

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

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2014
AND INDEPENDENT AUDITOR'S
REPORT

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

We have audited the accompanying consolidated financial statements of Enka İnşaat ve Sanayi A.Ş. (Enka İnşaat), its subsidiaries and joint operations (together the "Group") which comprise the consolidated balance sheet as of 31 December 2014, the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT BAĞIMSIZ DENETİM VE SERBEST MÜHÜR A.Ş.

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

İstanbul, 2 March 2015

TABLE OF CONTENTS**PAGE**

CONSOLIDATED BALANCE SHEET.....	1-2
CONSOLIDATED STATEMENT OF INCOME	3
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	5
CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-82
NOTE 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP.....	7-9
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	9-31
NOTE 3 DIVIDENDS PAID.....	32
NOTE 4 INTEREST IN JOINT OPERATIONS.....	33
NOTE 5 SEGMENTAL INFORMATION.....	34-36
NOTE 6 CASH AND CASH EQUIVALENTS.....	37
NOTE 7 FINANCIAL INVESTMENTS.....	37-38
NOTE 8 FINANCIAL LIABILITIES.....	39-41
NOTE 9 TRADE RECEIVABLES AND PAYABLES.....	42-43
NOTE 10 OTHER RECEIVABLES AND PAYABLES.....	43
NOTE 11 INVENTORIES.....	44
NOTE 12 CONSTRUCTION CONTRACTS.....	44
NOTE 13 INVESTMENT PROPERTIES.....	45-46
NOTE 14 PROPERTY, PLANT AND EQUIPMENTS.....	47-49
NOTE 15 INTANGIBLE ASSETS.....	50
NOTE 16 GOODWILL.....	50
NOTE 17 PREPAID EXPENSES AND DEFERRED INCOME.....	51
NOTE 18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	52
NOTE 19 COMMITMENTS.....	53-54
NOTE 20 PROVISIONS FOR EMPLOYEE BENEFITS.....	55
NOTE 21 OTHER ASSETS AND LIABILITIES.....	56
NOTE 22 SHARE CAPITAL.....	57-59
NOTE 23 SALES AND COST OF SALES.....	60
NOTE 24 MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES.....	60
NOTE 25 EXPENSES BY NATURE.....	61
NOTE 26 OTHER OPERATING INCOME / EXPENSES.....	61-62
NOTE 27 INVESTMENT INCOME / EXPENSES.....	62-63
NOTE 28 FINANCIAL INCOME.....	63
NOTE 29 FINANCIAL EXPENSES.....	63
NOTE 30 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.....	64
NOTE 31 TAXATION ON INCOME.....	65-68
NOTE 32 EARNINGS PER SHARE	69
NOTE 33 RELATED PARTY BALANCES AND TRANSACTIONS	69-70
NOTE 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	70-78
NOTE 35 FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK	79-80
NOTE 36 OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS.....	81-82
NOTE 37 SUBSEQUENT EVENTS	82

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

ASSETS	Notes	31 December 2014	31 December 2013
Current Assets		3,271,583	3,175,750
Cash and cash equivalents	6	1,408,194	1,272,136
Financial investments	7	575,110	481,656
Trade receivables	9	720,122	797,562
Other receivables			
Other receivables from related parties	10	56	43
Other receivables from third parties	10	626	693
Inventories	11	259,856	344,406
Prepaid expenses	17	100,304	112,214
Costs and estimated earnings in excess of billings on uncompleted contracts	12	133,257	108,938
Other current assets	21	72,990	56,906
		<u>3,270,515</u>	<u>3,174,554</u>
Assets held for sale and discontinued operations	30	1,068	1,196
Non-Current Assets		4,541,186	5,295,681
Financial investments	7	1,006,905	998,458
Trade receivables	9	10,579	13,517
Investment properties	13	1,814,215	2,346,532
Property, plant and equipment	14	1,625,896	1,832,530
Intangible assets			
Goodwill	16	55,168	64,092
Other intangible assets	15	21,075	31,973
Deferred tax assets	31	53	450
Prepaid expenses	17	2,515	1,779
Other non-current assets	21	4,780	6,350
TOTAL ASSETS		<u>7,812,769</u>	<u>8,471,431</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2014

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

LIABILITIES	Notes	31 December 2014	31 December 2013
Current Liabilities		1,362,466	1,367,770
Short-term borrowings	8	6,245	35,776
Current portion of long-term borrowings	8	43,148	66,162
Trade payables	9	537,216	533,729
Payables to employees	20	26,568	30,307
Other payables			
Payables to related parties	10	1,378	1,198
Payables to third parties	10	29,462	28,791
Billings in excess of costs and estimated earnings on uncompleted contracts	12	224,087	171,337
Deferred income	17	323,731	340,722
Taxation on income	31	51,706	54,503
Provisions			
Provisions for employee benefits	20	21,034	19,937
Other provisions	18	56,261	40,793
Other current liabilities	21	41,630	44,515
Non-Current Liabilities		1,235,545	1,442,592
Long-term borrowings	8	220,163	280,474
Trade payables	9	1,900	5,503
Other payables	10	27,690	30,127
Deferred income	17	610,079	711,411
Provisions for employee benefits	20	16,294	15,707
Deferred tax liabilities	31	359,419	399,370
EQUITY		5,214,758	5,661,069
Equity Attributable to Equity Holders of the Parent		5,157,144	5,597,343
Share capital	22	2,230,412	2,040,352
Revaluation surplus	22	161,888	232,143
Currency translation difference		(994,861)	(206,697)
Other reserves		1,986	1,986
Legal reserves and accumulated profit		3,757,719	3,529,559
Non-Controlling Interests		57,614	63,726
TOTAL LIABILITIES AND EQUITY		7,812,769	8,471,431

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

		1 January - 31 December 2014	<i>Reclassified (Note 2.1)</i> 1 January - 31 December 2013
	Notes		
CONTINUING OPERATIONS			
Revenue	5,23	5,821,028	6,456,511
Cost of revenues (-)	5,23	(4,887,989)	(5,389,031)
GROSS PROFIT		933,039	1,067,480
Marketing, selling and distribution expenses (-)	5,24	(33,419)	(31,997)
Administrative expenses (-)	5,24	(126,077)	(119,948)
Other operating income	5,26	21,796	57,321
Other operating expenses (-)	5,26	(67,724)	(45,042)
PROFIT FROM OPERATIONS		727,615	927,814
Income from investing activities	5,27	189,542	111,826
Expenses from investing activities	5,27	(40,191)	(115,222)
OPERATING PROFIT BEFORE FINANCE EXPENSES		876,966	924,418
Financial income	5,28	39,252	24,864
Financial expenses (-)	5,29	(45,095)	(37,557)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		871,123	911,725
Current tax expense (-)	31	(139,570)	(170,643)
Deferred tax expense	31	(42,265)	(46,630)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		689,288	694,452
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations, net of tax	30	(1,111)	(1,449)
NET PROFIT FOR THE YEAR		688,177	693,003
Attributable to:			
Non-controlling interest		29,135	37,020
Equity holders of the parent		659,042	655,983
		688,177	693,003
Earnings per share from discontinued operations			
- ordinary share certificate (full cent)		-	-
Earning per share from continuing operations			
- ordinary share certificate (full cent)	32	0.18	0.18
Weighted average number of shares (1 cent weighted average shares)			
		360,000,000,000	360,000,000,000

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

	<u>Notes</u>	<u>1 January - 31 December 2014</u>	<u>1 January - 31 December 2013</u>
NET PROFIT FOR THE YEAR		688,177	693,003
Other Comprehensive Income / (Expense):			
Items that will not be reclassified subsequently to profit or loss		(41,377)	52,270
Loss on remeasurement of defined benefit plans	20	(1,561)	(1,294)
<i>Changes in revaluation fund of property</i>		<i>(39,816)</i>	<i>53,564</i>
Gain arising during the year	22	(28,877)	58,666
Tax effect	22	3,977	(4,249)
Changes in translation difference in property valuation increase	22	(14,916)	(853)
Items that may be reclassified subsequently to profit or loss		(796,771)	(77,726)
Changes in currency translation difference		(796,771)	(77,738)
<i>Changes in cash flow hedge</i>		<i>-</i>	<i>12</i>
Gain arising during the period		-	15
Tax effect		-	(3)
OTHER COMPREHENSIVE LOSS		(838,148)	(25,456)
TOTAL COMPREHENSIVE INCOME		(149,971)	667,547
Attributable to:			
Non-controlling interest		17,682	41,143
Equity holders of the parent		(167,653)	626,404
		(149,971)	667,547

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
Balance at 1 January 2013		1,829,192	186,592	(129,870)	1,974	3,211,553	5,099,441	260,062	5,359,503
Total other comprehensive income		-	48,530	(76,827)	12	(1,294)	(29,579)	4,123	(25,456)
Profit for the year		-	-	-	-	655,983	655,983	37,020	693,003
Total comprehensive income		-	48,530	(76,827)	12	654,689	626,404	41,143	667,547
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(2,979)	-	-	2,979	-	-	-
Share capital increase	22	211,160	-	-	-	(211,160)	-	1,614	1,614
Dividends paid	3	-	-	-	-	(135,244)	(135,244)	(12,584)	(147,828)
Effect of acquisition of non-controlling interest	22	-	-	-	-	6,742	6,742	(226,509)	(219,767)
Balance at 31 December 2013	22	2,040,352	232,143	(206,697)	1,986	3,529,559	5,597,343	63,726	5,661,069
Balance at 1 January 2014		2,040,352	232,143	(206,697)	1,986	3,529,559	5,597,343	63,726	5,661,069
Total other comprehensive income		-	(36,970)	(788,164)	-	(1,561)	(826,695)	(11,453)	(838,148)
Profit for the year		-	-	-	-	659,042	659,042	29,135	688,177
Total comprehensive income		-	(36,970)	(788,164)	-	657,481	(167,653)	17,682	(149,971)
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(3,159)	-	-	3,159	-	-	-
Share capital increase	22	190,060	-	-	-	(190,060)	-	-	-
Dividends paid	3	-	-	-	-	(272,546)	(272,546)	(18,047)	(290,593)
Transfer of revaluation surplus of sold lands	22	-	(22,629)	-	-	22,629	-	-	-
Effect of sale of subsidiary	22	-	(7,497)	-	-	7,497	-	(5,747)	(5,747)
Balance at 31 December 2014	22	2,230,412	161,888	(994,861)	1,986	3,757,719	5,157,144	57,614	5,214,758

