

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 SEPTEMBER 2011

**TABLE OF CONTENTS****PAGES**

<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....</b>	<b>1-2</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF INCOME.....</b>	<b>3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....</b>	<b>6</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>7-37</b>
NOT 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP .....	7
NOT 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS .....	7-13
NOT 3 INTEREST IN JOINT VENTURES .....	14
NOT 4 CHANGES IN OPERATIONAL SEASON.....	15
NOT 5 EARNINGS PER SHARE .....	15
NOT 6 SEGMENTAL INFORMATION .....	16-20
NOT 7 CASH AND CASH EQUIVALENTS .....	21
NOT 8 FINANCIAL INVESTMENTS .....	22
NOT 9 FINANCIAL LIABILITIES .....	23-24
NOT 10 TRADE RECEIVABLES AND PAYABLES .....	25
NOT 11 INVENTORIES.....	26
NOT 12 COST AND BILLINGS ON UNCOMPLETED CONTRACTS .....	26
NOT 13 INVESTMENT PROPERTIES .....	27
NOT 14 PROPERTY PLANT AND EQUIPMENT .....	27
NOT 15 COMMITMENTS AND CONTINGENCIES .....	27-28
NOT 16 OTHER ASSETS AND LIABILITIES .....	29
NOT 17 DIVIDENDS .....	29
NOT 18 RELATED PARTY BALANCES AND TRANSACTIONS .....	29
NOT 19 SHARE CAPITAL .....	29-30
NOT 20 TAXATION ON INCOME .....	30-33
NOT 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES .....	34-37

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

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

ASSETS	Notes	30 September 2011	31 December 2010
<b>Current Assets</b>		<b>2,564,504</b>	<b>2,400,551</b>
Cash and cash equivalents	7	783,602	599,079
Financial investments measured at fair value			
through profit or loss	8	511,694	722,228
Trade receivables	10	552,639	569,847
Other receivables		1,031	960
Inventories	11	283,618	199,571
Costs and estimated earnings in excess of billings on uncompleted contracts	12	9,137	9,912
Other current assets		85,331	59,317
Group's share in current assets of joint ventures	3	333,014	234,166
		<u>2,560,066</u>	<u>2,395,080</u>
Assets held for sale		4,438	5,471
<b>Non-Current Assets</b>		<b>4,755,566</b>	<b>4,714,137</b>
Trade receivables	10	13,557	34,775
Financial investments measured at fair value			
through profit or loss	8	812,030	648,652
Investment properties	13	1,866,444	1,918,673
Property, plant and equipment		1,875,409	1,908,502
- Group	14	1,813,538	1,847,044
- Group's share in joint ventures	3, 14	61,871	61,458
Intangible assets		29,862	29,933
Goodwill		113,318	115,269
Deferred tax assets	20	15	14,289
Other non-current assets		35,802	36,393
Group's share in non-current assets of joint ventures	3	9,129	7,651
<b>TOTAL ASSETS</b>		<b><u>7,320,070</u></b>	<b><u>7,114,688</u></b>

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

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

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>30 September 2011</b>	<b>31 December 2010</b>
<b>Current Liabilities</b>		<b>1,183,144</b>	<b>1,102,436</b>
Financial liabilities		242,845	220,218
- Bank loans	9	240,030	217,517
- Obligations under finance leases		2,815	2,701
Trade payables	10	414,907	376,494
Other payables		107,992	109,814
Billings in excess of costs and estimated earnings on uncompleted contracts	12	3,291	10,105
Taxation on income	20	27,208	28,875
Provisions		17,684	14,703
Provisions for employee benefits		18,960	27,418
Other current liabilities		67,495	65,853
Group's share in current liabilities of joint ventures	3	282,762	248,956
<b>Non-Current Liabilities</b>		<b>1,532,518</b>	<b>1,598,348</b>
Financial liabilities		313,357	376,796
- Bank loans	9	262,097	321,626
- Obligations under finance leases		51,260	55,170
Trade payables	10	6,987	6,627
Other payables		21,473	17,092
Provisions for employee benefits		12,677	14,992
Deferred tax liabilities	20	302,628	290,430
Other non-current liabilities	16	875,396	892,096
Group's share in non-current liabilities of joint ventures	3	-	315
<b>EQUITY</b>			
<b>Equity attributable to Equity Holders of the Parent</b>		<b>4,371,313</b>	<b>4,172,270</b>
Share capital	19	1,666,060	1,476,498
Revaluation surplus		135,323	138,694
Currency translation difference		(180,806)	(119,230)
Other reserves		1,770	1,519
Legal reserves and accumulated profit		2,748,966	2,674,789
<b>Non-controlling interests</b>		<b>233,095</b>	<b>241,634</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,320,070</b>	<b>7,114,688</b>

