194,933,901	-
Gross profit	249,342,731	129,174,738	94,737,414	66,922,487	232,748,791	48,359	772,974,520
Selling and administrative expense	(97,928,280)	(22,222,787)	(75,990,121)	(36,127,825)	(11,679,549)	-	(243,948,562)
Other operating income and expense, net	5,839,157	48,609,787	18,135,633	(2,854,929)	5,058,099	(3,375,392)	71,412,355
Profit from operations	157,253,608	155,561,738	36,882,926	27,939,733	226,127,341	(3,327,033)	600,438,313
Financial income and expense, net	35,172,636	(15,748,833)	2,354,705	(6,807,584)	(65,520,633)	823,866	(49,725,843)
Income from associates	-	-	-	(349,590)	189,370	-	(160,220)
Profit from operations before taxes	192,426,244	139,812,905	39,237,631	20,782,559	160,796,078	(2,503,167)	550,552,250
Taxation charge							
Current	-	-	-	-	-	-	(60,888,282)
Deferred	-	-	-	-	-	-	(44,644,806)
Net profit for the year	-	-	-	-	-	-	445,019,162
Assets and Liabilities							
Segment assets	882,915,609	978,610,126	444,309,714	312,836,567	1,854,535,355	(67,776,540)	4,405,430,831
Investment in associates	-	-	-	4,138,021	2,151,501	-	6,289,522
Unallocated assets	-	-	-	-	-	-	1,125,157,309
Total assets	882,915,609	978,610,126	444,309,714	316,974,588	1,856,686,856	(67,776,540)	5,536,877,662
Segment liabilities	769,398,645	90,137,234	258,792,916	287,225,947	1,621,542,098	(28,708,908)	2,998,387,932
Unallocated liabilities	-	-	-	-	-	-	192,264,860
Total liabilities	769,398,645	90,137,234	258,792,916	287,225,947	1,621,542,098	(28,708,908)	3,190,652,792
Other Segment Information							
Capital expenditures							
Property, plant and equipment	113,353,487	79,806,908	81,600,630	13,312,142	1,282,566	-	289,355,733
Intangible fixed assets	3,448	133,090	76,413	401,389	139,731	-	754,071
Investment properties	-	241,903	29,316,106	-	-	-	29,558,009
Total capital expenditures	113,356,935	80,181,901	110,993,149	13,713,531	1,422,297	-	319,667,813
Depreciation expense	35,192,368	3,947,122	10,521,427	4,027,500	53,538,996	-	107,227,413
Amortisation	418,363	234,987	18,367	163,704	142,428	-	977,849
Fair value adjustments of investment property	-	39,721,491	18,247,457	(1,348,606)	-	-	56,620,342
Employee termination benefit	1,150,508	-	-	375,973	785,772	-	2,312,253

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

3. SEGMENT INFORMATION (continued)

	2005						
	Construction Contracts	Rental	Retail	Trade and Manufacturing	Energy	Eliminations	Consolidated
Revenues earned	662,765,461	113,010,292	241,394,000	344,588,009	1,640,735,307	-	3,002,493,069
Inter-segment revenues earned	231,982,399	-	-	3,173,784	-	(235,156,183)	-
Cost of revenues	(539,864,856)	(20,941,415)	(169,621,000)	(290,013,111)	(1,410,798,824)	-	(2,431,239,206)
Inter-segment cost of revenues	(217,532,644)	(71,297)	-	(646,306)	(617,812)	218,868,059	-
Gross profit	137,350,360	91,997,580	71,773,000	57,102,376	229,318,671	(16,288,124)	571,253,863
Selling and administrative expense	(55,115,128)	(16,946,604)	(53,237,795)	(40,206,955)	(16,132,524)	58,763	(181,580,243)
Other operating income and expense, net	34,345,396	52,796,234	16,019,249	(400,377)	2,728,686	(4,545,747)	100,943,441
Profit from operations	116,580,628	127,847,210	34,554,454	16,495,044	215,914,833	(20,775,108)	490,617,061
Financial income and expense, net	18,835,756	(7,959,419)	(9,613,012)	(7,188,384)	(68,461,322)	(2,602,445)	(76,988,826)
Income from associates	-	-	-	1,934,410	(1,224,406)	-	710,004
Profit from operations before taxes	135,416,384	119,887,791	24,941,442	11,241,070	146,229,105	(23,377,553)	414,338,239
Taxation charge							
Current	-	-	-	-	-	-	(35,468,270)
Deferred	-	-	-	-	-	-	(26,294,061)
Net profit for the year	-	-	-	-	-	-	352,575,908
Assets and Liabilities							
Segment assets	482,452,479	801,485,865	326,364,733	264,343,959	1,934,871,415	(57,772,880)	3,751,745,571
Investment in associates	-	-	-	4,332,730	1,695,016	-	6,027,746
Unallocated assets	-	-	-	-	-	-	918,408,066
Total assets	482,452,479	801,485,865	326,364,733	268,676,689	1,936,566,431	(57,772,880)	4,676,181,383
Segment liabilities	359,695,818	184,713,769	189,343,000	218,491,062	1,687,531,754	(37,217,770)	2,602,557,633
Unallocated liabilities	-	-	-	-	-	-	175,945,200
Total liabilities	359,695,818	184,713,769	189,343,000	218,491,062	1,687,531,754	(37,217,770)	2,778,502,833
Other Segment Information							
Capital expenditures							
Property, plant and equipment	57,187,514	101,357,878	75,622,513	11,061,208	2,968,300	-	248,197,413
Intangible fixed assets	64,335	749,058	88,939	334,820	439,148	-	1,676,300
Investment properties	-	65,608,982	-	-	-	-	65,608,982
Total capital expenditures	57,251,849	167,715,918	75,711,452	11,396,028	3,407,448	-	315,482,695
Depreciation expense	33,056,143	1,789,090	5,878,500	3,742,398	53,605,221	-	98,071,352
Amortisation	11,805	517,327	47,538	246,480	97,486	-	920,636
Fair value adjustments of investments property	-	52,962,340	16,550,249	(270,544)	-	-	69,242,045
Employee termination benefit	337,919	-	-	1,199,996	-	-	1,537,915

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

3. SEGMENT INFORMATION (continued)

(b) Geographical Segments:

	Turkey	Russian Federation Kazakhstan, Tajikistan and Ukraine	Europe	North Africa and Other	Eliminations	Consolidated
OTHER INFORMATION						
2006						
Net sales	**2,568,078,453**	**1,329,756,344**	**42,444,340**	**89,477,378**	**-**	**4,029,756,515**
Inter-segment sales	**75,674,002**	**119,211,540**	**-**	**-**	**(194,885,542)**	**-**
Segment assets	**2,362,306,913**	**1,880,796,062**	**139,628,337**	**90,476,059**	**(67,776,540)**	**4,405,430,831**
Capital expenditures	**47,005,754**	**262,289,694**	**10,268,971**	**103,394**	**-**	**319,667,813**