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
Cash flows from operating activities			
Profit for the year		688,177	693,003
Adjustments to reconcile net income			
to net cash used in operating activities:			
- Depreciation and amortization of non-current assets	5,25	102,302	97,706
- Provision for employment termination benefits		2,215	395
- Allowance for doubtful receivables	9,26	21,693	4,337
- Provision for litigations	26	10,977	7,572
- Adjustments to deferred income from electricity sale		(99,853)	(79,732)
- Loss from sale of subsidiary	36	1,596	-
- Loss from fair value of forward transactions	28,29	7,045	(923)
- Interest expense	29	3,860	9,273
- Interest income		(70,508)	(64,115)
- Dividend income	27	(6,086)	(7,666)
- Provision for inventory impairment, net		(292)	(1,753)
- Gain on sale or disposal of property, plant and equipment, net	27	6,163	(1,575)
- Fair value decrease / (increase) in investment properties	13	939	(4,778)
- Valuation of investment securities		(76,782)	62,336
- Interest accrual		483	221
- Tax expense	30,31	181,898	217,483
		<u>773,827</u>	<u>931,784</u>
Movements in working capital			
Decrease in trade and other receivables		27,705	84,916
Increase cost and estimated earnings in excess of billings on uncompleted contracts		(24,319)	(40,365)
Decrease / (increase) in inventory		51,256	(3,838)
Increase in other current assets and other non current assets		(8,192)	(2,710)
Increase / (decrease) in trade and other payables		16,293	(87,601)
Increase/(decrease) in billings in excess of cost and estimated earnings on uncompleted contracts		52,749	(10,684)
(Decrease) / increase in provision for liabilities and other liabilities		(8,985)	47,926
		<u>106,507</u>	<u>(12,356)</u>
Income taxes paid	31	(141,637)	(154,893)
Income taxes paid of discontinued operations	30	(730)	-
Employee termination benefits paid	20	(1,613)	(1,256)
Net cash generated from operating activities		<u>736,354</u>	<u>763,279</u>
Cash flows from investing activities			
Change in financial investments		(25,123)	150,043
Proceeds on disposal or sale of property, plant and equipment	14	41,786	24,743
Purchases of property, plant and equipment, intangible assets and investment properties	5	(193,089)	(258,905)
Interest received		70,025	63,894
Acquisition of non-controlling interest		-	(219,767)
Proceeds from sale of discontinued operations	36	21,986	-
Dividend received	27	6,086	7,666
Net cash used in investing activities		<u>(78,329)</u>	<u>(232,326)</u>
Cash flows from financing activities			
Short-term borrowings, net		(9,882)	13,554
Addition to long-term borrowings		69,266	27,437
Repayments of long-term borrowings		(62,061)	(172,415)
Interest paid		(4,057)	(7,110)
Non-controlling interest of share capital increase		-	1,614
Dividend paid to non-controlling interests		(18,047)	(12,584)
Dividend paid		(272,546)	(135,244)
Net cash used in financing activities		<u>(297,327)</u>	<u>(284,748)</u>
Translation reserve		(224,640)	11,053
Net increase in cash and cash equivalents		<u>136,058</u>	<u>257,258</u>
Cash and cash equivalents at beginning of the year	6	1,271,136	1,013,878
Cash and cash equivalents at end of the year	6	<u>1,407,194</u>	<u>1,271,136</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

Enka İnşaat ve Sanayi Anonim Şirketi ("Enka İnşaat") was established on 4 December 1967 and registered in İstanbul, Turkey, under the Turkish Commercial Code. The address of the headquarters and registered office of Enka İnşaat is Balmumcu, Zincirlikuyu Yolu No:10, 34349 Enka Binası Beşiktaş, İstanbul, Turkey.

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 December 2014, 12.59% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (ISE).

As of 31 December 2014, the average numbers of white and blue-collar personnel are respectively 5,087 and 18,754 (31 December 2013 – 5,299 and 21,435).

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

The Group operates in geographical areas below:

- i. 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.
- ii. Russian Federation, Georgia and Kazakhstan:* engaged in construction activities and also in investment and development of real estate properties and shopping malls in Moscow, Russia.
- iii.* Engaged in construction activities in Gabon, Djibouti, Mauritania and Equatorial Guinea in Africa; Saudi Arabia, Oman, Iraq and Afganistan in Asia and also in Dominican Republic.
- iv. Europe:* engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Germany and Kosovo.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

As of 31 December 2014 Enka İnşaat has the following subsidiaries, whose business and country of incorporation are provided below:

Name of Subsidiary	Nature of business activities	Country of incorporation	Year of establishment
Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama)	Engaged in marketing and after-sales service of construction machineries, trucks, industrial products and spare parts.	Turkey	1972
Çimtaş Çelik İmalat Montaj ve Tesisat Anonim Şirketi (Çimtaş)	Engaged in manufacturing of structural steel works, installation and establishing of the technical equipment.	Turkey	1973
Titaş Toprak İnşaat ve Taahhüt Anonim Şirketi (Titaş)	Engaged in all kinds of excavation activities, excavation backfilling works and quarrying-crushing operation of highway projects.	Turkey	1974
Kasktaş Kayar Kalıp Altyapı Sondaj Kazık ve Tecrit Anonim Şirketi (Kasktaş)	Engaged in pile dwelling work, any kind of base and superstructure construction, slip form and construction of drilling and ground surveys.	Turkey	1975
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	The firm operates in organization of domestic and international conventions and seminars and also engaged in tour reservations and ticket sales.	Turkey	1976
Enet Proje Araştırma ve Müşavirlik A.Ş. (Enet)	Performs architectural design services.	Turkey	1980
Enka Teknik Genel Müteahhitlik Bakım İşletme Sevki ve İdare Anonim Şirketi (Enka Teknik)	Operates in the business of material handling and storage systems, auxiliary facilities, water treatment and environmental engineering, infrastructure and construction, control systems and instrumentation engineering.	Turkey	1981
Entrade GmbH (Entrade)	Manages foreign investments of the Company.	Germany	1984
Limited Liability Company Enmar (Enmar)	Engaged in ready-mixed concrete production and various construction works.	Russia	1994
Airenka Hava Taşımacılığı A.Ş.(Air Enka)	Engaged in all kinds of air transportation.	Turkey	2001
Enka Holding B.V.	Manages foreign investments of the Company.	Netherlands	2001
Enka Müteahhitlik Hizmetleri A.Ş. (Enka Müteahhitlik)	Engaged in construction activities.	Turkey	2002
Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Enka Limited Liability Company (Enka LLC)	Manages the company's construction, engineering and design jobs.	Ukraine	2006
Enka Enerji Üretim A.Ş.	Will perform production and sale of electricity.	Turkey	2006
Enka & Co LLC	Engaged in construction activities.	Oman	2010

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

The construction contracts are undertaken by Enka İnşaat alone or together with its affiliated companies or, in partnerships with other contractors through joint operations. As of 31 December 2014, Enka İnşaat has the following joint operations:

Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys

Bechtel-Enka Joint Venture Bautino (Kazakhstan)

Caddell Construction Company Inc. (Caddell Global)

Bechtel-Enka Joint Venture (Romania)

Bechtel-Enka Joint Venture (Albania)

Bechtel-Enka Joint Venture (Kosovo)

AECO Development Limited Liability Company (Oman)

Bechtel-Enka Joint Venture (Oman)

Bechtel-Enka Joint Venture (Georgia)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

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

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

The Group adopted all standards, which were mandatory as of 31 December 2014. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 2 March 2015. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of presentation (cont'd)

Functional and presentation currency

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

Until 31 December 2005, the financial statements of the subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 31 December 2014 and 2013 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

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

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

The year-end and average Turkish Lira (TL) rates for 2014 and 2013 for one U.S. Dollar can be summarized as below:

	2014	2013
U.S. Dollars /TL – as of balance sheet date	2.3189	2.1343
U.S. Dollars /TL – yearly average	2.1865	1.9032

Comparative information and reclassification of prior year financial statements

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

- As the Group has classified Pimaş Plastik İnşaat Malzemeleri A.Ş.'s ("Pimas") operations to the discontinued operations, the consolidated statement of income for the year ended 31 December 2013 and segmental information note is reclassified in accordance with IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations. The reclassification does not have any impact on prior period equity and net income.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of presentation (cont'd)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint operations and its subsidiaries as at 31 December each year. The financial statements of the joint operations 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 operations are eliminated.

Under the equity method, an investment in associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of presentation (cont'd)

Basis of consolidation (cont'd)

The subsidiaries included in consolidation and their shareholding percentages at 31 December 2014 and 31 December 2013 are as follows:

Company name	Segment	Functional Currency	Direct / Indirect ownership	
			31 December 2014	31 December 2013
İzmir Elektrik	Energy	USD	%100,00	%100,00
Adapazarı Elektrik	Energy	USD	%100,00	%100,00
Gebze Elektrik	Energy	USD	%100,00	%100,00
Enka TC LLC	Trade and manufacturing	RUB	%100,00	%100,00
Mosenka	Rental	RUB	%100,00	%100,00
MKH	Rental	RUB	%100,00	%100,00
Enka Santral Hizmetleri A.Ş.	Energy	USD	%100,00	%100,00
Enka Enerji Üretim A.Ş.	Energy	USD	%100,00	%99,47
Enka Holding B.V.	Construction	EUR	%100,00	%100,00
Enka Holding Investment S.A.	Construction	USD	%100,00	%100,00
Enka Power Systems B.V.	Construction	EUR	%100,00	%100,00
Rulen B.V.	Construction	EUR	%100,00	-
Enka Construction & Development B.V.	Construction	EUR	%100,00	%100,00
Far East Development B.V.	Construction	EUR	%100,00	%100,00
Middle East Construction B.V.	Construction	EUR	%100,00	-
Enmar	Construction	USD	%100,00	%100,00
Entrade	Construction	EUR	%100,00	%100,00
Capital City Investment B.V.	Construction	EUR	%100,00	%100,00
City Center Investment B.V.	Rental	USD	%100,00	%100,00
Enka LLC	Construction	USD	%100,00	%100,00
Rumos S.A.	Rental	USD	%100,00	%100,00
MCC Investment S.A.	Construction	USD	%100,00	%100,00
Retmos Investment Ltd.	Construction	USD	%100,00	%100,00
Emos LLC	Trade and manufacturing	RUB	%100,00	%100,00
Bmos B.V.	Trade and manufacturing	EUR	%100,00	%100,00
Cmos B.V.	Trade and manufacturing	EUR	%100,00	%100,00
OOO Victoria	Construction	USD	%100,00	%100,00
Maken	Construction	USD	%100,00	%100,00
Enka & Co LLC	Construction	USD	%100,00	%100,00
Enka Mühendislik	Construction	TL	%100,00	%100,00
Edco Investment B.V.	Rental	EUR	%100,00	%100,00
Enru Development B.V.	Rental	EUR	%100,00	%100,00
Enkamos Region B.V. (Former name as Pavmos B.V.)	Construction	EUR	%100,00	%100,00
Airenka	Trade and manufacturing	USD	%100,00	%99,97
Enka Pazarlama	Trade and manufacturing	TL	%99,99	%99,99
Enka Finansal Kiralama A.Ş.	Trade and manufacturing	TL	%99,99	%99,99
Metra Akdeniz Dış Ticaret A.Ş.	Trade and manufacturing	TL	%99,93	%99,93
Entaş	Trade and manufacturing	TL	%99,98	%99,93
Enet	Construction	TL	%98,00	%95,00
Titaş	Construction	USD	%98,00	%93,11
Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.	Trade and manufacturing	USD	%97,88	%97,31
Kasktaş	Construction	USD	%99,58	%97,25
Burkas Ltd. Şti.	Construction	USD	%99,58	%97,25

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of presentation (cont'd)

Basis of consolidation (cont'd)

Company name (continuing)	Segment	Functional Currency	Direct / Indirect ownership	
			31 December 2014	31 December 2013
Kasktaş Arabia Ltd.	Construction	USD	%99,58	%97,25
Çımtaş Borulama Sanayi ve Ticaret Ltd. Şti.	Construction	EUR	%97,35	%96,97
Çımtaş Çelik	Construction	USD	%97,35	%96,94
Cımtas Mechanical Contracting B.V.	Construction	USD	%97,35	%96,94
Cımtas (Ningbo) Steel Processing Company Ltd.	Construction	USD	%97,35	%96,94
Cımtas Buildings Systems Ltd. (CBSL)	Construction	USD	%97,35	%96,94
Cımtas Investment B.V.	Construction	EUR	%97,35	%96,94
Gemlik Deniz Taşımacılık Ltd.Şti.	Construction	USD	%97,35	%96,94
Enka Teknik	Construction	USD	%77,50	%79,91
OOO R-Avtam	Rental	USD	%60,00	%60,00
Cımtas Boru İmalatları ve Ticaret Ltd. Şti.	Construction	EUR	%50,00	%50,00
IBH Engineering GmbH (Note 36) (***)	Construction	EUR	-	%96,64
Enka Elektrik Üretim A.Ş. (*)	Energy	USD	-	%100,00
Covet B.V. (**)	Construction	EUR	-	%100,00
Enka Adapazarı Power Investment B.V. (**)	Energy	EUR	-	%100,00
Enka Gebze Power Investment B.V. (**)	Energy	EUR	-	%100,00
Enka İzmir Power Investment B.V. (**)	Energy	EUR	-	%100,00
Enka Power Investment B.V. (**)	Energy	EUR	-	%100,00
Enka International Construction Ltd. (****)	Construction	EUR	-	%100,00
Pimaş (Note 30,36) (***)	Trade and manufacturing	TL	-	%81,65
S.C Pimapen Logistic Center SRL (Note 30,36) (***)	Trade and manufacturing	USD	-	%81,65
Enwin Rus Ltd. (Note 30,36) (***)	Trade and manufacturing	RUB	-	%81,65

(*) Enka Elektrik Üretim A.Ş. has been merged with Enka Enerji Üretim A.Ş.