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

	Notes	1 January- 30 September 2011	1 July- 30 September 2011	1 January- 30 September 2010	1 July- 30 September 2010
Revenue	6	3,722,986	1,330,285	3,494,178	1,137,697
Cost of revenues (-)	6	<u>(3,080,394)</u>	<u>(1,109,124)</u>	<u>(2,874,020)</u>	<u>(980,687)</u>
<b>GROSS PROFIT</b>		642,592	221,161	620,158	157,010
Marketing, selling and distribution expenses (-)	6	(42,486)	(13,198)	(49,127)	(22,241)
Administrative expenses (-)	6	(101,603)	(37,306)	(91,033)	(22,295)
Other operating income	6	49,269	3,415	31,550	8,743
Other operating expenses (-)	6	<u>(17,829)</u>	<u>(5,169)</u>	<u>(14,478)</u>	<u>(5,009)</u>
<b>PROFIT FROM OPERATIONS</b>		529,943	168,903	497,070	116,208
Financial income	6	80,193	7,664	64,267	6,760
Financial expenses (-)	6	<u>(129,242)</u>	<u>(28,185)</u>	<u>(81,150)</u>	<u>41,805</u>
<b>PROFIT BEFORE TAX</b>		480,894	148,382	480,187	164,773
Current tax expense (-)	20	(74,478)	(30,758)	(63,729)	(20,661)
Deferred tax expense	20	<u>(36,228)</u>	<u>(20,292)</u>	299	10,209
<b>NET PROFIT FOR THE YEAR</b>		370,188	97,332	416,757	154,321
<b>Attributable to:</b>					
Non-controlling interests		7,810	3,491	11,776	2,731
Equity holders of the parent		<u>362,378</u>	<u>93,841</u>	<u>404,981</u>	<u>151,590</u>
		<b><u>370,188</u></b>	<b><u>97,332</u></b>	<b><u>416,757</u></b>	<b><u>154,321</u></b>
<b>Earnings per share</b>					
- ordinary share certificate (full cent)	5	0.14	0.04	0.16	0.06
<b>Weighted average number of shares</b>		250,000,000,000	250,000,000,000	250,000,000,000	250,000,000,000

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

	Notes	1 January- 30 September 2011	1 July- 30 September 2011	1 January- 30 September 2010	1 July- 30 September 2010
<b>NET PROFIT FOR THE PERIOD</b>		370,188	97,332	416,757	154,321
<b>Other Comprehensive Income / (Expense):</b>					
Changes in unrealized gain on available-for sale investments		-	-	39,499	27,718
Realised loss on available-for-sale investments transferred to income statement		-	-	(625)	362
Gain / (loss) on cash flow hedge		313	110	(73)	182
Revaluation of buildings		532	(74)	-	
Changes in currency translation difference		(72,471)	(225,999)	(12,759)	86,959
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE) BEFORE TAX</b>		<b>(71,626)</b>	<b>(225,963)</b>	<b>26,042</b>	<b>115,221</b>
Deferred tax expense of other comprehensive income	20	(169)	(7)	(7,760)	(5,652)
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>(71,795)</b>	<b>(225,970)</b>	<b>18,282</b>	<b>109,569</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>298,393</b>	<b>(128,638)</b>	<b>435,039</b>	<b>263,890</b>
<b>Attributable to:</b>					
Non-controlling interests		(2,250)	(23,414)	13,052	8,580
Equity holders of the parent		300,643	(105,224)	421,987	255,310
		<b>298,393</b>	<b>(128,638)</b>	<b>435,039</b>	<b>263,890</b>