	Turkey	Russian Federation Kazakhstan, Tajikistan	Europe	North Africa and Other	Eliminations	Consolidated
OTHER INFORMATION						
2005						
Net sales	2,073,068,696	784,041,052	51,751,804	93,631,517	-	3,002,493,069
Inter-segment sales	79,415,469	155,372,986	367,728	-	(235,156,183)	-
Segment assets	2,358,213,060	1,338,014,304	79,153,641	34,137,446	(57,772,880)	3,751,745,571
Capital expenditures	57,252,044	167,715,723	11,396,028	79,118,900	-	315,482,695

4. CASH AND CASH EQUIVALENTS

	2006	2005
Cash on hand	**2,835,968**	2,217,005
Cash in bank-Demand deposits	**196,769,708**	182,517,755
Cash in bank-Time deposits	**582,337,826**	404,508,991
Other	**2,486,201**	969,085
Total	**784,429,703**	590,212,836
Less: time deposits with maturity over three months which are blocked in bank accounts as collateral	**(97,344,797)**	(199,066,601)
Cash and cash equivalents at consolidated cash flow statement	**687,084,906**	391,146,235

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

4. CASH AND CASH EQUIVALENTS (continued)

Interest rates of bank deposits are as follows:

	2006	2005
Time deposits with maturities less than three months		
U.S. Dollars		
- fixed interest rate	**3.00%-7.00%**	1.85%-4.50%
Russian Rouble	**3.50%-7.00%**	1.00%-7.50%
Euro	**1.50%-5.45%**	0.50%-3.50%
British Pound	**5.00%**	4.35%
Swiss Franc	**1.86%**	0.60%
YTL	**15.00% -20.00%**	11.00%-14.90%
Japanese Yen	**1.00%**	-
Time deposits with maturities over three months		
U.S. Dollars		
- fixed interest rate	**3.00%**	3.00%-12.90%
- variable interest rate	**Libor+4.25%-5.55%**	Libor+4.25%-5.55%

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

5. INVESTMENTS AVAILABLE FOR SALE

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

	2006		2005	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Private sector bonds				
(international markets)	**1.99%-5.66%**	**71,653,016**	1.99%-5.85%	66,930,540
Foreign government bonds				
(international markets)	**3.08%-5.42%**	**42,331,686**	3.08%-6.02%	45,005,026
Equity securities				
(international markets)	**-**	**24,993,209**	-	21,107,038
(domestic market)	**-**	**3,326,558**	-	2,465,188
Turkish Government Bonds				
(domestic market)	**10.26%-23.42%**	**31,722,547**	13.72%-22.92%	17,730,738
Mutual Funds				
(international markets)	**-**	**48,679,917**	-	10,085,557
		222,706,933		163,324,087

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

5. INVESTMENTS AVAILABLE FOR SALE (continued)

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

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

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

	2006		2005	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Yapı ve Kredi Bankası A.Ş. (YKB) - listed	**less than 1**	**505,971**	less than 1	556,256
Bursa Serbest Bölge Kurucu ve İşleticisi A.Ş. – unlisted	**1.00**	**150,000**	1.00	150,000
Türk Sınai Kalkınma Bankası (TSKB) – listed	**less than 1**	**331,337**	less than 1	387,976
Sınai Mali Yatırım Holding – unlisted	**less than 1**	**81,228**	less than 1	53,244
Others – unlisted		**109,092**		109,095
		1,177,628		1,256,571

Non-current Investments Available for Sale:

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

As of December 31, 2006 and 2005, fair value of TSKB and YKB, whose shares are traded at ISE, are determined by reference to ISE quoted market bid prices at the close of business at balance sheet dates.

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

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

6. TRADE AND OTHER ACCOUNTS RECEIVABLES

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

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

	2006	2005
Trade receivables	**338,212,409**	346,411,159
Notes and cheques receivables	**80,971,052**	71,600,714
Contract receivables	**136,323,036**	47,780,324
Retention receivables	**8,481,738**	1,105,338
Other receivables	**16,990,209**	45,093,885
	580,978,444	511,991,420
Less : Allowance for doubtful receivables	**(19,285,834)**	(24,068,603)
	561,692,610	487,922,817

Movement of allowance for doubtful receivables is as follows:

	2006	2005
Balance at beginning of year	**24,068,603**	23,532,547
Additional provision	**963,521**	1,326,392
Change in scope of consolidation (*)	**(3,415,326)**	-
Foreign currency translation effect	**(665,187)**	(32,819)
Write-offs	**(1,145,295)**	(117,996)
Reversal of provision	**(520,482)**	(639,521)
Balance at the end of year	**19,285,834**	24,068,603

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

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

	2006	2005
Accrued receivables from Iraq	**115,116,085**	115,116,085
Notes and cheques receivables	**29,660,100**	25,140,018
Trade receivables	**1,848,711**	2,809,650
Other receivables	**-**	3,210,985
Allowance for accrued receivables for Iraq losses	**(53,093,086)**	(53,093,086)
Money received from UNCC to close the some bank borrowing	**(30,159,644)**	(30,159,644)
Money received from UNCC by Eximbank (Note 15)	**(31,863,355)**	(31,863,355)
	31,508,811	31,160,653

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

6. TRADE AND OTHER RECEIVABLES (continued)

As of December 31, 2006, total collaterals and letter of guarantees obtained to secure certain accounts receivable amounted to 6,878,009 U.S. Dollars (2005 - U.S. Dollars 29,203,701). Furthermore, mortgages amounted to 12,826,209 U.S. Dollars (2005 - U.S. Dollars 6,441,526).

Accrued receivables for Iraq losses

The Group's operations in Iraq ceased since August 6, 1990, due to invasion of Iraqi forces to Kuwait. The Turkish Government provided long-term loan facilities through Turkish Eximbank (Eximbank) to companies, which suffered losses resulting from the invasion. Accordingly, loans due to various banks aggregating to U.S. Dollars 80,699,079 and Deutsche Marks 4,382,267 (Euro 2,240,617) were transferred to Eximbank and, additionally, with respect to certain other bank loans amounting to U.S. Dollars 30,159,644, Eximbank provided letters of guarantee for the same amount to the related banks.

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

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

7. INVENTORIES

	2006	2005
Raw materials and spare parts	**46,383,263**	47,963,572
Work in progress	**11,503,049**	4,883,715
Finished goods	**14,147,959**	10,726,710
Merchandise and goods for resale (machinery and others)	**85,550,348**	61,814,928
Construction materials	**1,764,640**	2,099,206
Goods in transit and advances for inventory purchases	**35,518,472**	21,707,041
	194,867,731	149,195,172
Less: Allowance for slow moving inventory and net realizable value	**(1,720,462)**	(1,530,300)
	193,147,269	147,664,872

As of December 31, 2006, U.S. Dollars 23,299,263 (2005 - U.S. Dollars 21,826,000) of the inventories are pledged as security for the IFC loan.