(**) These companies have been merged with Enka Holding B.V.

(***) These companies were sold in the current year.

(****) This company has been dissolved in the current year.

The Group has interests in joint operations which are jointly controlled entities. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group recognizes its interest in the joint operations using proportionate consolidation. The breakdown of the controlling interests of the joint operations as of 31 December 2014 and 2013 is as follows:

	Functional Currency	31 December 2014	31 December 2013
Bechtel-Enka Joint Venture (Kazakhstan) – Semimdy Kurylys	USD	%50.00	%50.00
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	USD	%50.00	%50.00
Caddell Construction Company Inc. (Caddell Europe, Africa, America)	USD	%50.00	%50.00
Bechtel-Enka Joint Venture (Romania)	EUR	%50.00	%50.00
Bechtel-Enka Joint Venture (Albania)	EUR	%50.00	%50.00
Bechtel-Enka Joint Venture (Kosovo)	EUR	%50.00	%50.00
AECO Development Limited Liability Company (Oman)	USD	%50.00	%50.00
Bechtel-Enka Joint Venture (Oman)	USD	%50.00	%50.00
Bechtel-Enka Joint Venture (Georgia)	USD	%50.00	-
Poyraz Shipping B.V.	USD	%50.00	%50.00
Bogazici Shipping B.V.	USD	%50.00	%50.00
Doga Shipping B.V.	USD	%50.00	%50.00
Imbat Shipping B.V.	USD	%50.00	%50.00
TNY Shipping B.V.	USD	%50.00	%50.00
Alacante Shipping B.V.	USD	%50.00	%50.00
BRK Overseas Shipping B.V.	USD	%50.00	%50.00
MML Merchant Shipping B.V.	USD	%50.00	%50.00
Esta Construction B.V.	USD	%50.00	%50.00

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.2 Changes in the accounting policies

Significant changes in accounting policies are applied retroactively and prior year financial statements are restated when necessary. Significant changes applied during the year are detailed in Note 2.4.

2.3 Changes and Errors in Accounting Estimates

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

2.4 Adoption of New and Revised International Financial Reporting Standards

The following amendments to IASs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or a fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2017, earlier adoption is permitted. The Group has adopted IFRS 9 and the related consequential amendments since 31 December 2010.

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

Amendments to IFRS 10, 11, IAS 27	<i>Investment Entities¹</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRIC 21	<i>Levies¹</i>

¹ Effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 10, 11, IAS 27 Investment Entities

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

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

b) New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of IFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

c) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments</i> ⁵
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Annual Improvements to 2010-2012 Cycle	<i>IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>IFRS 1, IFRS 3, IFRS 13, IAS 40</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ²
Amendments to IFRS 11	<i>Accounting for Acquisition of Interests in Joint operations</i> ²
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> ²
IFRS 15	<i>Revenue from Contracts with Customers</i> ⁴
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to IAS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Annual Improvements to 2012-2014 Cycle	<i>IFRS 5, IFRS 7, IAS 9, IAS 34</i> ³
Amendments to IAS 1	<i>Disclosure Initiative</i> ²
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 July 2016.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2018.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

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

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

IFRS 1: Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

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

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

Annual Improvements to 2011-2013 Cycle (cont'd)

Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment include "bearer plants" within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts

Recognise revenue when the entity satisfies a performance obligation.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

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

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

Annual Improvements to 2011-2013 Cycle (cont'd)

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Annual Improvements 2012-2014 Cycle

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

IAS 9: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

Amendments to IAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgement in presenting their financial reports.

Amendments to IFRS 10, 11, IAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Group evaluates the effects of these standards on the consolidated financial statements.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies

Revenue

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

Construction contract activities

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

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.

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

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

Energy activities

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

Sale of goods

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

Rental income

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Revenue (cont'd)

Rendering of services

Revenue is recognized by reference to the stage of completion.

Interest income

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

Dividends

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

Inventories

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

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

Goods for resale - purchase cost on moving weighted average basis.

Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on moving weighted average basis.

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

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

Property, plant and equipment

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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

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

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

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.

Intangible assets

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost that are amortized over 3 to 10 years on straight-line basis.

Trademarks

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

Contractual customer relationships

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Investment properties

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

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

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

Business combinations

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Business combinations (cont'd)

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

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

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

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

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

Goodwill

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Non-current assets held for sale

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

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

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

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. The Group measured assets and liabilities related to the disposal group at the lower of their previous carrying amount and fair value less costs to sell.

Impairment of non-financial assets

The carrying values of non-financial assets, other than goodwill which is reviewed for impairment at least annually, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated income statement for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or has decreased. The reversal is recognized in consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing costs

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments

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

According to IFRS 9 as from 1 January 2010, the group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

(a) Financial assets at amortised cost

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

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

(b) Financial assets at fair value

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

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

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

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

Impairment of financial assets

Financial assets at amortised cost

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Financial assets at amortised cost (cont'd)

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

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

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or heldto- maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

Cash and cash equivalents

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

Financial liabilities

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial liabilities (cont'd)

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

a) Financial liabilities at fair value through profit and loss

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

b) Other financial liabilities

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

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

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

Derivative financial instruments and hedging

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Derivative financial instruments and hedging (cont'd)

Cash flow hedges

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

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

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

Accounting at the date of transaction

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

Offsetting

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

Derecognition of financial liabilities

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

Effects of Changes in Foreign Exchange Rates

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

Earnings per share

Basic earnings per share (EPS) disclosed in the consolidated 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 capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorized for issue, the EPS calculations for those and any prior period financial statements presented is based on the new number of shares.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Provisions, contingent liabilities, contingent assets

Provisions

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

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

Contingent liabilities and assets

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

Leases - The Group as lessee

Finance leases

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

Operating lease

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

Leases - The Group as lessor

Operating lease

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Related parties

Parties are considered related to the Group if;

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

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

Income tax

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

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

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

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

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

2.5 Summary of significant accounting policies (cont'd)

Employee termination benefits

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

Defined benefit plans

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

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

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

Defined contribution plans

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

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

Statement of cash flows

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

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

Subsequent events

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

3. DIVIDENDS PAID

Based on the Group's Ordinary General Assembly held on 27 March 2014; regarding to the distribution of the year 2013 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0,085 full TL gross / 0,074 full TL net in total TL 272.000 (2013: TL 224.000); further it has been resolved to distribute TL 23.443 (2013: TL 19.317) as cash dividend to founder shares and the distribution is completed on 16 April 2014.

In 2014 and 2013, the Group distributed dividends as detailed below:

	2014		2013	
	Dividend	Dividends per share	Dividend	Dividends per share
Ordinary share owners (1 Full TL nominal value)	272,000 TL	0,07 Full TL	224,000 TL	0,07 Full TL
Founder share owners	23,443 TL	19.32 TL	19,317 TL	19.32 TL
Ordinary share owners (1 Full TL nominal value) (*)	288,000 TL		-	-
	<u>583,443 TL</u>		<u>243,317 TL</u>	

(*) Basing on the power vested in the Board of Directors of Enka İnsaat by the General Assembly in its Extraordinary Meeting held on 19 June 2014; regarding to the distribution of the period between 1 January – 30 June 2014 profit, it is resolved to distribute, as of the date of 15 August, 2014 a total TL 288.000 from the amount that remains after deduction of the reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, dividend advances at a rate of 8,00% gross and 6,80% net per share.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

4. INTEREST IN JOINT OPERATIONS

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

	31 December 2014	31 December 2013
ASSETS		
Current Assets		
Cash and cash equivalents	66,098	45,945
Trade receivables	16,672	30,614
Other receivables	104	85
Inventories	11,377	8,901
Costs and estimated earnings in excess of billings on uncompleted contracts	-	6,285
Other current assets	16,381	14,549
Group's share in current assets of joint operations	110,632	106,379
Non-Current Assets		
Cost	89,701	119,804
Accumulated depreciation	(59,755)	(83,437)
Group's share in joint operations in property, plant and equipment	29,946	36,367
Other non-current assets	1,809	906
Group's share in non-current assets of joint operations	1,809	906
LIABILITIES		
Current Liabilities		
Trade payables	43,558	47,626
Billings in excess of costs and estimated earnings on uncompleted contracts	161,457	109,217
Taxation on income	5	1,037
Provisions	4,794	3,729
Provisions for employee benefits	7,706	5,913
Other current liabilities	13,496	612
Group's share in current liabilities of joint operations	231,016	168,134

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

	31 December 2014	31 December 2013
Revenue	291,196	508,221
Cost of revenue	(288,201)	(478,319)
General administrative expenses	(247)	(191)
Other operating income	84	1,331
Other operating expenses	(467)	(139)
Financial income	1,783	1,676
Financial expenses	(518)	(655)
Taxation charge	(6,708)	(20,682)
Net (loss) / profit	(3,078)	11,242

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

5. SEGMENTAL INFORMATION

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

a) Business segments:

	1 January - 31 December 2014					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	1,901,372	484,247	294,424	3,140,985	-	5,821,028
Inter-segment revenues	237,511	614	7,910	18,464	(264,499)	-
Cost of revenues	(1,612,606)	(127,388)	(233,589)	(2,914,406)	-	(4,887,989)
Inter-segment cost of revenues	(244,444)	-	(7,910)	(18,464)	270,818	-
Gross profit	281,833	357,473	60,835	226,579	6,319	933,039
Marketing, selling and distribution expenses	(14,905)	(5,509)	(12,993)	(12)	-	(33,419)
Administrative expenses	(80,943)	(16,643)	(18,296)	(10,809)	614	(126,077)
Other operating income	16,000	3,355	970	1,471	-	21,796
Other operating expenses (-)	(47,931)	(4,498)	(7,147)	(8,148)	-	(67,724)
Profit from operations	154,054	334,178	23,369	209,081	6,933	727,615
Investment income	187,363	2,117	-	62	-	189,542
Investment expenses (-)	(39,246)	(945)	-	-	-	(40,191)
Profit from operations Before financial income/(expenses)	302,171	335,350	23,369	209,143	6,933	876,966
Financial income	28,812	10,242	2,354	3,811	(5,967)	39,252
Financial expenses (-)	(27,457)	(16,643)	(5,196)	(1,766)	5,967	(45,095)
Profit before tax	303,526	328,949	20,527	211,188	6,933	871,123
Current tax expense	(57,634)	(46,493)	(4,666)	(30,777)	-	(139,570)
Deferred tax expense	(1,744)	(13,211)	988	(28,298)	-	(42,265)
Profit for the year from continuing operations	244,148	269,245	16,849	152,113	6,933	689,288