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2011

(Amounts are expressed in 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
<b>Balance at 1 January 2010</b>		<b>1,214,907</b>	<b>119,710</b>	<b>(80,633)</b>	<b>27,186</b>	<b>2,461,234</b>	<b>3,742,404</b>	<b>246,190</b>	<b>3,988,594</b>
Total other comprehensive income		-	(38)	(13,997)	31,041	-	17,006	1,276	18,282
Profit for the period		-	-	-	-	404,981	404,981	11,776	416,757
Total comprehensive income		-	(38)	(13,997)	31,041	404,981	421,987	13,052	435,039
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(3,876)	-	-	3,876	-	-	-
Share capital increase		261,591	-	-	-	(261,591)	-	-	-
Scope change		-	(1,458)	388	-	143	(927)	927	-
Dividends paid		-	-	-	-	(102,581)	(102,581)	(13,980)	(116,561)
<b>Balance at 30 September 2010</b>	<b>19</b>	<b>1,476,498</b>	<b>114,338</b>	<b>(94,242)</b>	<b>58,227</b>	<b>2,506,062</b>	<b>4,060,883</b>	<b>246,189</b>	<b>4,307,072</b>
<b>Balance at 1 January 2011</b>		<b>1,476,498</b>	<b>138,694</b>	<b>(119,230)</b>	<b>1,519</b>	<b>2,674,789</b>	<b>4,172,270</b>	<b>241,634</b>	<b>4,413,904</b>
Total other comprehensive income		-	(410)	(61,576)	251	-	(61,735)	(10,060)	(71,795)
Profit for the period		-	-	-	-	362,378	362,378	7,810	370,188
Total comprehensive income		-	(410)	(61,576)	251	362,378	300,643	(2,250)	298,393
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(2,961)	-	-	2,961	-	-	-
Share capital increase		189,562	-	-	-	(189,562)	-	-	-
Dividends paid	17	-	-	-	-	(101,600)	(101,600)	(6,289)	(107,889)
<b>Balance at 30 September 2011</b>	<b>19</b>	<b>1,666,060</b>	<b>135,323</b>	<b>(180,806)</b>	<b>1,770</b>	<b>2,748,966</b>	<b>4,371,313</b>	<b>233,095</b>	<b>4,604,408</b>

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

	Notes	1 January - 30 September 2011	1 January - 30 September 2010
<b>Cash flows from operating activities</b>			
Profit before tax		480,894	480,187
Adjustments to reconcile net income			
to net cash used in operating activities:			-
- Depreciation and amortization of non-current assets		90,390	113,006
- Provision for employment termination benefits		16	1,778
- Allowance for doubtful receivables		1,371	2,307
- Adjustments to deferred income from electricity sale		(15,538)	33,453
- Loss from fair value of forward transactions		(36)	341
- Interest expense		79,410	21,697
- Interest income		(33,035)	(23,284)
- Dividend income		(4,762)	(2,804)
- Provision for impairment of inventory, net		83	60
- Gain on sale or disposal of property, plant and equipment, net	14	(3,952)	(1,812)
		<u>594,841</u>	<u>624,929</u>
Movements in working capital			
Decrease in trade and other receivables		38,420	27,479
Decrease/(increase) in cost and estimated earnings in excess of billings on uncompleted contracts		775	(10,347)
(Increase)/decrease in Group's share in assets of joint venture		(100,327)	66,383
(Increase)/decrease in inventory		(84,129)	34,311
(Increase)/decrease in other current assets and other non current assets		(24,563)	64,421
(Decrease)/increase in trade and other payables		38,773	1,376
Decrease in billings in excess of cost and estimated earnings on uncompleted contracts		(6,814)	(45,847)
Increase/(Decrease) in Group's share in current and non current liabilities of joint ventures		33,491	(16,403)
Increase/(Decrease) in provision for liabilities and other liabilities		(2,401)	(117,254)
		<u>(106,775)</u>	<u>4,119</u>
Income taxes paid	20	(76,145)	(54,096)
Employee termination benefits paid		(1,009)	(996)
<b>Net cash generated from operating activities</b>		<u><b>410,912</b></u>	<u><b>573,956</b></u>
<b>Cash flows from investing activities</b>			
Time deposits with maturities over three months		-	22,753
Financial investments		47,159	(176,507)
Proceeds on disposal or sale of property, plant and equipment	14	11,949	22,971
Purchases of property, plant and equipment, intangible assets and investment properties		(87,663)	(63,769)
Interest received		32,232	22,860
Cash used in acquisition of subsidiary net of cash acquired		-	(21,761)
Dividend income		4,762	2,804
<b>Net cash used in/ (generated from) investing activities</b>		<u><b>8,439</b></u>	<u><b>(190,649)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		256,444	127,746
Repayments of borrowings		(310,598)	(249,067)
Interest paid		(73,514)	(14,179)
Dividend paid to non-controlling interests		(6,289)	(13,980)
Dividend paid		(101,600)	(102,581)
<b>Net cash used in financing activities</b>		<u><b>(235,557)</b></u>	<u><b>(252,061)</b></u>
Translation reserve		729	11,128
Net increase in cash and cash equivalents		184,523	142,374
Cash and cash equivalents at beginning of the period	7	598,079	646,163
<b>Cash and cash equivalents at end of the period</b>	7	<u><b>782,602</b></u>	<u><b>788,537</b></u>