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

8. OTHER CURRENT AND NON-CURRENT ASSETS

The breakdown of other current assets is as follows:

	2006	2005
V.A.T. receivables	**80,162,143**	62,316,418
Advances given	**26,774,303**	12,498,657
Prepaid tax	**15,789,389**	13,793,838
Prepaid expenses	**9,259,224**	6,425,552
Deferred and other VAT	**6,781,397**	4,749,096
Bonus income accrual	**3,447,671**	-
Job advances	**2,335,815**	1,745,951
Due from personnel	**389,937**	876,495
Income accruals	**358,892**	208,710
Miscellaneous	**1,610,213**	3,230,833
	146,908,984	105,845,550

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

	2006	2005
Prepayment for land leases	**20,325,770**	22,142,980
Advances given	**1,598,395**	7,386,000
Restricted cash (*)	**7,650,000**	5,730,000
Prepaid expense	**6,709,486**	5,144,733
VAT receivables	**1,559,752**	-
Derivative assets (**)	**840,753**	706,843
Deposits and guarantees given	**52,544**	64,903
Miscellaneous	**1,509,379**	2,797,539
	40,246,079	43,972,998

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

(**) Due dates of the derivative assets stated above are November 16, 2012 and April 15, 2013.

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

9. INTEREST IN JOINT VENTURES

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

	2006			2005		
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	**130,332,606**	**12,270,200**	**142,602,806**	26,825,096	7,960,000	34,785,096
Investment available for sale	**-**	**-**		-	-	-
Accounts receivable	**54,294,699**	**6,291,002**	**60,585,701**	44,864,476	4,499,000	49,363,476
Inventories	**-**	**23,299,263**	**23,299,263**	7,885,781	21,826,000	29,711,781
Other current assets	**18,248,990**	**32,278,423**	**50,527,413**	16,832,148	27,380,718	44,212,866
Costs and estimated earnings in excess of billings on uncompleted contracts	**17,301,354**	**-**	**17,301,354**	11,381,519	-	11,381,519
Company's Share in Joint Venture's Current Assets	**220,177,649**	**74,138,888**	**294,316,537**	107,789,020	61,665,718	169,454,738
Investment properties	**-**	**163,962,596**	**163,962,596**	-	95,544,167	95,544,167
Other non-current assets	**-**	**13,392,286**	**13,392,286**	44,534	20,549,000	20,593,534
Company's Share in Joint Venture's Non-Current Assets	**-**	**177,354,882**	**177,354,882**	44,534	116,093,167	116,137,701
Cost	**95,675,289**	**241,137,704**	**336,812,993**	79,134,416	173,540,931	252,675,347
Accumulated depreciation	**(46,486,680)**	**(33,478,582)**	**(79,965,262)**	(31,713,645)	(21,093,852)	(52,807,497)
Company's Share in Joint Venture's Property Plant and Equipment	**49,188,609**	**207,659,122**	**256,847,731**	47,420,771	152,447,079	199,867,850
Short term liabilities	**-**	**5,000,000**	**5,000,000**	1,000,000	2,250,000	3,250,000
Current portion of long-term borrowings	**-**	**27,201,522**	**27,201,522**	-	13,692,000	13,692,000
Accounts payable	**15,013,648**	**59,887,963**	**74,901,611**	22,867,926	41,511,000	64,378,926
Other current liabilities and accrued expenses	**22,898,376**	**14,308,948**	**37,207,324**	18,534,542	7,758,668	26,293,210
Taxation on income	**6,059,301**	**-**	**6,059,301**	6,206,989	-	6,206,989
Billings in excess of costs and estimated earnings on uncompleted contracts	**36,060,797**	**-**	**36,060,797**	15,056,574	-	15,056,574
Company's Share in Joint Venture's Current Liabilities	**80,032,122**	**106,398,433**	**186,430,555**	63,666,031	65,211,668	128,877,699
Long-term borrowings	**-**	**131,178,165**	**131,178,165**	-	126,641,000	126,641,000
Advances payable	**104,283,273**	**-**	**104,283,273**	9,516,224	-	9,516,224
Deferred tax liabilities	**(467,233)**	**34,672,125**	**34,204,892**	(542,882)	26,163,749	25,620,867
Company's Share in Joint Venture's Non-Current Liabilities	**103,816,040**	**165,850,290**	**269,666,330**	8,973,342	152,804,749	161,778,091

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

9. INTEREST IN JOINT VENTURES (continued)

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

	2006	2005
Revenues	**609,028,561**	558,365,664
Cost of revenues	**(435,495,837)**	(425,889,192)
Selling and administrative expense	**(76,721,092)**	(60,358,242)
Other operating income and (expense)	**19,322,718**	15,857,683
Financial income and (expense)	**(5,307,422)**	(15,748,752)
Taxation charge	**(24,209,437)**	(15,398,893)
Net profit	**86,617,491**	56,828,268

10. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

	2006	2005
Costs incurred on uncompleted contracts	**504,363,516**	262,751,948
Estimated earnings	**100,116,604**	66,825,349
	604,480,120	329,577,297
Less: Billings to date	**(552,459,611)**	(338,834,078)
	52,020,509	(9,256,781)

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

	2006	2005
Costs and estimated earnings in excess of billings on uncompleted contracts	**88,296,952**	5,455,001
Billings in excess of costs and estimated earnings on uncompleted contracts	**(36,276,443)**	(14,711,782)
	52,020,509	(9,256,781)

As of December 31, 2006, the amount of advances received and retention receivable are U.S Dollars 297,635,638 (2005 – U.S. Dollars 52,049,486) and U.S Dollars 8,481,738 (2005 – U.S Dollars 1,105,338), respectively.

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

11. INVESTMENTS IN ASSOCIATES

	2006		2005	
	Percentage of Ownership (%)	**Amount**	Percentage of Ownership (%)	Amount
accounted for using the equity method				
Gretsch-Unitas	**36.00**	**1,775,669**	36.00	1,895,604
Gedore-Altaş	**38.59**	**1,184,725**	38.20	1,180,555
Azen Oil	**37.75**	**2,151,500**	37.75	1,695,016
Total		**5,111,894**		4,771,175

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

	GEDORE-ALTAŞ		**GRETSCH-UNITAS**		**AZEN OIL**	
	2006	2005	**2006**	2005	**2006**	2005
Total assets	**21,953,364**	22,366,941	**28,470,359**	22,521,725	**14,897,737**	7,717,196
Total liabilities	**18,883,491**	19,276,485	**23,537,743**	17,256,159	**10,493,891**	3,227,088
Revenue	**27,734,331**	24,839,698	**48,158,028**	31,390,334	**15,248,475**	2,203,160
Net profit/(loss)	**113,099**	3,288,723	**(764,896)**	1,556,976	**518,090**	(3,428,422)