	31 December 2014				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	3,702,460	1,973,496	258,403	1,878,145	7,812,504
Unallocated assets					265
Total assets	3,702,460	1,973,496	258,403	1,878,145	7,812,769
Segment liabilities	943,933	464,608	122,597	1,065,494	2,596,632
Unallocated liabilities					1,379
Total liabilities	943,933	464,608	122,597	1,065,494	2,598,011

	1 January - 31 December 2014				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	49,156	139,645	802	1,921	191,524
Intangible assets	1,343	151	10	61	1,565
Total capital expenditures	50,499	139,796	812	1,982	193,089
Depreciation expense	41,679	2,959	3,639	51,146	99,423
Amortisation	2,485	139	158	97	2,879

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

5. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 January - 31 December 2013					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	2,367,514	477,090	348,693	3,263,214	-	6,456,511
Inter-segment revenues	182,584	729	7,736	20,782	(211,831)	-
Cost of revenues	(1,946,286)	(114,656)	(281,647)	(3,046,442)	-	(5,389,031)
Inter-segment cost of revenues	(189,592)	-	(7,736)	(20,721)	218,049	-
Gross profit	414,220	363,163	67,046	216,833	6,218	1,067,480
Marketing, selling and Administrative expenses	(9,870)	(6,850)	(15,231)	(46)	-	(31,997)
Other operating income	(70,714)	(20,091)	(16,274)	(13,598)	729	(119,948)
Other operating expenses (-)	20,057	7,597	10,309	19,358	-	57,321
Other operating expenses (-)	(34,760)	(2,233)	(7,694)	(355)	-	(45,042)
Profit from operations	318,933	341,586	38,156	222,192	6,947	927,814
Investment income	102,795	9,031	-	-	-	111,826
Investment expenses (-)	(114,844)	-	(378)	-	-	(115,222)
Profit from operations Before financial income/(expenses)	306,884	350,617	37,778	222,192	6,947	924,418
Financial income	27,403	1,969	3,258	12,603	(20,369)	24,864
Financial expenses (-)	(30,059)	(7,948)	(12,779)	(7,169)	20,398	(37,557)
Profit before tax	304,228	344,638	28,257	227,626	6,976	911,725
Current tax expense	(65,802)	(62,838)	(8,691)	(33,312)	-	(170,643)
Deferred tax expense	(12,575)	(7,527)	1,384	(27,912)	-	(46,630)
Profit for the year from continuing operations	225,851	274,273	20,950	166,402	6,976	694,452
	31 December 2013					
	Construction contracts	Rental	Trade and manufacturing	Energy		Consolidated
Segment assets	3,640,206	2,590,708	364,131	1,874,909		8,469,954
Unallocated assets						1,477
Total assets	3,640,206	2,590,708	364,131	1,874,909		8,471,431
Segment liabilities	976,393	570,386	178,790	1,083,597		2,809,166
Unallocated liabilities						1,196
Total liabilities	976,393	570,386	178,790	1,083,597		2,810,362
	1 January - 31 December 2013					
	Construction contracts	Rental	Trade and manufacturing	Energy		Consolidated
Other segment information						
<u>Capital expenditures</u>						
Property, plant and equipment & investment property	85,552	161,978	1,339	7,011		255,880
Intangible assets	1,261	37	737	990		3,025
Total capital expenditures	86,813	162,015	2,076	8,001		258,905
Depreciation expense	37,984	4,822	3,284	51,103		97,193
Amortisation	76	73	255	109		513

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

5. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

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

For the year ended 31 December 2014, revenues amounting to USD 3,140,985 (31 December 2013: USD 3,263,214) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the year ended 31 December 2014, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 2,739,059 (31 December 2013: USD 2,879,913) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds 10%.

b) Geographical segments

1 January - 31 December 2014						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	4,194,525	808,280	25,289	792,934	-	5,821,028
Inter-segment sales	70,014	194,485	-	-	(264,499)	-
Capital expenditures	36,511	147,529	522	8,527	-	193,089
31 December 2014						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Segmental assets	4,507,738	2,267,007	582,823	454,936	-	7,812,504
1 January - 31 December 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	4,328,948	870,130	178,849	1,078,584	-	6,456,511
Inter-segment sales	75,934	135,897	-	-	(211,831)	-
Capital expenditures	72,409	168,359	5,436	12,701	-	258,905
31 December 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Segmental assets	4,490,514	2,976,350	570,050	433,040	-	8,469,954

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

6. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	1,699	2,111
Cash in bank		
Demand deposits	970,613	801,951
Time deposits	432,971	464,173
Other	2,911	3,901
	<u>1,408,194</u>	<u>1,272,136</u>
Less: restricted time deposits with maturity over three months and less than one year	(1,000)	(1,000)
Cash and cash equivalents at consolidated statement of cash flows	<u>1,407,194</u>	<u>1,271,136</u>

Informations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

7. FINANCIAL INVESTMENTS

Current financial investments

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2014 and 31 December 2013 are detailed below:

	31 December 2014	31 December 2013
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	2,070	3,669
- Domestic market	2,134	-
Foreign Government bonds		
- International markets	263,279	234,442
Equity securities		
- International markets	215,251	176,417
- Domestic market	1,446	923
Turkish Government bonds		
- Domestic market	15,391	16,744
Mutual funds		
- International markets	64,381	47,388
- Domestic market	11,158	2,073
	<u>575,110</u>	<u>481,656</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

7. FINANCIAL INVESTMENTS (cont'd)

Non-current financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2014 and 31 December 2013 are detailed below:

	31 December 2014	31 December 2013
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	926,182	851,658
Foreign Government bonds		
- International markets	27,242	73,669
Turkish Government bonds		
- Domestic market	8,391	13,607
- International markets	44,615	59,004
Equity securities	475	520
	<u>1,006,905</u>	<u>998,458</u>

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

	31 December 2014	31 December 2013
Private Sector Bonds - International markets	31 December 2049	31 December 2049
Foreign Government Bonds - International markets	17 October 2044	7 March 2022
Turkish Government Bonds		
- Domestic market	13 July 2016	7 October 2015
- International markets	14 January 2041	14 January 2041

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

8. FINANCIAL LIABILITIES

a) Bank loans

	31 December 2014			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Short-term borrowings:				
Short-term bank borrowings	3.30%	USD	6,000	6,000
	-	TL	567	245
Total short-term borrowings				6,245
Long-term borrowings:				
Hermes loan (*)	0.95%	EUR	8,781	10,681
Other long-term bank borrowings (*)	2.02%	USD	608	608
	2.02%	EUR	1,000	1,217
	2.18%	JPY	10,469,844	87,352
	-	TL	473	203
Finance lease obligations				163,250
				263,311
Less: Current portion of long-term borrowings				(43,148)
Total long-term borrowings				220,163

(*) Other long-term bank borrowings include Euro denominated Hermes loan and loan denominated in Japanese Yen. These loans were obtained to finance the operations of Enka Pazarlama which is the subsidiary of the Group.

	31 December 2013			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Short-term borrowings:				
Short-term bank borrowings	3.18%	EUR	12,876	17,716
	3.78%	USD	12,405	12,405
	13.20%	TL	12,069	5,655
Total short-term borrowings				35,776

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

8. FINANCIAL LIABILITIES (cont'd)

a) Bank loans (cont'd)

Long-term borrowings:

	31 December 2013			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Hermes loan (*)	0.93%	EUR	14,327	19,712
Other long-term bank borrowings (*)	4.59%	USD	6,087	6,087
	1.80%	EUR	5,088	7,000
	2.26%	JPY	7,633,377	72,246
	13.34%	TL	1,379	646
Finance lease obligations				240,945
				<u>346,636</u>
Less: Current portion of long-term borrowings				(66,162)
Total long-term borrowings				<u>280,474</u>

(*) Other long-term bank borrowings include Euro denominated Hermes loan and loan denominated in Japanese Yen. These loans were obtained to finance the operations of Enka Pazarlama which is the subsidiary of the Group.

Repayment schedule of long-term bank borrowings are as follows:

	31 December 2014	31 December 2013
Less than 1 year	38,144	58,705
1 - 2 years	32,317	19,645
2 - 3 years	29,600	15,207
3 - 4 years	-	12,134
Less : Current portion of long-term borrowings	(38,144)	(58,705)
	<u>61,917</u>	<u>46,986</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

8. FINANCIAL LIABILITIES (cont'd)

b) Finance lease obligations

	31 December 2014			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	3.00%	RUB	281,524	5,004
				<u>5,004</u>
Long-term	3.00%	RUB	8,902,690	158,246
				<u>158,246</u>
				<u>163,250</u>

	31 December 2013			
	Weighted Average Interest Rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	2.36%	USD	277	277
	3.00%	RUB	238,988	7,180
				<u>7,457</u>
Long-term	3.00%	RUB	7,690,317	233,488
				<u>233,488</u>
				<u>240,945</u>

c) Finance lease commitments

As of 31 December 2014 and 2013, repayment schedule of finance lease obligations are as follows:

	31 December 2014	31 December 2013
Less than 1 year	5,004	7,457
1 - 5 years	25,305	35,560
More than 5 years	132,941	197,928
Total finance lease obligations	<u>163,250</u>	<u>240,945</u>
Interest	-	-
Present value of total finance lease obligations	<u>163,250</u>	<u>240,945</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

9. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 December 2014	31 December 2013
<u>Short-term trade receivables</u>		
Trade receivables	425,063	357,324
Discount on trade receivables (-)	(56)	(175)
Contract receivables	298,146	387,398
Notes and cheques receivables	15,959	55,617
Discount on notes and cheques receivables (-)	(346)	(1,255)
Retention receivables (*)	13,661	23,089
	<u>752,427</u>	<u>821,998</u>
Less: Allowance for doubtful receivables	(32,305)	(24,436)
	<u>720,122</u>	<u>797,562</u>

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

Collection periods of receivables from construction works depends on the agreement conditions are between 30 and 90 days.

As of 31 December 2014 and 2013, movement of allowance for doubtful receivables is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Balance at beginning of the year	24,436	24,656
Additional provision	21,693	4,337
Foreign currency translation effect	(2,245)	(725)
Amounts recovered during the year (Note 26)	(1,502)	(441)
Write-offs (*)	(7,376)	(3,391)
Change in scope of consolidation	(2,701)	-
Closing balance	<u>32,305</u>	<u>24,436</u>

(*) Allowances of the previous periods which were decided as bad debts were written-off as of 31 December 2014 and 2013.

	31 December 2014	31 December 2013
<u>Long-term trade receivables</u>		
Notes and cheques receivables	1,191	4,210
Discount on notes and cheques receivables (-)	(53)	(144)
Trade receivables	9,492	9,591
Discount on trade receivables (-)	(51)	(140)
	<u>10,579</u>	<u>13,517</u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

9. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade payables

	31 December 2014	31 December 2013
<u>Short-term trade payables</u>		
Trade payables	536,718	527,983
Discount on trade payables (-)	-	(8)
Notes Payable	138	5,569
Discount on notes payable (-)	-	(19)
Other trade payables	360	204
	<u>537,216</u>	<u>533,729</u>

	31 December 2014	31 December 2013
<u>Long term trade payables</u>		
Trade payables	1,900	5,503
	<u>1,900</u>	<u>5,503</u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

10. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2014	31 December 2013
<u>Short-term other receivables</u>		
Deposits and guarantees given	626	693
Other receivables from related parties (Note 33)	56	43
	<u>682</u>	<u>736</u>

b) Other payables

	31 December 2014	31 December 2013
<u>Short-term other payables</u>		
Deposits and guarantees taken	29,462	28,791
Other payables to related parties (Note 33)	1,378	1,198
	<u>30,840</u>	<u>29,989</u>

	31 December 2014	31 December 2013
<u>Long-term other payables</u>		
Deposits and guarantees taken	27,690	30,127
	<u>27,690</u>	<u>30,127</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

11. INVENTORIES

	31 December 2014	31 December 2013
Raw materials and spare parts	158,034	164,344
Work in progress	23,666	68,558
Trade goods (machinery and others)	44,142	63,332
Finished goods	3,904	10,835
Goods in transit	11,713	19,724
Construction materials	18,810	18,317
Allowance for impairment on inventory (*)	(413)	(704)
	<u>259,856</u>	<u>344,406</u>

(*) As of 31 December 2014 and 2013, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 December 2014, there is not any pledge on inventories (31 December 2013 - None).