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



# ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

### 1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

Enka İnşaat ve Sanayi Anonim Şirketi ("Enka İnşaat") was established on 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, Bestekar Şevki Bey Sokak, 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 30 September 2011, 12.71% of the shares of Enka İnşaat and 15.95% of the shares of Pimaş Plastik Malzemeleri Anonim Şirketi (Pimaş), subsidiary of Enka İnşaat, are traded publicly in İstanbul Stock Exchange (ISE).

As of 30 September 2011, the average numbers of white and blue-collar personnel are respectively 3,257 and 9,813 (31 December 2010: 3,208 and 11,598).

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint ventures are hereinafter referred to as "the Group". Group operates in five major geographical areas, which are as follows:

- 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, Kazakhstan: Engaged in construction activities in Russia, Kazakhstan, and also engaged in the investment and management of real estate properties, which are leased to tenants in Moscow, Russia, as well as run a network of hyperstores and shopping malls in Moscow.
- iii. Africa: Engaged in construction activities in Burundi, Libya, Equatorial Guinea and Djibouti.
- iv. Asia: Engaged in construction activities in Iraq, Saudi Arabia, Oman.
- v. Europe: Engaged in construction and trading activities in Romania, Albania, Netherlands, Switzerland, Germany, Kosova, Bosnia and Herzegovina.

### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard No:34, Interim financial reporting (IAS 34). This condensed interim financial information does not contain all the information required for the preparation of the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010 prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial investments and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 30 September 2011. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 4 November 2011. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

### 2.1 Basis of presentation (cont'd)

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 condensed 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.

### 2.2 Functional and presentation currency

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

Until 31 December 2005, the financial statements of 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 30 September 2011 and 31 December 2010 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 period. 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.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

### 2.2 Functional and presentation currency (cont'd)

The period-end and average Turkish Lira (TL) rates for 30 September 2011, 31 December 2010 and 30 September 2010 for one U.S. Dollar can be summarized as below:

	<u>30 September 2011</u>	<u>31 December 2010</u>	<u>30 September 2010</u>
U.S. Dollars /TL – as of balance sheet date	1.8453	1.5460	1.4512
U.S. Dollars /TL – period average	1.6181	1.4990	1.5142

### 2.3 Reclassification made to previously issued consolidated financial statements

As of 30 September 2010, the Group has reclassified rental income amounting to USD 9,996 and USD 18,796 from "Marketing, selling and distribution expenses" and "Administrative expenses" to "Cost of revenues".

### 2.4 Summary of significant accounting policies

Except for the new and amended standards effective from 1 January 2011 the Group's accounting policies are consistent with the accounting policies used at 31 December 2010.

### 2.5 Adoption of New and Revised International Financial Reporting Standards

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

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

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

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

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

##### 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 as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013; earlier adoption is permitted.

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

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

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

##### **IAS 24 (Revised 2009) *Related Party Disclosures***

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011.

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

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

##### **IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions***

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

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

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

##### **IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments***

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

##### **Annual Improvements May 2010**

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 5 main standards/interpretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011.

The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

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

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

##### **IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions***

On 20 December, IFRS 1 is amended to;

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

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

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

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

##### **IAS 12 *Income Taxes***

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

##### **IFRS 10 *Consolidated Financial Statements***

IFRS 10 replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).

Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

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

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

##### **IFRS 11 *Joint Arrangements***

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

##### **IFRS 12 *Disclosure of Interest In Other Entities***

IFRS 12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

##### **IAS 27 *Separate Financial Statements (2011)***

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

##### **IAS 28 *Investments in Associates and Joint Ventures (2011)***

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

##### **IFRS 13 *Fair Value Measurements***

On 12 May 2011, IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another Standard requires it. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

##### **IAS 1 *Presentation of Financial Statements (2011) – Presentation of Items of Other Comprehensive Income***

The amendments to IAS 1 provides guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after 1 July 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

## **2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

### **2.5 Adoption of New and Revised International Financial Reporting Standards (cont'd)**

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

##### ***IAS 19 Employee Benefits (2011) (the "amendments")***

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

### **2.6 Critical judgements in applying the entity's accounting policies**

For the period ended 30 September 2011, the Group continued using judgements applied during the year ended 31 December 2010.