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

12. PROPERTY, PLANT AND EQUIPMENT

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

(*) MKH's hotel building has been revalued at fair value by independent professionally qualified valuers and the fair value has been set as U.S. Dollar 154,616,988. Therefore net book value of the mentioned buildings has been adjusted to its fair value amount and revaluation difference arised from book value and fair value are netted of with the related deferred tax and classified as revaluation surplus and included within equity.
(**) The amount consists of the aircrafts of the subsidiary of the Company, Air Enka.
(***) The change occurred from the sale of Kelebek Mobilya.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and Land Improvements	Buildings and Barracks	Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Scaffolding and Formworks	Aircraft	Others	Construction in Progress	**Total**
COST										
At January 1, 2005	51,708,446	234,442,830	1,840,150,577	12,541,478	44,174,534	4,455,203	4,420,209	9,413,224	79,352,952	2,280,659,453
Currency translation differences (*)	(3,628)	(1,180,896)	1,652,868	(55,178)	(445,079)	-	-	(930,146)	(2,682,644)	(3,644,703)
Remeasurement adjustment	-	(3,770,876)	-	-	-	-	-	-	-	(3,770,876)
Additions	1,801,720	3,820,958	34,606,194	1,830,513	14,582,788	2,009,592	-	2,632,743	162,920,669	224,205,177
Disposals	(1,096,704)	(2,833,495)	(12,848,430)	(2,790,732)	(766,120)	(66,490)	-	(537,999)	-	(20,939,970)
Transfers to investment property	2,315,949	-	-	-	-	-	-	(2,315,949)	(65,587,535)	(65,587,535)
Transfers from construction in progress	-	110,213,265	9,483,322	-	-	-	-	-	(119,696,587)	-
At December 31, 2005	54,725,783	340,691,786	1,873,044,531	11,526,081	57,546,123	6,398,305	4,420,209	8,261,873	54,306,855	2,410,921,546
ACCUMULATED DEPRECIATION										
At January 1, 2005	6,780,828	138,075,347	236,227,719	9,307,815	29,657,943	1,094,764	884,043	5,021,741	-	427,050,200
Exchange and remeasurement adjustment (*)	(2,518)	(113,073,906)	2,109,986	106,180	(185,135)	-	-	(660,566)	-	(111,705,959)
Charge for the year	2,230,477	4,670,996	68,293,421	1,026,956	3,850,651	725,927	300,782	1,151,061	-	82,250,271
Disposals	-	(1,953,747)	(9,245,748)	(2,534,814)	(410,648)	(7,257)	-	(185,384)	-	(14,337,598)
At December 31, 2005	9,008,787	27,718,690	297,385,378	7,906,137	32,912,811	1,813,434	1,184,825	5,326,852	-	383,256,914
NBV at January 1, 2005	44,927,618	96,367,483	1,603,922,858	3,233,663	14,516,591	3,360,439	3,536,166	4,391,483	79,352,952	1,853,609,253
NBV at December 31, 2005	45,716,996	312,973,096	1,575,659,153	3,619,944	24,633,312	4,584,871	3,235,384	2,935,021	54,306,855	2,027,664,632

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

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Revalued buildings

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

	2006	2005
Cost	**364,881,473**	312,822,814
Accumulated depreciation	**(135,212,267)**	(136,069,376)
Net book value	**229,669,206**	176,753,438

The movement of the revaluation surplus is as follows:

	2006	2005
January 1,	**78,929,893**	14,819,725
Currency translation difference	**224,603**	1,901
Revaluation of buildings	**2,255,609**	88,523,793
Deferred tax effect of revaluation surplus	**(541,345)**	(23,548,013
Effect of tax rate change in equity	**4,312,560**	-
Transfer of depreciation difference (net of deferred tax) of revaluation effect	**(2,663,550**	(867,513)
Change in scope of consolidation	**(6,133,885**	-
December 31,	**76,383,885**	78,929,893

Market Valuations

The Group's buildings have been revalued as a result of appraisal studies carried out in 2006 by international appraisal firms to the extent of a total amount at U.S. Dollars 2,255,609. The revaluation surplus is included within equity netted off with the related deferred tax and depreciation effects at a total amount of U.S. Dollars 76,383,885 (2005 - U.S. Dollars 78,929,893). Such revaluation surplus is not available for distribution.

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

Construction in Progress

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

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Pledge on Property Plant and Equipment

Under the terms of the loan agreement signed with the International Finance Corporation (IFC) property, plant and equipment with a net book value of U.S. Dollars 206,197,000 (2005 - U.S. Dollar 154,708,000) are pledged for security. As of December 31, 2006, the Group has not collateralized the plant facilities (2005 - U.S. Dollar 3,340,765) as guarantee to Ministry of Finance for the possible penalty charges.

Under the terms of the loan agreements signed by the Power Companies, the property, plant and equipment of those companies are pledged for security at the amount of U.S. Dollars 2,436,385,316 (2005-U.S. Dollar 2,469,164,257).

13. INTANGIBLE ASSETS

	Land Lease Rights	Others	Total
At January 1, 2006, net of accumulated amortization	**15,410,956**	**2,939,197**	**18,350,153**
Exchange and remeasurement adjustment	41,702	45,395	87,097
Change in scope of consolidation (*)	-	(487,542)	(487,542)
Additions	14,298	739,773	754,071
Amortisation charge for the year	(415,444)	(562,405)	(977,849)
At December 31, 2006, net of accumulated amortization	**15,051,512**	**2,674,418**	**17,725,930**
At December 31, 2005			
Cost	19,579,156	5,060,147	24,639,303
Accumulated amortization	(4,168,200)	(2,120,950)	(6,289,150)
Net carrying amount	**15,410,956**	**2,939,197**	**18,350,153**
At December 31, 2006			
Cost	19,647,253	4,605,492	24,252,745
Accumulated amortization	(4,595,741)	(1,931,074)	(6,526,815)
Net carrying amount	**15,051,512**	**2,674,418**	**17,725,930**

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

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

13. INTANGIBLE ASSETS (continued)

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

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

The intangible assets of the Group at the amount of U.S. Dollars 146,523 (2005 - U.S. Dollars 79,000) are pledged as security for IFC loan. No indication of impairment of the intangible assets exists as of the balance sheet date.

14. INVESTMENT PROPERTIES

The movement of investment properties is as follows :

	2006	2005
Opening balance as at January 1	**693,848,532**	570,103,730
Exchange and remeasurement adjustment	**41,617,028**	(12,622,239)
Transfers from property, plant and equipment and construction in progress	**29,558,009**	65,587,535
Effect of adoption IAS 40	**11,960,196**	4,700,530
Additions	**-**	21,447
Disposals	**(36,391)**	(3,184,516)
Change in fair value, net	**56,620,342**	69,242,045
Closing balance as at December 31	**833,567,716**	693,848,532

14. INVESTMENT PROPERTIES (continued)

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

The investment properties owned by MKH, located in central Moscow, Russia on land are leased from the Moscow City Authorities under a 49 year operating lease which is renewable at the option of MKH. The property was last valued on December 31, 2006 at fair value by an independent professionally qualified valuers and the fair value has been set as 6,9 billion Ruble equivalent to U.S. Dollars 262,435,369 (2005 - 6,4 billion Ruble equivalent to U.S. Dollars 223,166,091). The basis used for the appraisal was the income capitalization approach.

Bank borrowings of MKH are secured by investment property with a value of U.S. Dollars 76,482,562 (2005 - U.S. Dollars 74,035,264).

The fair values of the investments in leased properties of Mosenka amounting at a total of 3,1 billion Ruble equivalent to U.S. Dollars 120,631,925 (2005 - 2,8 billion Ruble equivalent to U.S. Dollars 97,064,442) have been determined based on valuations performed by independent professionally qualified valuers on the basis of market value, supported by market evidence, in accordance with International Valuation Standards.