12. CONSTRUCTION CONTRACTS

	31 December 2014	31 December 2013
Costs incurred on uncompleted contracts	2,328,972	1,904,214
Recognized profit less recognized losses to date	120,393	88,102
	<u>2,449,365</u>	<u>1,992,316</u>
Less: progress billing	(2,540,195)	(2,054,715)
	<u>(90,830)</u>	<u>(62,399)</u>

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

	31 December 2014	31 December 2013
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	133,257	108,938
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(224,087)	(171,337)
	<u>(90,830)</u>	<u>(62,399)</u>

As of 31 December 2014, the amount of advances received of subsidiaries and companies shares in joint operations is USD 215,104 (31 December 2013 – USD 209,083).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

13. INVESTMENT PROPERTIES

As of 31 December 2014 and 2013, movement of investment properties is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	2,346,532	2,133,921
Currency translation difference	(682,170)	(108,269)
Change in fair value, net (Note 27)	(939)	4,778
Transfers from fixed assets (Note 14)	-	7,381
Transfers from inventories	18,899	-
Additions	137,460	153,135
Change in present value of lease obligations	(5,567)	156,383
Disposals	-	(797)
Closing balance	<u>1,814,215</u>	<u>2,346,532</u>

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2014 and 2013 investment properties consist of real estates in Russia from which rent income is obtained and lands and buildings held as investment in Turkey amounting to USD 11,021 (31 December 2013: USD 11,021). These properties are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licenced independent valuation firm.

"KOMIT Invest" which is licenced by Russian Federation as an independent valuation firm, has revalued the fair values of the investment properties of the Group.

Investment properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2014, the fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 11.66 million RUB equivalent to USD 207,263 (31 December 2013 – 12.06 million RUB equivalent to USD 368,360), Mosenka; 4.59 million RUB equivalent to USD 81,587 (31 December 2013 – 4.12 million RUB equivalent to USD 125,861), Enka TC; 47.7 million RUB equivalent to USD 847,944 (31 December 2013 – 37.8 million RUB equivalent to USD 1,155,451).

The fair values of the investment properties of the Company in Russia, determined at 31 December 2014 as USD 647,523 (31 December 2013 – USD 664,750). The investment properties of the Group located in Moscow includes land leased from Moscow City Authorities under a 49 year operating lease agreement, which are renewable at the option of the Group.

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

For the circumstances that the fair value of the properties have not been determined based on transactions observable in the market because of the nature of the property and the lack of comparable data, a valuation model based on income capitalisation method has been applied. The fair value of the investment properties of the Group are estimated by using income capitalization method, with capitalization and discount rates ranging between 10,4% to 15.35% and 10.1% to 15.1% (31 December 2013: 9% to 14.1% and 8.6% to 10.8%) respectively.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

13. INVESTMENT PROPERTIES (cont'd)

As of 31 December 2014 and 2013 fair value hierarchy table of investment properties is as follows:

	31 December 2014	Fair value as at 31 December 2014		
		1. Level USD	2. Level USD	3. Level USD
Investment properties in Russia	1,800,371	-	-	1,800,371
Investment properties in Turkey	13,844	-	13,844	-
Total	<u>1,814,215</u>	<u>-</u>	<u>13,844</u>	<u>1,800,371</u>

	31 December 2013	Fair value as at 31 December 2013		
		1. Level USD	2. Level USD	3. Level USD
Investment properties in Russia	2,332,688	-	-	2,332,688
Investment properties in Turkey	13,844	-	13,844	-
Total	<u>2,346,532</u>	<u>-</u>	<u>13,844</u>	<u>2,332,688</u>

There is no transition between second and third levels during the year.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2014	250,995	261,925	2,100,573	29,848	65,828	30,674	14,899	11,694	30,713	2,797,149
Currency translation differences	(7,833)	(51,708)	(20,421)	(272)	(5,702)	153	-	(1,804)	(2,640)	(90,227)
Revaluation (**)	(17,035)	(13,099)	-	-	-	-	-	-	-	(30,134)
Additions	9,911	3,031	21,448	11,007	3,770	906	-	405	3,586	54,064
Change in scope of consolidation	(5,349)	(10,512)	(42,056)	(1,010)	(3,928)	-	-	(618)	-	(63,473)
Disposals	(30,314)	(5,239)	(42,008)	(2,433)	(2,054)	(3,449)	-	(901)	(812)	(87,210)
Transfers (***)	7,346	3,515	7,190	(2,071)	34	88	-	(103)	(15,999)	-
Closing balance as of 31 December 2014	<u>207,721</u>	<u>187,913</u>	<u>2,024,726</u>	<u>35,069</u>	<u>57,948</u>	<u>28,372</u>	<u>14,899</u>	<u>8,673</u>	<u>14,848</u>	<u>2,580,169</u>
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2014	(24,160)	(11,353)	(818,199)	(20,616)	(45,622)	(26,153)	(7,174)	(11,342)	-	(964,619)
Currency translation differences	91	491	12,167	825	1,892	(110)	-	4,403	-	19,759
Revaluation (**)	-	1,257	-	-	-	-	-	-	-	1,257
Charge of the year	(3,356)	(8,082)	(76,040)	(3,015)	(4,725)	(1,590)	-	(2,615)	-	(99,423)
Disposals	-	2,279	32,657	1,951	2,915	2,153	-	633	-	42,588
Change in scope of consolidation	770	1,886	38,841	833	3,257	-	-	578	-	46,165
Closing balance as of 31 January 2014	<u>(26,655)</u>	<u>(13,522)</u>	<u>(810,574)</u>	<u>(20,022)</u>	<u>(42,283)</u>	<u>(25,700)</u>	<u>(7,174)</u>	<u>(8,343)</u>	<u>-</u>	<u>(954,273)</u>
Net book value as of 1 January 2014	<u>226,835</u>	<u>250,572</u>	<u>1,282,374</u>	<u>9,232</u>	<u>20,206</u>	<u>4,521</u>	<u>7,725</u>	<u>352</u>	<u>30,713</u>	<u>1,832,530</u>
Net book value as of 31 December 2014	<u>181,066</u>	<u>174,391</u>	<u>1,214,152</u>	<u>15,047</u>	<u>15,665</u>	<u>2,672</u>	<u>7,725</u>	<u>330</u>	<u>14,848</u>	<u>1,625,896</u>

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

(**) As of 31 December 2014, hotel building of MKH is revalued by independent qualified valuer "American Appraisal". Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Revaluations are made by "precedent value" and "discounted cash flow" methods. Also contains the change in revaluation fund of Pimaş.

(***) Other reclassifications are classifications between sub-groups of fixed assets and have no effect on net book value of fixed assets.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2013	193,540	299,016	2,077,905	31,807	75,342	34,635	19,319	10,102	24,792	2,766,458
Currency translation differences	(3,125)	(14,136)	(5,253)	19	(2,641)	(36)	-	1,058	(696)	(24,810)
Revaluation (**)	52,889	(11,186)	-	-	-	-	-	-	-	41,703
Additions	4,595	403	58,778	2,986	10,720	-	-	1,744	23,519	102,745
Disposals	(74)	(17,787)	(37,931)	(5,066)	(4,295)	(3,925)	(4,420)	(1,257)	(3,168)	(77,923)
Transfers to investment properties (Note 1)	-	(27)	(66)	-	(10,896)	-	-	-	(2,281)	(13,270)
Transfers from assets held for sale	2,246	-	-	-	-	-	-	-	-	2,246
Other reclassifications(***)	924	5,642	7,140	102	(2,402)	-	-	47	(11,453)	-
Closing balance as of 31 December 2013	250,995	261,925	2,100,573	29,848	65,828	30,674	14,899	11,694	30,713	2,797,149
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2013	(22,983)	(30,176)	(780,900)	(20,924)	(51,547)	(27,684)	(8,920)	(6,439)	-	(949,573)
Currency translation differences	443	940	6,026	(39)	2,074	(27)	-	(3,968)	-	5,449
Revaluation (**)	1,058	14,997	-	-	-	-	-	-	-	16,055
Charge of the year	(2,730)	(8,563)	(72,827)	(3,617)	(5,622)	(1,928)	(594)	(1,312)	-	(97,193)
Disposals	52	11,205	30,612	3,584	2,707	3,486	2,340	768	-	54,754
Other reclassifications(***)	-	220	(1,110)	380	901	-	-	(391)	-	-
Transfers to investment properties (Note 13)	-	24	-	-	5,865	-	-	-	-	5,889
Closing balance as of 31 December 2013	(24,160)	(11,353)	(818,199)	(20,616)	(45,622)	(26,153)	(7,174)	(11,342)	-	(964,619)
Net book value as of 1 January 2013	170,557	268,840	1,297,005	10,883	23,795	6,951	10,399	3,663	24,792	1,816,885
Net book value as of 31 December 2013	226,835	250,572	1,282,374	9,232	20,206	4,521	7,725	352	30,713	1,832,530

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

(**) As of 31 December 2014, lands of Pimas in Russian Federation, hotel building and office part of MKH are revalued by independent qualified valuers. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Land and buildings of Enka Pazarlama, Pimaş, Çimtaş and Enka İnşaat are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licenced independent valuation firm. Buildings of MKH are revalued by "American Appraisal". Revaluations are made by "precedent value" and "discounted cash flow" methods.

(***) Other reclassifications are classifications between sub-groups of fixed assets and have no effect on net book value of fixed assets.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

As of 31 December 2014, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to USD 4.495 (31 December 2013: USD 5.192) and USD 3.234 (31 December 2013: USD 3.477).

As of 31 December 2014, there is no security on the property, plant and equipment of the Group. (31 December 2013: None)

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

	2014	2013
Cost	276,346	350,755
Accumulated depreciation	(84,598)	(150,089)
Net book value	<u>191,748</u>	<u>200,666</u>

The distribution of depreciation expenses as of 31 December 2014 and 2013 is presented in note 25.

As of 31 December 2014 and 2013 fair value hierarchy table of fixed asset is as follows:

	31 December 2014	Fair value as at 31 December 2014		
		1. Level	2. Level	3. Level
		USD	USD	USD
Lands	181,066	-	181,066	-
Buildings	174,391	-	-	174,391
Total	<u>355,457</u>	<u>-</u>	<u>181,066</u>	<u>174,391</u>

	31 December 2013	Fair value as at 31 December 2013		
		1. Level	2. Level	3. Level
		USD	USD	USD
Lands	226,835	-	226,835	-
Buildings	250,572	-	-	250,572
Total	<u>477,407</u>	<u>-</u>	<u>226,835</u>	<u>250,572</u>

There is no transition between second and third levels during the year.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

15. INTANGIBLE ASSETS

	1 January - 31 December 2014	1 January - 31 December 2013
<u>Cost</u>		
Opening balance	42,438	40,183
Currency translation difference	(1,623)	(626)
Additions	1,565	3,025
Disposals	(4,332)	(144)
Change in scope of consolidation	(6,809)	-
Closing balance	<u>31,239</u>	<u>42,438</u>
<u>Accumulated amortization</u>		
Opening balance	(10,465)	(10,218)
Currency translation difference	1,423	266
Charge of the year	(2,879)	(513)
Change in scope of consolidation	1,757	-
Closing balance	<u>(10,164)</u>	<u>(10,465)</u>
Carrying value	<u>21,075</u>	<u>31,973</u>

As of 31 December 2014, there is not any pledge on intangible assets (31 December 2013: None).

The distribution of amortization expenses as of 31 December 2014 and 2013 is presented in Note 25.

16. GOODWILL

The Group had acquired the remaining 100% interest stake in the Power Companies between the years 2003 to 2005, where the Company had 40% shareholding. As a result of these acquisitions goodwill amounting to USD 55.168 (31 December 2013: USD 55.151) was recorded in the consolidated financial statements.

Çimtaş, the subsidiary of the Company, acquired 100% shares of IBH Engineering GMBH in the amount of EUR 10,000 in 21 April 2010. Thus, goodwill of EUR 6,486 (USD:8,214) was recognized in this acquisition. In the current period the Group sold the subsidiary and disposed the recognized goodwill amount.

As of 31 December 2014 and 2013, the movement of goodwill is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	64,092	63,725
Currency translation difference	(710)	367
Effect of sale of subsidiary	(8,214)	-
Closing balance	<u>55,168</u>	<u>64,092</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(Amounts are expressed as thousands of U.S. Dollars ("USD")) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

17. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2014	31 December 2013
Short-term Prepaid Expenses		
Advances given	90,762	103,552
Prepaid expenses	9,542	8,662
	<u>100,304</u>	<u>112,214</u>
Long-term Prepaid Expenses		
Advances given	361	40
Prepaid expenses	2,154	1,739
	<u>2,515</u>	<u>1,779</u>
Short-term Deferred Income		
Advances taken	219,521	220,344
Deferred rent revenue	104,210	120,378
	<u>323,731</u>	<u>340,722</u>
Long-term Deferred Income		
Deferred income (*)	608,232	708,084
Deferred rent revenue	1,847	3,327
	<u>610,079</u>	<u>711,411</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
<u>Short-term accrued expenses</u>		
Accrual for construction costs	38,101	28,744
Forward accrual (*)	5,075	599
Provision for legal claims	5,542	5,396
Accrued expenses	7,543	6,054
	<u>56,261</u>	<u>40,793</u>

(*) As of 31 December 2014, the Group's derivative liabilities formed from forward foreign-currency transactions are USD 5,075 (31 December 2013: derivative liabilities USD 599). These contracts are reflected in the consolidated financial statements as follows.

Derivative instruments / forward contracts purchase – sales agreements

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

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

As of 31 December 2014 and 2013, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

	31 December 2014			
	Unrealized (Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(5,075)	-	-	-
Forward contracts sales agreements	-	53,345	-	-
Forward contracts purchase agreements	-	48,656	-	-

	31 December 2013			
	Unrealized (Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(599)	-	-	-
Forward contracts sales agreements	-	63,969	-	-
Forward contracts purchase agreements	-	63,136	-	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

19. COMMITMENTS

Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Within one year	-	142
	-	142

Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Within one year	373,228	348,185
After one year but not more than five years	736,075	598,070
More than 5 years	304,696	269,861
	1,413,999	1,216,116

Litigations

As of 31 December 2014, an international arbitration has been filed by the Group for the losses incurred and unbilled receivables related to the joint operation in Oman. Necessary provisions have been done at in the Group's financial statements.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

19. COMMITMENTS (cont'd)

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 December 2014 and 2013 is as follows:

Letters of guarantee, guarantee notes given, mortgage and pledges	31 December 2014		31 December 2013	
	Original	USD	Original	USD
	Currency	Equivalent	Currency	Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		851,789		870,475
-USD	690,619	690,619	689,048	689,048
-EUR	61,228	74,478	64,918	89,318
-TL	26,011	11,217	29,052	13,612
-Others (*)		75,475		78,497
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		98,881		383,945
-USD	85	85	4,185	4,185
-EUR	8,801	10,706	55,298	76,083
-TL	906	391	1,738	814
-Others (*)		87,699		302,863
C. Provided on behalf of third parties in order to □ maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		-		-
i. Total amount of guarantees given on behalf of the parent company		-		-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C		-		-
-USD		-		-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>950,670</u>		<u>1,254,420</u>

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

As of 31 December 2014 the portion of other guarantees given to shareholders' equity is 0% (31 December 2013: 0%).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

20. PROVISIONS FOR EMPLOYEE BENEFITS

a) Short-term employee benefits

Liabilities with the scope of employee benefits

	31 December 2014	31 December 2013
Payroll payable	26,568	30,307
	<u>26,568</u>	<u>30,307</u>

Short-term provisions related to employee benefits

	31 December 2014	31 December 2013
Bonus accrual	6,431	7,386
Vacation pay liability	14,603	12,551
	<u>21,034</u>	<u>19,937</u>

b) Long-term employee benefits

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay limited to a maximum of full TL 3,438 equivalent to full USD 1,614 (31 December 2013 - full TL 3,254 equivalent to USD full 1,525) per year of employment at the rate of pay applicable at the date of retirement or termination. Effective from 1 January 2015, the retirement pay ceiling has been increased to full TL 3,541.

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with 2.74% real discount rate, assuming an annual inflation rate of 5.7% and a discount rate of 8.6% (31 December 2013 – 2.88%).

Movements of the provision for employee termination benefits during years ended 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	15,707	17,038
Service cost	2,215	395
Actuarial loss	1,561	1,294
Change in scope of consolidation	(1,117)	-
Retirement benefits paid	(1,613)	(1,256)
Translation gain	(459)	(1,764)
Closing balance	<u>16,294</u>	<u>15,707</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

21. OTHER ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
<u>Other current assets</u>		
Deferred VAT	31,179	24,002
VAT receivable	23,922	20,818
Prepaid taxes and funds	12,518	6,690
Other	5,371	5,396
	<u>72,990</u>	<u>56,906</u>
	31 December 2014	31 December 2013
<u>Other non-current assets</u>		
Prepayment for land leases	4,573	5,479
Other	207	871
	<u>4,780</u>	<u>6,350</u>
	31 December 2014	31 December 2013
<u>Other current liabilities</u>		
VAT payable	32,528	37,131
Taxes and funds payable	7,354	6,527
Other	1,748	857
	<u>41,630</u>	<u>44,515</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

22. SHARE CAPITAL

a) Share capital

The shareholders of the Group and their percentage of ownership as of 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014		31 December 2013	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.27%	1,098,924	49,27%	1,005,282
Tara and Gülçelik families	27.89%	622,062	28,07%	572,727
Publicly traded	12.59%	280,809	12,34%	251,983
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.88%	131,148	5,95%	121,197
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	97,469	4,37%	89,163
	100%	2,230,412	100%	2,040,352

Based on the Group's Ordinary General Assembly held on March 27, 2014; it has been resolved to increase the share capital from TL 3,200,000 to TL 3,600,000; and covered the TL 400,000 from the 1st Dividend at an amount of TL 94,000, and from the 2nd Dividend at an amount of TL 270,000 and from the other sources at an amount of TL 36,000.

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

22. SHARE CAPITAL (cont'd)

b) Revaluation surplus

Revaluation fund

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

The movement of revaluation fund for years 2014 and 2013 is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	232,143	186,592
Currency translation difference	(14,916)	(853)
Revaluation of fixed assets	(28,877)	58,666
Deferred tax effect of revaluation of fixed assets	3,977	(4,249)
Share of non-controlling interests	2,846	(5,034)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	(3,159)	(2,979)
Change in scope of consolidation	(7,497)	-
Transfer of revaluation surplus of sold lands	(22,629)	-
Closing balance	<u>161,888</u>	<u>232,143</u>

Financial Risk Hedge Fund

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

c) Legal reserves and accumulated profit

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

Public companies in Turkey make profit distributions in accordance with the regulations of CMB.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

22. SHARE CAPITAL (cont'd)

c) Legal reserves and accumulated profit (cont'd)

When net profit for the year ended 2014 based on consolidated financial statements prepared according to CMB and financial statements prepared in accordance with Turkish Trade Law are compared, distributable net profit for the year is determined as TL 1,388,489 after deduction of first legal reserve.

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

As of 31 December 2014, legal reserves of Enka İnşaat are amounting to TL 419,499 equivalent to USD 180,904 (31 December 2013 – TL 326,171 equivalent to USD 152,823).

The movement of the share capital (in numbers and in historical TL) of the Group during 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014		31 December 2013	
	Number	TL	Number	TL
At 1 January,	320,000,000,000	3,200,000	280,000,000,000	2,800,000
Bonus shares issued out of general reserve	40,000,000,000	400,000	40,000,000,000	400,000
	<u>360,000,000,000</u>	<u>3,600,000</u>	<u>320,000,000,000</u>	<u>3,200,000</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

23. SALES AND COST OF SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Sales		
Domestic sales	4,194,525	4,328,948
Export sales	1,626,503	2,127,563
	<u>5,821,028</u>	<u>6,456,511</u>
Cost of Sales		
Cost of domestic sales	3,731,327	3,889,585
Cost of export sales	1,156,662	1,499,446
	<u>4,887,989</u>	<u>5,389,031</u>

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

24. MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Marketing, sales and distribution expenses	33,419	31,997
Administrative expenses	126,077	119,948
	<u>159,496</u>	<u>151,945</u>

a) Marketing, sales and distribution expenses

	1 January - 31 December 2014	1 January - 31 December 2013
Employee benefit expenses	21,612	19,413
Business development expenses	2,401	2,933
Transportation expenses	1,815	1,133
Office expenses	953	495
Depreciation and amortization expenses (Note 25)	196	181
Others	6,442	7,842
	<u>33,419</u>	<u>31,997</u>

b) General administrative expenses

	1 January - 31 December 2014	1 January - 31 December 2013
Employee benefit expenses	77,956	64,393
Depreciation and amortization expenses (Note 25)	8,551	6,596
Transportation expenses	5,982	4,678
Consulting and legal expenses	4,967	4,294
Rent expenses	2,643	1,999
Insurance expense	6,628	6,036
Others	19,350	31,952
	<u>126,077</u>	<u>119,948</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

25. EXPENSES BY NATURE

Depreciation and amortization expenses are detailed below:

	1 January - 31 December 2014	1 January - 31 December 2013
<u>Depreciation expenses</u>		
Cost of revenues	89,665	88,761
Selling and administrative expenses	8,239	6,006
Other operating expense	-	241
Discontinued operations	1,519	2,185
	<u>99,423</u>	<u>97,193</u>
<u>Amortization expenses</u>		
Cost of revenues	2,842	110
Discontinued operations	32	-
Selling and administrative expenses	5	403
	<u>2,879</u>	<u>513</u>
	<u>102,302</u>	<u>97,706</u>

Employee benefit expenses are detailed below:

	1 January - 31 December 2014	1 January - 31 December 2013
Wages and salaries	293,167	306,604
Social security costs	57,278	53,903
Provision for employee termination benefits	3,776	1,689
Other benefits	6,528	7,939
	<u>360,749</u>	<u>370,135</u>