Part of the premises owned by Ramenka and leased to tenants on a continuing basis are treated as an investment property. The fair value of investment properties as of December 31, 2006 based on an independent appraiser's report is 4,3 billion Ruble equivalent to U.S. Dollars 163,962,596 (2005 - 2,7 billion Ruble equivalent to U.S. Dollars 95,544,167). It was evaluated using a combination of income, market and cost approaches. As comparable sales of property, plant and equipment are infrequent, the valuation is supported by market evidence to the extent that market rental rates were used in the income approach. The valuation was also based on other factors such as proposed transactions on the market. The valuation includes land that is under operating lease by Ramenka as it cannot be separated from the valuation of investment property. The investment property of Ramenka is shown as a security for the IFC loan.

The fair values of the investment properties in Russia at a total amount of U.S. Dollars 282,000,000 (2005 - U.S. Dollars 272,000,000) which are used as business centers and residential property as well as the fair values of the investment properties in Turkey at a total amount of U.S. Dollars 4,537,826 (2005 - U.S. Dollars 6,073,831) owned by Enka İnşaat are determined based on the valuations performed by independent professionally qualified valuers on the basis of the calculations, considerations and other information obtained in the course of market research.

In 2005, the Group adopted the provisions of IAS 40 (revised 2004). As of December 31, 2006, the effect of adopting this standard is that land and buildings held under an operating lease of U.S. Dollars 11,960,196 (U.S. Dollars 4,700,530) is classified and accounted for as investment property.

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

15. BORROWINGS

	2006			
	Interest Rate	Original Currency		U.S. Dollar Equivalent
Short-term				
Short-term bank borrowings	4.05% - 6.48%	EUR	19,080,017	25,132,791
	6.10% - 8.25%	USD	28,659,199	28,659,199
	16.50% - 19.75%	YTL	4,761,832	3,387,758
	11.00%	DA (*)	306,892,002	3,836,150
	6.70%	RMB (**)	3,500,000	448,218
Total short-term borrowings				61,464,116
Long-term				
Eximbank loans	Libor + 0.10%-4.26%	USD	508,430,226	508,430,226
OPIC loan	7.54% - 7.90%	USD	197,908,586	197,908,586
Hermes loan	Libor + 0.625%	USD	70,007,167	70,007,167
Iraq related Eximbank loans		USD	80,699,079	80,699,079
		EUR	2,240,617	2,951,410
OND loan	Libor + 0.70%	USD	55,040,097	55,040,097
IFC Loan	Libor + (2.10% - 5.83%)	USD	48,252,430	48,252,430
ABN Amro loan	Libor + (4.50% - 5.80%)	USD	103,901,953	103,901,953
Commercial loan	Libor +4.00%	USD	15,489,740	15,489,740
Hermes loan	3.78% - 4.67%	EUR	47,364,265	62,389,682
Other long-term bank borrowings	Libor +3.25%-5.85%	USD	57,040,616	57,040,616
	Euribor +2.25%-3.82%	EUR	49,777,118	65,567,967
	2.10% - 3.90%	JPY	6,865,968,407	57,709,083
Obligations under finance leases	Libor + 1.90%	USD	4,722,469	4,722,469
	8.00% - 13.80%	RBL	297,219,781	11,287,784
				1,341,398,289
Less: Current portion of long-term bank borrowings and financial lease obligations				(268,099,057)
Less: Money received from UNCC by Eximbank (Note 6)				(31,863,355)
Total long-term borrowings				1,041,435,877

(*) Algerian Dinar
(**) Chinese Yuan

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

15. BORROWINGS (continued)

	2005			
	Interest Rate	Original Currency		U.S. Dollar Equivalent
Short-term				
Short-term bank borrowings	3.24% - 4.75%	EUR	9,650,707	11,417,870
	14.50% - 18.50%	YTL	15,030,705	11,201,896
	4.85% - 7.75%	USD	10,053,709	10,053,709
	11%	DA	179,949,560	2,460,344
Obligations under finance leases	1.27%	EUR	107,090	126,699
	3.81% - 4.33%	USD	44,875	44,875
	15%	RBL	7,091,691	246,389
Obligations under factoring transactions		YTL	7,261,392	5,411,680
Total short-term borrowings				40,963,462
Long-term				
Eximbank loans	Libor+0.1% - 4.26%	USD	591,999,957	591,999,957
OPIC loan	7.54% - 7.90%	USD	224,575,787	224,575,787
Hermes loan	Libor+0.625%	USD	83,066,809	83,066,809
Iraq related Eximbank loans		USD	80,699,079	80,699,079
		EUR	2,240,618	2,650,901
OND loan	Libor+0.7%	USD	64,323,191	64,323,191
IFC Loan	Libor + (2.35% - 5.83%)	USD	40,333,000	40,333,000
ABN Amro loan	Libor + (2.60% - 5.80%)	USD	120,175,266	120,175,266
Commercial loan	Libor+4.00%	USD	27,306,702	27,306,702
Hermes loan	3.57%	EUR	28,916,696	34,211,697
Other long-term bank borrowings	3.81% - 13.00%	USD	166,580,635	166,580,635
	1.48% - Euribor+2.25%	EUR	48,040,555	56,837,369
	1.48% - 3.70%	JPY	2,860,607,335	24,303,864
Obligations under finance leases	3.81% - 4.33%	USD	4,823,086	4,823,086
	15%	RBL	92,191,873	3,203,053
				1,525,090,396
Less: Current portion of long-term bank borrowings and financial lease obligations				(225,371,287)
Less: Money received from UNCC by Eximbank (Note 6)				(31,863,355)
Total long-term borrowings				1,267,855,754

15. BORROWINGS (continued)

IFC Loan

Ramenka signed six loan agreements with IFC which are utilised for the construction and development of hyperstores and supermarkets in Moscow. Loan agreements contain covenants on adequacy of free cash flow, liquidity and gearing ratios. In year 2006 and 2005, the Group complied with all covenants. Under the terms of the loan agreement, the loans are secured by the entire amount of the Ramenka's assets. In addition, the shares of the Group in Ramenka have been pledged based on the amendment of IFC loan agreement conditions. All IFC loans are repayable in equal installments every six months and libor is fixed every six months.

Iraq Related Eximbank Loans

Iraq related loans are secured by Eximbank. Iraq progress billings amounting to U.S. Dollars 55,230,457, treasury bills amounting to U.S. Dollars 1,611,437, machinery and equipment amounting to U.S. Dollars 101,587,253 that were left at Iraq jobsites, were assigned to Eximbank. As further explained in Note 6**,** a portion of the money received from UNCC at an amount of U.S. Dollars 31,863,355 (2005 - U.S. Dollars 31,863,355) is kept by Eximbank for the loans provided. Such amounts are netted of from the above-mentioned borrowing balance. There is not any repayment plan between the Company and Eximbank for the remaining balance and the Group has not accrued any interest for these borrowings. Management's expectation is that those interests will not be collected from the Group and this issue will ultimately be resolved among Eximbank and the Turkish Undersecretariat of Treasury.

Hermes Loans

The Hermes loan of the consolidated subsidiary Enka Pazarlama (in Euro) has an interest rate of 3.78% - 4.67% (2005 - 3.57%).