26. OTHER OPERATING INCOME / EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
<u>Other operating income</u>		
Foreign exchange gains from trade receivables	9,975	18,640
Compensation Income	3,192	5,332
Machinery and other rent income	2,596	2,130
Collection of doubtful receivables (Note 9)	1,502	418
Service income	680	523
Commission income	566	254
Insurance income	344	323
Warranty income	-	19,264
Other	2,941	10,437
	<u>21,796</u>	<u>57,321</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

	1 January - 31 December 2014	1 January - 31 December 2013
<u>Other operating expense</u>		
Provision for doubtful receivables (Note 9)	21,693	4,337
Foreign exchange losses from trade receivables	12,260	16,405
Litigation provisions	10,977	7,572
Donations	5,156	6,803
Power production licence cancellation expenses	4,755	-
Tax penalties	1,939	303
Commission expense	937	1,086
Capital increase expense	840	944
Rent expense	140	131
Depreciation expense	-	271
Provisions for land lease rights	-	908
Other	9,027	6,282
	<u>67,724</u>	<u>45,042</u>

27. INVESTMENT INCOME / EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Income from investing activities		
Increase in value of financial assets	82,021	29,189
Interest revenue from financial assets held for sale	59,295	52,689
Income from sale of securities	20,390	14,239
Foreign exchange income from investing activities	18,597	1,311
Dividend income	6,086	7,666
Gains from sales of property, plant and equipment	3,153	1,954
Increase in the fair value of investment properties (Note 13)	-	4,778
	<u>189,542</u>	<u>111,826</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD")) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

27. INVESTMENT INCOME / EXPENSES (cont'd)

	1 January - 31 December 2014	1 January - 31 December 2013
Expenses from investing activities		
Foreign exchange losses from investing activities	(21,766)	(22,609)
Loss from sales of property, plant and equipment	(9,316)	(379)
Losses from valuation of investment securities	(5,239)	(91,525)
Losses from sale of securities	(2,931)	(709)
Decrease in the fair value of investment properties (Note 13)	(939)	-
	<u>(40,191)</u>	<u>(115,222)</u>

28. FINANCIAL INCOME

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange gains	27,859	11,695
Interest income	11,034	11,194
Due date charges on credit sales	179	232
Forward income	150	1,740
Others	30	3
	<u>39,252</u>	<u>24,864</u>

29. FINANCIAL EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange losses	26,370	19,240
Forward losses	7,195	817
Bank commission expenses	6,728	8,306
Interest expenses	3,860	5,980
Commission expenses of letters of guarantee	837	1,705
Deferred financing cost	-	1,466
Others	105	43
	<u>45,095</u>	<u>37,557</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

30. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Lands and buildings held for sale

As of 31 December 2014, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama in consideration of its doubtful receivables amounting to USD 1,068

As of 31 December 2013, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimaş in consideration of its doubtful receivables amounting to USD 1,196.

b) Discontinued operations

The Group sold its 81% share in its subsidiary Pimaş for TL 57.673.

	1 January- 15 October 2014	1 January- 31 December 2013
Loss incurred during the period	(1,111)	(1,449)
	<u>(1,111)</u>	<u>(1,449)</u>

The results of discontinued operations

	1 January- 15 October 2014	1 January- 31 December 2013
Discontinued operations		
Revenue	58,088	90,230
Cost of sale (-)	(48,937)	(72,385)
Marketing, sales and distribution expenses (-)	(4,856)	(6,957)
General administrative expenses (-)	(2,408)	(4,783)
Other operating income	1,366	3,183
Other operating expenses (-)	(1,648)	(3,107)
Investment income	9	72
Investment expenses (-)	(269)	-
Financial expenses (-)	(2,393)	(7,492)
Current tax expenses (-)	(730)	(338)
Deferred tax expenses (-)	667	128
LOSS FOR THE PERIOD	<u>(1,111)</u>	<u>(1,449)</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

31. TAXATION ON INCOME

Tax legislation in Turkey

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

In Turkey, the corporation tax rate is 20% (31 December 2013: 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

15% (31 December 2013 – 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

As of 31 December 2014 and 2013, components of tax expense are as follows:

	<u>1 January - 31 December 2014</u>	<u>1 January - 31 December 2013</u>
Consolidated income statement		
Current corporate tax	(139,570)	(170,643)
Deferred tax expense	(42,265)	(46,630)
	<u>(181,835)</u>	<u>(217,273)</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD")) unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

31. TAXATION ON INCOME (cont'd)

Tax legislations in other countries

As of 31 December 2014 and 31 December 2013 effective corporation tax rate in other countries are as follows:

	31 December <u>2014</u>	31 December <u>2013</u>
Russia	% 20	% 20
Netherlands	% 25	% 25
Kazakhstan	% 28 - % 32	% 28 - % 32
Iraq	% 15 - % 35	% 15 - % 35
Romania	% 16	% 16
Oman	% 12	% 12
Kosovo	% 10	% 10

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

	<u>2014</u>	<u>2013</u>
1 January	54,503	38,415
Current year tax expense	139,570	170,981
Taxes paid	(142,367)	(154,893)
31 December	<u>51,706</u>	<u>54,503</u>

A reconciliation of the nominal (on the basis of the income tax rate of the Company and the Turkish subsidiaries) to the effective tax rate for the years ended 31 December 2014 and 2013 is provided below:

	<u>1 January - 31 December 2014</u>		<u>1 January - 31 December 2013</u>	
Profit before tax	871,123		910,486	
Tax per statutory tax rate 20%	174,225	20%	182,097	20%
Jobsites exempt from income tax	(5,582)	(0,6%)	(12,449)	(1,4%)
Effect of different functional currencies and others	13,192	1,5%	47,834	5,3%
Taxation charge	<u>181,835</u>	<u>20,9%</u>	<u>217,482</u>	<u>23,9%</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

31. TAXATION ON INCOME (cont'd)

As of 31 December 2014 and 31 December 2013, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	31 December 2014	31 December 2013
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(403,624)	(444,616)
GE Inventory in the context of "PSA" (*)	(45,242)	(31,085)
Adjustments on financial instruments and derivatives	(10,512)	(11,362)
Gross deferred income tax liabilities	<u>(459,378)</u>	<u>(487,063)</u>
Adjustment of revenue levelization	120,430	140,201
Allowance for retirement pay liability	2,523	2,463
Allowance for doubtful receivables	2,324	2,603
Allowance for inventories	441	(60)
Others	(25,706)	(57,064)
Gross deferred income tax assets	<u>100,012</u>	<u>88,143</u>
Net deferred tax liability	<u>(359,366)</u>	<u>(398,920)</u>

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

Reflected as:

	31 December 2014	31 December 2013
Deferred tax assets	53	450
Deferred tax liabilities	(359,419)	(399,370)
Net deferred liabilities	<u>(359,366)</u>	<u>(398,920)</u>

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2014 related with Group's shares in its subsidiaries, branches and associates is USD 1,419,614 (31 December 2013: USD 1,289,032)

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

31. TAXATION ON INCOME (cont'd)

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

	31 December 2014	31 December 2013
Balance at 1 January	398,920	363,428
Deferred income tax expense recognized in income statement	42,265	46,502
Change in scope of consolidation	(788)	-
Deferred income tax expense recognized in equity	(3,977)	4,252
Currency translation difference	(77,054)	(15,262)
	<u>359,366</u>	<u>398,920</u>

As of 31 December 2014 and 31 December 2013, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 December 2014			31 December 2013		
	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax
Change in revaluation of buildings	(28,877)	3,977	(24,900)	58,666	(4,249)	54,417
Revaluation loss of defined benefit plans	(1,561)	-	(1,561)	(1,294)	-	(1,294)
Changes in fair value of derivative assets	-	-	-	15	(3)	12
Changes in currency translation differences	(811,687)	-	(811,687)	(78,591)	-	(78,591)
	<u>(842,125)</u>	<u>3,977</u>	<u>(838,148)</u>	<u>(21,204)</u>	<u>(4,252)</u>	<u>(25,456)</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

32. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 December 2014.

	<u>31 December 2014</u>	<u>31 December 2013</u>
Earning per share		
- ordinary share certificate (full cent)	0.18	0.18
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	360,000,000,000	360,000,000,000
- founder shares		

(*) Since 2014 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earnings per share is reflected on ordinary share certificates.

33. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties

The Group is controlled by Tara Holding (49.27%) (31 December 2013 – 49.27%) and Tara and Gülçelik families (27.89%) (31 December 2014 – 28.07%). 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:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
Shareholders	-	1,378	-	1,198
Enka Spor Kulübü	30	-	20	-
Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş.	<u>26(*)</u>	<u>-</u>	<u>23(*)</u>	<u>-</u>
	<u>56</u>	<u>1,378</u>	<u>43</u>	<u>1,198</u>

(*) Funds provided by Enka İnşaat (in USD) with interest rates Libor + 0.5% and Libor + 2%.

As of 31 December 2014, the Group does not have any rent income (31 December 2013: None) and sales to related parties.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

33. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

Directors' remuneration

The total wages paid for the members of Board of Directors of the Group is amounting to USD 6,746 (31 December 2013 - USD 10,327), the social security payments and retirement pay provisions are USD 563 (31 December 2013 – USD 899) and USD 216 (31 December 2013– USD 439) respectively. Total wages paid for the general manager, general coordinators and vice general managers of the Group (except BOD members), is amounting to USD 29,351 (31 December 2013 – USD 20,487), the social security payment and retirement pay provisions are USD 883 (31 December 2013 – USD 840) and USD 1,112 (31 December 2013 – USD 1,782) respectively.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital structure of the Group comprises from liabilities, cash and cash equivalents, paid-in capital and legal reserves explained in Note 22.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

Total Liabilities / Total Equity

	31 December 2014	31 December 2013
Cash and cash equivalents (*)	2,990,209	2,752,250
Less: Total Financial Liabilities	269,556	382,412
Net Assets	2,720,653	2,369,838
Equity	5,214,758	5,661,069
Equity + Assets	7,935,411	8,030,907
Total Assets to Equity Ratio	52.17%	41.86%

(*)Includes short and long term financial investments.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Interest risk

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

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

	<u>31 December 2014</u>	<u>31 December 2013</u>
<u>Financial assets with floating rates</u>		
Financial assets	-	-
Financial liabilities	(107)	(197)

Foreign currency risk

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

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

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

The following table details the Group's foreign currency position as at 31 December 2014 and 31 December 2013:

	<u>31 December 2014</u>	<u>31 December 2013</u>
A. Assets denominated in foreign currency	1,520,045	1,315,774
B. Liabilities denominated in foreign currency	(520,305)	(687,574)
Net foreign currency position (A+B)	999,740	628,200

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Foreign currency risk (cont'd)

The Group's foreign currency position at 31 December 2014 and 31 December 2013 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

	31 December 2014						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	19,553	8,432	240,431	292,461	252,317	135,095	688,305
Financial investments	121,295	52,307	57,116	69,476	86,941	290,294	499,018
Trade and other receivables	25,101	10,824	54,069	65,770	58,717	3,147	138,458
Other current assets	86,820	37,440	17,219	20,946	19,967	24,096	102,449
Current assets	252,769	109,003	368,835	448,653	417,942	452,632	1,428,230
Financial investments	19,458	8,391	13,170	16,020	49,225	-	73,636
Trade and other receivables	-	-	481	585	2,004	6,424	9,013
Other non-current assets	3,099	1,336	-	-	3,253	4,577	9,166
Non-current assets	22,557	9,727	13,651	16,605	54,482	11,001	91,815
Total assets	275,326	118,730	382,486	465,258	472,424	463,633	1,520,045
Short-term borrowings	567	245	6,497	7,902	30,364	608	39,119
Trade and other payables	45,940	19,811	73,757	89,718	100,970	7,843	218,342
Other current liabilities and accrued expenses	143,704	61,971	18,838	22,915	34,115	41,859	160,860
Current liabilities	190,211	82,027	99,092	120,535	165,449	50,310	418,321
Trade and other payables	-	-	51	62	1,900	-	1,962
Long-term borrowings	-	-	3,285	3,995	93,394	-	97,389
Other non-current liabilities	-	-	82	100	-	2,533	2,633
Non-current liabilities	-	-	3,418	4,157	95,294	2,533	101,984
Total liabilities	190,211	82,027	102,510	124,692	260,743	52,843	520,305
Net foreign currency position	85,115	36,703	279,976	340,566	211,681	410,790	999,740
Net notional amount of derivatives	-	-	40,000	48,656	-	-	48,656

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Foreign currency risk (cont'd)

	31 December 2013						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	20,905	9,795	113,257	155,830	274,639	90,291	530,555
Financial investments	29,249	13,704	68,407	94,121	65,148	228,750	401,723
Trade and other receivables	20,273	9,499	88,067	121,171	40,295	84	171,049
Other current assets	65,553	30,714	13,881	19,099	20,570	570	70,953
Current assets	135,980	63,712	283,612	390,221	400,652	319,695	1,174,280
Financial investments	58,482	27,401	29,879	41,110	52,403	-	120,914
Trade and other receivables	-	-	2,834	3,899	615	6,442	10,956
Other non-current assets	2,275	1,066	564	777	2,579	5,202	9,624
Non-current assets	60,757	28,467	33,277	45,786	55,597	11,644	141,494
Total assets	196,737	92,179	316,889	436,007	456,249	331,339	1,315,774
Short-term borrowings	11,833	5,544	23,556	32,411	39,459	18,492	95,906
Trade and other payables	55,861	26,173	93,728	128,961	104,628	6,522	266,284
Other current liabilities and accrued expenses	151,467	70,968	18,131	24,946	69,637	34,331	199,882
Current liabilities	219,161	102,685	135,415	186,318	213,724	59,345	562,072
Trade and other payables	-	-	4,000	5,503	-	-	5,503
Long-term borrowings	-	-	8,881	12,219	101,921	-	114,140
Other non-current liabilities	84	39	1,156	1,591	-	4,229	5,859
Non-current liabilities	84	39	14,037	19,313	101,921	4,229	125,502
Total liabilities	219,245	102,724	149,452	205,631	315,645	63,574	687,574
Net foreign currency position	(22,508)	(10,545)	167,437	230,376	140,604	267,765	628,200
Net notional amount of derivatives	1,642	769	24,851	34,192	-	-	34,961

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Foreign currency risk (cont'd)

The details of the forward contracts and sales-purchase agreements are explained in Note 18 in order to manage Group's foreign currency position.

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

The following table details the Group's foreign currency sensitivity as at 31 December 2014 and 31 December 2013:

	31 December 2014		31 December 2013	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	3,670	(3,670)	(1,055)	1,055
2- Portion hedged against TL risk (-)	-	-	77	(77)
3- TL net effect (1+2)	3,670	(3,670)	(978)	978
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	34,057	(34,057)	23,038	(23,038)
5- Portion hedged against Euro risk (-)	4,866	(4,866)	3,419	(3,419)
6- Euro net effect (4+5)	38,923	(38,923)	26,457	(26,457)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	21,168	(21,168)	14,060	(14,060)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	21,168	(21,168)	14,060	(14,060)
Total (3+6+9)	63,761	(63,761)	39,539	(39,539)

Credit risk

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Credit risk (cont'd)

	Receivables				Bank deposits	Derivative instruments	Financial assets at fair value through profit or loss
	Trade receivables		Other receivables				
	Related party	3rd party	Related party	3rd party			
31 December 2014							
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	-	730,701	56	626	1,408,194	-	1,582,015
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	326,348	-	-	-	-	-
A. Financial assets that are either past due or impaired	-	715,891	56	626	1,408,194	-	1,582,015
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	379	-	-	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	14,431	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	8,241	-	-	-	-	-
D. The amount of financial assets that are impaired	-	-	-	-	-	-	-
- Past due (Gross book value)	-	32,305	-	-	-	-	-
- The amount of impairment (-)	-	(32,305)	-	-	-	-	-
-The amount that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-	-

(*) As of 31 December 2014, trade receivables from TETAŞ amounting to USD 311.099 are guaranteed by Turkish Treasury.

	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
31 December 2014					
Overdue between 1 to 30 days	3,252	-	-	-	-
Overdue between 1 to 3 months	983	-	-	-	-
Overdue between 3 to 12 months	7,716	-	-	-	-
Overdue between 1 to 5 years	2,480	-	-	-	-
Overdue over 5 years	-	-	-	-	-
	14,431	-	-	-	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Credit risk (cont'd)

	Receivables				Bank deposits	Derivative instruments	Financial assets at fair value through profit or loss
	Trade receivables		Other receivables				
	Related party	3rd party	Related party	3rd party			
31 December 2013							
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)							
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	811,079	43	693	1,272,136	-	1,480,114
A. Financial assets that are either past due or impaired	-	771,861	43	693	1,272,136	-	1,480,114
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	1,426	-	-	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	34,981	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	29,308	-	-	-	-	-
D. The amount of financial assets that are impaired	-	2,811	-	-	-	-	-
- Past due (Gross book value)	-	24,436	-	-	-	-	-
- The amount of impairment (-)	-	(21,625)	-	-	-	-	-
-The amount that have been secured with collaterals, other credit enhancements etc.	-	2,811	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-	-

(*) As of 31 December 2013, trade receivables from TETAŞ amounting to USD 248.117 are guaranteed by Turkish Treasury.

	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
31 December 2013					
Overdue between 1 to 30 days	8,229	-	-	-	-
Overdue between 1 to 3 months	1,419	-	-	-	-
Overdue between 3 to 12 months	5,395	-	-	-	-
Overdue between 1 to 5 years	19,938	-	-	-	-
Overdue over 5 years	-	-	-	-	-
	<u>34,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Liquidity risk

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

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

Current liabilities

31 December 2014

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract</u>			
		<u>(I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months (II)</u>	<u>3 to 12 months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	49,393	49,393	1,280	17,799	30,314
Trade payables	537,216	537,216	421,779	73,990	41,447
Other payables to related parties	1,378	1,378	1,378	-	-
Payables to employees	26,568	26,568	20,270	4,685	1,613
Other payables	29,462	29,462	4	142	29,316

Non-current liabilities

31 December 2014

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract</u>			
		<u>(I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months (II)</u>	<u>3 to 12 months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	220,163	220,163	109,234	8,070	102,859
Trade payables	1,900	1,900	1,900	-	-
Other payables	27,690	27,690	27,226	399	65

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

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

Liquidity risk (cont'd)

Current liabilities

31 December 2013

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract</u>		<u>1 to 3 months</u>	<u>3 to 12 months</u>
		<u>(I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>(II)</u>	<u>(III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	101,938	104,122	15,722	8,460	79,940
Trade payables	533,729	533,754	299,262	74,011	160,481
Other payables to related parties	1,198	1,198	1,198	-	-
Payables to employees	30,307	30,307	29,745	562	-
Other payables	28,791	28,791	4	218	28,569

Non-current liabilities

31 December 2013

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract</u>		<u>1 to 3 months</u>	<u>3 to 12 months</u>
		<u>(I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>(II)</u>	<u>(III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	280,474	281,933	118,712	22,569	140,652
Trade payables	5,503	5,503	-	5,503	-
Other payables	30,127	30,127	29,282	712	133

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

35. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK

Fair value of financial assets and liabilities

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

Foreign currency denominated receivables and payables are revalued with the exchange rates valid as of the date of the financial statements.

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

Financial assets

The fair values of cash, amounts due from banks and other monetary assets are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables are estimated to be their fair values due to their short-term nature. It is considered that the fair values of the long term receivables are approximate to their respective carrying values as they are accounted for in foreign currencies.

Financial liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of bank borrowings are considered to approximate their respective carrying values, since initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The fair values of the trade receivables after discount are considered to be approximate to their corresponding carrying values. It is considered that the fair values of the long term payables and long term financial borrowings are approximate to their respective carrying values as they are accounted for in foreign currencies.

Fair value hierarchy

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

35. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK (cont'd)

Fair value hierarchy (cont'd)

31 December 2014:

	Level 1	Level 2	Level 3
Private sector bonds	930,386	-	-
Equity securities	217,172	-	-
Foreign government bonds	290,521	-	-
Turkish government bonds	68,397	-	-
Mutual funds	75,539	-	-
Financial assets at fair value through profit or loss	1,582,015	-	-
Derivative instruments	-	5,075	-
Financial liabilities at fair value through profit or loss	-	5,075	-

31 December 2013:

	Level 1	Level 2	Level 3
Private sector bonds	855,327	-	-
Equity securities	177,860	-	-
Foreign government bonds	308,111	-	-
Turkish government bonds	89,355	-	-
Mutual funds	49,461	-	-
Financial assets at fair value through profit or loss	1,480,114	-	-
Derivative instruments	-	599	-
Financial liabilities at fair value through profit or loss	-	599	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

36. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

Sale of Subsidiary

The Group sold its 81% share in its subsidiary Pimaş for TL 57.673 in the current year.

	15 October 2014
Current Assets	49,143
Cash and cash equivalents	2,867
Trade receivables	29,690
Inventories	13,669
Prepaid expenses	334
Other current assets	2,251
Assets held for sale	332
Non-Current Assets	19,500
Trade receivables	1,442
Property, plant and equipments	16,979
Other intangible assets	132
Prepaid expenses	113
Deferred tax assets	661
Other non-current assets	173
Current Liabilities	36,412
Short-term borrowings	17,444
Current portion of long-term borrowings	253
Trade payable	9,840
Payables to employees	602
Other liabilities	3
Deferred income	6,792
Short-term provisions	
Provisions for employee benefits	489
Other short-term provisions	36
Other short-term liabilities	953
Non-Current Liabilities	1,615
Other liabilities	362
Provisions for employee benefits	1,253
Deferred tax liabilities	-
Total Sold Assets	30,616
Gain/Loss from sale of subsidiary	2014
Group's total share in sold subsidiary (%81)	24,871
Sale amount	24,871
Gain/Loss from sale	-
Net cash received from sale	2014
Received cash and cash equivalents	24,871
Less: Cash and cash equivalents of the sold subsidiary	2,867
	22,004

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as thousands of U.S. Dollars ("USD") unless otherwise stated. Currencies other than USD are expressed in thousands unless otherwise indicated.)

36. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS (cont'd)

Sale of Subsidiary (cont'd)

The Group sold its shares in its subsidiary IBH free of charge in the current year.

	31 December
	2014
Current Assets	3,909
Cash and cash equivalents	18
Trade receivables	2,080
Inventories	1,016
Other current assets	795
Non-Current Assets	13,837
Property, plant and equipment	327
Intangible assets	4,921
Deferred tax assets	375
Goodwill	8,214
Current Liabilities	9,698
Short-term borrowings	67
Trade payables	934
Payables to related parties	5,636
Other current liabilities	1,237
Deferred tax liabilities	1,824
Non-Current Liabilities	6,452
Other Non-Current liabilities	6,452
Total Sold Assets	1,596
Loss from sale of subsidiary	2014
Group's total share in sold subsidiary (% 100)	1,596
Sale amount	-
Gain/Loss from sale	1,596
Net cash received from sale	2014
Received cash and cash equivalents	-
Less: Cash and cash equivalents of the sold subsidiary	(18)
	(18)

37. SUBSEQUENT EVENTS

None.