Power Companies Bank Loans

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

Eximbank Loans

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

OPIC Loans

The OPIC loans are funded with the issue of Government backed certificates in the US Capital Markets and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15 2003 for İzmir Elektrik. In December 2002, the variable interest rates (3 months US Treasury bill rate plus a maximum of 4.25% and minimum of 3.80%) were converted to a fixed rate of 7.54%, 7.85% and 7.90% for İzmir Elektrik, Gebze Elektrik and Adapazarı Elektrik, respectively. (2005 - fixed rate of 7.54%, 7.85% and 7.90% for İzmir Elektrik, Gebze Elektrik and Adapazarı Elektrik, respectively).

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

15. BORROWINGS (continued)

Hermes Loans

The Hermes Loans are guaranteed by the Export Credit Agencies of the German Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. Interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0.625% (2005 - 12-months LIBOR plus a margin of 0.625%).

OND Loans

The OND Loans are guaranteed by the Export Credit Agencies of the Belgian Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. A syndicate of commercial banks provides the funding. The interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0.7% (2005 - 12-months LIBOR plus a margin of 0.7%).

Commercial Facilities

The commercial loans have a 5-year term of principal repayment in 10 semi-annual installments commencing on the first principal date, which will occur as the construction is completed and are provided by a syndicate of commercial banks. The debts incur interest at 12-months LIBOR plus 4% margin (2005 - 12-months LIBOR plus a margin of 4%).

Other Long Term Bank Borrowings

As of December 31, 2005, U.S. Dollars 95,000,000 of the long-term bank borrowings are secured with the bank deposit at the same amount. Also, ABN Amro loans are secured with the bank deposit at an amount of U.S. Dollars 100,000,000.

On 5 November 2003, the consolidated subsidiary MKH obtained a loan for the financing of the construction of a hotel complex with final repayment on December 5, 2011. As of December 31, 2006, the Group has draw down U.S. Dollars 47,932,740 (2005 - U.S. Dollars 63,548,253) of the loan in accordance with the drawdown schedule. As of December 31, 2006, these long-term bank borrowings are secured by the pledge of rental revenues, investment property to the value of U.S Dollars 76,482,562 (2005 - U.S. Dollars 74,035,264) and leasehold rights on land.

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

	2006	2005
Less than 1 year	**268,099,057**	225,371,287
1-5 years	**803,258,323**	1,044,348,257
More than 5 years	**186,390,420**	172,020,872
Less : Current portion of long term borrowings	**(268,099,057)**	(225,371,287)
Total long term borrowings	**989,648,743**	1,216,369,129

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

16. TRADE AND OTHER PAYABLES

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

	2006	2005
Trade payables	**400,126,233**	338,336,390
Advances received	**214,078,214**	38,719,369
Notes payable	**19,290,786**	9,578,509
Other payables	**1,221,568**	653,796
	634,716,801	387,288,064

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

	2006	2005
Trade payables	**478,217**	18,836,109
Advances received	**83,557,424**	17,292,290
	84,035,641	36,128,399

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

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

	2006	2005
Deferred rent revenue	**37,549,370**	33,576,603
VAT payable	**29,692,891**	20,111,794
Payroll payable	**14,577,002**	8,127,912
Taxes and funds payable	**9,674,504**	8,660,515
Bonus accrual	**4,050,202**	9,905,337
Deposit taken	**2,649,396**	1,970,954
Accrued expenses	**1,966,898**	1,533,707
Provision for legal cases	**936,934**	854,708
Personnel income tax	**838,907**	1,504,022
Other liabilities	**3,644,471**	3,811,157
	105,580,575	90,056,709

The non current part is as follows :

	2006	2005
Deferred revenue (*)	**572,002,800**	457,234,091
Deposits taken	**1,674,338**	-
	573,677,138	457,234,091

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

18. TAXATION ON INCOME

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

Tax Legislation in Turkey

In Turkey, the corporation tax rate for the fiscal year ending December 31, 2005 was 30%. Effective from January 1, 2006 corporate tax rate is reduced to 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2005 - 30%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from January 1, 2006, Turkish government ceased to offer investment incentives for capital investments, Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008.

15% (2005 – 10%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

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

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

18. TAXATION ON INCOME (continued)

Tax Legislations in Other Countries

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

	2006	2005
Russia	**24%**	24%
Holland	**29.6%**	34.5%
Kazakhstan	**30% - 37%**	30% -37%
Nepal	**25%**	25%
African Countries	**30% - 38.5%**	30% - 38.5%
Germany	**25%**	25%
Romania	**16%**	16%
Ukraine	**25%**	-
Tajikistan	**25%**	-
Albania	**20%**	-
Oman	**12%**	-

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

	2006		2005	
	Amount		Amount	
Profit from operations before taxes	**550,552,250**		414,338,239	
Tax per statutory tax rate 20% (2005 - 30%)	**110,110,450**	**20%**	124,301,472	30%
Effect of investment incentives	**(14,272,109)**	**(3%)**	(32,800,423)	(8%)
Effect of equity pick up revenue	**32,044**	**0%**	(213,001)	(0%)
Jobsites exempt from income tax	**(8,866,851)**	**(1%)**	(6,046,245)	(1%)
Effect of tax rate change and others	**18,529,554**	**3%**	(23,479,472)	(6%)
Taxation charge	**105,533,088**	**19%**	61,762,331	15%

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

18. TAXATION ON INCOME (continued)

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

	Consolidated Balance Sheet		Consolidated Statement of Income	
	2006	2005	**2006**	2005
Deferred income tax liabilities				
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	**(232,125,276)**	(148,942,619)	**(78,826,579)**	(76,054,245)
Adjustment for percentage of completion method application on construction projects	**(6,610,784)**	(12,960,195)	**6,349,411**	3,218,515
Adjustment of revenue levelization	**(6,155,692)**	(4,923,423)	**(1,232,269)**	(747,640)
Deferred financial expenses	**(975,533)**	(245,114)	**(730,419)**	145,448
Inventories	**(10,441,353)**	(8,703,871)	**(1,737,482)**	(8,703,871)
Others	**(2,406,337)**	(257,922)	**(2,148,415)**	2,416,762
Gross deferred income tax liabilities	**(258,714,975)**	(176,033,144)	**(78,325,753)**	(79,725,031)
Adjustment of revenue levelization	**119,407,470**	95,455,772	**23,951,698**	27,093,190
Investment incentive	**-**	-		(19,573,881)
Tax loss carry-forward	**61,139,596**	50,106,347	**11,033,249**	45,431,358
Reserve for employee termination benefit	**1,815,163**	2,347,776	**(532,613)**	123,604
Financial expense accrual adjustments	**1,611,617**	1,181,191	**430,426**	(37,660)
Allowance for doubtful receivables	**973,246**	307,760	**665,486**	(675,296)
Remeasurement of inventories	**371,866**	482,710	**(110,844)**	(122,129)
Lease obligation	**-**	-		(161,582)
Others	**821,623**	2,578,078	**(1,756,455)**	1,353,366
Gross deferred income tax assets	**186,140,581**	152,459,634	**33,680,947**	53,430,970
Net deferred tax liability	**(72,574,394)**	(23,573,510)	**(44,644,806)**	(26,294,061)

Reflected as:

	2006	2005
Deferred tax assets	**110,200,716**	144,325,971
Deferred tax liabilities	**(182,775,110)**	(167,899,481)
Net deferred liabilities	**(72,574,394)**	(23,573,510)

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

18. TAXATION ON INCOME (continued)

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

	2006	2005
Balance at January 1, of Enka İnşaat and its subsidiaries	**(2,590,239)**	(45,703,063)
Balance at January 1, of the joint ventures followed up on line by line basis	**26,163,749**	18,394,779
Balance at January 1, of the joint ventures	**(542,882)**	(366,817)
Balance at January 1	**23,030,628**	(27,675,101)
Change in scope of consolidation (*)	**(2,628,808)**	-
Deferred income tax benefit recognized in income statement	**44,644,806**	26,294,061
Effect of change in tax rate for deferred income tax charge recognized in equity	**(4,312,560)**	-
Deferred income tax benefit recognized in equity	**(739,606)**	29,697,630
Translation loss	**12,112,700**	(5,285,962)
Balance at December 31, of Enka İnşaat and its subsidiaries	**37,902,269**	(2,590,239)
Balance at January 31, of the joint ventures followed up on line by line basis	**34,672,125**	26,163,749
Balance at December 31, of the joint ventures	**(467,234)**	(542,882)
	72,107,160	23,030,628

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

19. EMPLOYEE TERMINATION BENEFIT

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of YTL 1,857 and YTL 1,727 at December 31, 2006 and 2005 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2006 and 2005, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date.

Effective from January 1, 2007, the retirement pay ceiling has been increased from YTL 1,857 to YTL 1,961.

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

	2006	2005
Discount rate	**11%**	12%
Expected rates of salary/limit increases	**5%**	6.175%

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

19. EMPLOYEE TERMINATION BENEFIT (continued)

The movement of provision for employee termination is as follows:

	2006	2005
Opening balance as at January 1	**10,279,263**	9,342,449
Change in the scope of consolidation (*)	**(1,467,385)**	-
Interest cost	**1,233,512**	1,121,094
Charge for the year, net	**1,078,741**	416,821
Translation loss	**(294,891)**	2,358
Utilized / paid	**(1,051,873)**	(603,459)
Closing balance as at December 31	**9,777,367**	10,279,263

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

20. GOODWILL

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

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

On November 30, 2005, the Company acquired the remaining 10% of Power Companies and as of December 31, 2005 was the sole shareholder of the subject companies. As a result of this purchase, the Company has recorded U.S. Dollar 13,793,620 negative goodwill which has been credited into Other Operating Income (Note 25).

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

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

	Goodwill	
	2006	2005
Beginning of the year, net book value	**55,151,210**	38,113,342
Application of IFRS-3, reversal of negative goodwill	**-**	17,037,868
End of the year, net book value	**55,151,210**	55,151,210

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

21. SHARE CAPITAL

	2006		2005	
	Percentage of Ownership	**Amount**	Percentage of Ownership	Amount
Tara Holding	**47.44%**	**171,528,102**	47.35%	89,576,736
Tara and Gülçelik families	**29.36%**	**106,151,641**	29.70%	56,186,464
Publicly traded	**12.70%**	**45,904,819**	12.39%	23,439,404
Enka Spor Eğitim ve Sosyal Yardım Vakfı	**6.13%**	**22,188,089**	6.19%	11,710,243
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	**4.37%**	**15,794,406**	4.37%	8,267,167
	100.00%	**361,567,057**	100.00%	189,180,014

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

As of December 31, 2006, the Company's historical issued share capital in the statutory books is YTL 600,000,000 (2005 - YTL 300,000,000), which consisted of 60,000,000,000 (2005 - 30,000,000,000) authorized and fully paid shares.

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

	2006		2005	
	Number	**YTL**	Number	YTL
At January 1,	**30,000,000,000**	**300,000,000**	20,000,000,000	200,000,000
Shares issued in				
- transfer from extraordinary reserve	**2,686,996,700**	**26,869,967**	3,000,000,000	30,000,000
- bonus shares issued out of general reserve	**27,313,003,300**	**273,130,033**	7,000,000,000	70,000,000
At December 31,	**60,000,000,000**	**600,000,000**	30,000,000,000	300,000,000

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

22. LEGAL RESERVES AND ACCUMULATED PROFIT

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

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

22. LEGAL RESERVES AND ACCUMULATED PROFIT (continued)

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

Effective from January 1, 2004, based on the profits calculated in financial statements prepared in accordance with the accounting policies promulgated by CMB, appropriation of 30% of the distributable profit is obligatory if a statutory financial statement has sufficient reserve to distribute. Based on the General Assembly's decision, this appropriation may be on cash basis or through the distribution of free shares not less than 30% of the distributable profit, or may be distributed both as cash and free shares. For 2006, this rate was determined as 20% promulgated by CMB.

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

Dividends Paid and Proposed

During 2006, the dividend distributed by the Company amounted to USD 23,246,829 (2005 - USD 26,607,055).

Final dividends are not accounted for until they have been ratified at the Annual General Meeting.

The Company did not declare or pay dividends out of the profit for 2006 as of the date of preparation of these financial statements.

Dividend per share attributable to equity holders of the parent is Cent 0.38745 for the year 2006 (2005 - Cent 0.044345).

23. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2006.

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

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

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

24. RELATED PARTY BALANCES AND TRANSACTIONS

Related Parties

Parties are considered related to the Group if;

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

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

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

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

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

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

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

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

The Group is controlled by Tara Holding (47.44%) and Tara and Gülçelik families (29.36%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also include management and members of the Group's Board of Directors.

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

(a) Trade receivables/payables

	2006		2005	
	Receivables	**Payables**	Receivables	Payables
Entrade Limited	**-**	**-**	14,322,262	-
Derince Uluslararası Konteyner Terminal İşletmeciliği A,Ş, (Derince)	**774,381 (*)**	**-**	728,273	-
Gretch Unitas	**-**	**16,425**	-	23,245
Azen Oil BV	**7,045,576 (*)**	**-**	1,002,496	-
Others	**-**	**-**	24,583	4,380
	7,819,957	**16,425**	16,077,614	27,625

(*) Funds provided by the Company.

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

24. RELATED PARTY TRANSACTIONS (continued)

(b) Other receivables/payables

	2006		2005	
	Receivables	**Payables**	Receivables	Payables
Entrade Limited	**-**	**-**	3,180,000	-
Individual Shareholders	**-**	**506,820**	-	306,410
Others	**-**	**-**	30,985	-
	-	**506,820**	3,210,985	306,410

(c) Transactions during the year

	2006	2005
Sales and Services to Related Parties		
Sales	**59,943**	68,550
Associates	**59,943**	68,550
Rent income	**220,394**	255,675
Associates	**207,950**	238,895
Other	**12,444**	16,780
Purchases and Services from Related Parties	**79,837,928**	72,388,161
Other related party	**79,837,928**	72,388,161

Director's remuneration

The executive management of the Company received remuneration totaling U.S. Dollars 16,721,526 (2005 – U.S. Dollars 9,156,650). As of December 31, 2006, the social security payment and accrued retirement pay liability is U.S. Dollar 376,976 (2005 – U.S. Dollar 242,011) and U.S. Dollar 832,129 (2005 – U.S. Dollar 631,430) respectively.

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

25. REVENUES AND EXPENSES

	2006	2005
Other Operating Income		
Gain from change in fair value of investment property	**56,620,342**	69,242,045
Negative goodwill	**8,968,265**	13,793,620
Insurance compensation income	**4,574,826**	1,231,380
Machinery rent income	**3,187,301**	749,910
Service income	**2,845,181**	2,063,099
Gain from sales of property, plant and equipment	**1,719,420**	3,744,544
Rent income	**1,232,830**	1,757,586
Reversal and collection of doubtful receivables	**520,482**	639,521
Commission income	**461,119**	273,147
First time consolidation income	**-**	7,040,633
Gain on sale of investment	**-**	6,868,713
Other	**5,594,113**	6,564,170
	85,723,879	113,968,368
Other Operating Expense		
Cost of contracts completed in prior years	**2,634,061**	1,432,457
Donations	**2,403,468**	2,174,311
Commission expense	**1,787,501**	1,104,060
Loss from sales of property, plant and equipment	**1,696,014**	704,488
Depreciation expense	**1,266,615**	1,105,116
Provision for doubtful receivable	**963,521**	1,326,392
Others	**3,560,344**	5,178,103
	14,311,524	13,024,927
Financial Income		
Interest income	**35,330,189**	26,389,326
Foreign exchange gains	**19,072,147**	-
Income from sale of investment securities	**9,746,400**	11,288,633
Others	**-**	168,841
	64,148,736	37,846,800

	2006	2005
Financial Expenses		
Interest expenses	**85,080,550**	82,444,027
Deferred financing costs	**13,545,524**	12,119,962
Commission expenses of letters of guarantee	**4,029,906**	3,569,674
Forward loss	**8,775,071**	2,139,306
Bank commission expenses	**2,254,610**	996,080
Foreign exchange losses	**-**	13,006,618
Others	**188,918**	559,959
	113,874,579	114,835,626

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

25. REVENUES AND EXPENSES (continued)

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

	2006	2005
Depreciation included in		
Cost of revenues	**88,394,244**	85,731,610
Selling and administrative expenses	**17,204,575**	11,042,386
Other operating expense	**1,266,615**	1,105,116
Inventory	**361,979**	192,240
	107,227,413	98,071,352
Amortization included in		
Cost of revenues	**63,194**	141,174
Selling and administrative expenses	**914,655**	779,462
	977,849	920,636
Staff costs		
Wages and salaries	**214,070,797**	161,200,008
Social security costs	**28,509,823**	12,200,084
Provision for employee termination benefits	**2,312,253**	1,537,915
Other benefits	**8,823,247**	4,908,540
Staff costs capitalized on construction in process	**-**	13,901,391
	253,716,120	193,747,938
Cost of inventories recognized as expense, net	**190,162**	686,136
	190,162	686,136

26. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments – Group as Lessee

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

	2006	2005
Within one year	**8,833,991**	7,371,165
After one year but not more than five years	**25,099,575**	26,449,224
More than five years	**29,623,011**	31,997,429
	63,556,577	65,817,818

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Operating Lease Commitments – Group as Lessor

The minimum future rental income of the Company under non-cancelable operating leases at December 31, 2006 and 2005 is as follows:

	2006	2005
Within one year	**89,593,136**	72,895,298
After one year but not more than five years	**142,973,816**	111,425,755
	232,566,952	184,321,053

Finance Lease Commitments

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

	2006		2005	
	Minimum payments	**Present value of minimum payments**	Minimum payments	Present value of minimum payments
Within one year	**1,268,767**	**1,169,601**	1,009,346	896,038
After one year but not more than five years	**6,775,269**	**6,511,187**	5,017,390	4,674,081
More than five years	**8,332,837**	**8,329,465**	2,897,294	2,873,983
Total financial lease debt	**16,376,873**	**16,010,253**	8,924,030	8,444,102
Less amounts representing finance charges	**(366,620)**	-	(479,928)	-
Present value of minimum lease payments	**16,010,253**	**16,010,253**	8,444,102	8,444,102

Litigations

- The Group had tax disputes with the Croatian Tax Authorities related to the profit tax of the years 1998, 1999 and 2000, all these tax disputes have been resolved with a protocol signed between the Group and the Crotian Tax Authorities on October 3, 2006. Based on this protocol the Group has paid 19,889,524 Croatian Kunas (approximately U.S. Dollars 3,4 million). However, the Group has reflected a provision of U.S. Dollars 3,1 million in the consolidated financial statements for those lawsuits in previous years.

- In the year 2004, a case is opened against Enka Pazarlama, one of the consolidated subsidiary, regarding the non-compliance with respect to the payment of the period commissions of the guarantee given by a local bank in favor of Iran GTC Company. The Management of the Company believes that the case will be resulted in favor of the Group.

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Others

- The operations and financial positions of the companies operating in Russia will be impacted by the political, monetary and fiscal practices that will be applied in the Russian Federations. As of December 31, 2006, the Group does not believe that any material matters exist relating to fiscal and regulatory environment in Russia, including current pending or future governmental claims and demands, which would require adjustment to the consolidated financial statements in order for those statements not to be misleading.

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

- As of December 31, 2006, the Group has outstanding letters of guarantee and collaterals amounting to U.S. Dollars 1,156,212,450 (2005 – U.S. Dollars 543,752,247) obtained from various banks and given to local and foreign banks, custom authorities, local and foreign government institutions and contract parties for contract advances, project transactions and bank borrowings obtained, of which U.S. Dollars 287,136,744 (2005 - U.S. Dollars 147,140,101) are related to joint ventures.

- As of December 31, 2006, Pimaş has export commitments at the amount of U.S. Dollars 4,250,000 (2005 – Pimaş and Kelebek Mobilya,U.S. Dollars 4,952,750), YTL 2,250,000 (2005 - Pimaş YTL 1,500,000) and Euro 4,900,000 (2005 –Pimaş and Kelebek Mobilya, Euro 6,000,000) with respect to the foreign currency loans with export commitments.

27. DERIVATIVES

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

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

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

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

27. DERIVATIVES (continued)

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

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

	2005			
	Unrealized Loss	Up to 12 month	2 to 3 year	4 to 5 year
Derivatives held for trading				
Forward sale contract	(94,873)	9,236,650	-	-
Forward purchase contract	-	9,141,777	-	-

28. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

Price Risk

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

28. FINANCIAL INSTRUMENTS (continued)

Credit Risk

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

Credit Risk Exposures

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

Significant Concentration of the Credit Risk

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

Liquidity Risk

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

Fair Value of Financial Instruments

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

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

The carrying value of long-term funds borrowed also approximates the market value due to the variable interest rates with changing market conditions and due to their being denominated mostly in foreign currencies. The fair value of long-term funds borrowed having fixed interest rates can not be reliably measured.

29. SUBSEQUENT EVENTS

At the Board of Directors meeting held on April 18, 2005, the decision of liquidation of Altaş El Aletleri Dövme Çelik Sanayi, one of the subsidiaries of the Group, has been taken and the decision has been registered by Commerce Registry Office on June 2, 2005. By the Board of Directors Meeting dated March 7, 2006, the financial statements for the years 2005, 2006 and as of the liquidation period end have been approved by unanimously.