### **2.7 Key sources of estimation uncertainty**

For the period ended 30 September 2011, the Group continued using estimations applied during the year ended 31 December 2010.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 3. INTEREST IN JOINT VENTURES

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

	30 September 2011	31 December 2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	68,175	36,241
Trade receivables	238,702	182,126
Other current assets	13,052	7,746
Inventories	7,375	7,760
Costs and estimated earnings in excess of billings on uncompleted contracts	5,710	293
<b>Group's share in current assets of joint ventures</b>	<b>333,014</b>	<b>234,166</b>
<b>Non-Current Assets</b>		
Cost	189,429	205,442
Accumulated depreciation	(127,558)	(143,984)
<b>Group's share in joint ventures in property, plant and equipment</b>	<b>61,871</b>	<b>61,458</b>
Trade receivables	7,570	7,433
Deferred tax assets	-	147
Other non-current assets	1,559	71
<b>Group's share in non-current assets of joint ventures</b>	<b>9,129</b>	<b>7,651</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade payables	50,324	49,607
Other current liabilities and accrued expenses	86,645	24,025
Billings in excess costs and estimated earnings on uncompleted contracts	145,793	175,324
<b>Group's share in current liabilities of joint ventures</b>	<b>282,762</b>	<b>248,956</b>
<b>Non-Current Liabilities</b>		
Other non-current liabilities	-	315
<b>Group's share in non-current liabilities of joint ventures</b>	<b>-</b>	<b>315</b>

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

	1 January- 30 September 2011	1 January- 30 September 2010
Revenue	415,074	297,875
Cost of revenue	(220,150)	(211,158)
General administrative expenses	(21)	(4)
Other operating income	121	4,270
Other operating expenses	45	(172)
Financial income	640	567
Financial expenses	(1,164)	(705)
Taxation charge	(9,464)	(11,894)
<b>Net profit</b>	<b>185,081</b>	<b>78,779</b>



## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 4. CHANGES IN OPERATIONAL SEASON

The Group's operations related to construction slow down during the winter season and differ significantly from other operational areas.

#### 5. 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 30 September 2011 and 31 December 2010.

	<u>1 January- 30 September 2011</u>	<u>1 July- 30 September 2011</u>	<u>1 January- 30 September 2010</u>	<u>1 July- 30 September 2010</u>
Earning per share				
- ordinary share certificate (full cent)	0.14	0.04	0.16	0.06
Weighted average number of share certificates (nominal value of 1 YKr each)				
- ordinary share certificate	250,000,000,000	250,000,000,000	250,000,000,000	250,000,000,000
Enka Insaat founder shares	1,000	1,000	1,000	1,000
Enka Holding founder shares	1,000	1,000	1,000	1,000

(\*) Since profit distribution was not determined at the end of each interim period, total of the earning per share is reflected on ordinary share certificates.

# ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

### 6. SEGMENTAL INFORMATION

#### a) Business segments

	1 January - 30 September 2011					Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	
Revenue	687,253	301,759	434,388	2,299,586	-	3,722,986
Inter-segment revenue	19,656	-	11,426	13,216	(44,298)	-
Cost of revenue	(474,760)	(92,592)	(358,047)	(2,154,995)	-	(3,080,394)
Inter-segment cost of revenue	(23,893)	-	(3,976)	(13,298)	41,167	-
<b>Gross profit</b>	<b>208,256</b>	<b>209,167</b>	<b>83,791</b>	<b>144,509</b>	<b>(3,131)</b>	<b>642,592</b>
Marketing, selling and distribution expenses	(6,680)	(2,766)	(33,040)	-	-	(42,486)
Administrative expenses	(51,994)	(18,545)	(26,533)	(7,662)	3,131	(101,603)
Other operating income	47,862	1,930	4,318	10,855	(15,696)	49,269
Other operating expenses	(11,153)	(*) (2,493)	(4,144)	(39)	-	(17,829)
<b>Profit from operations</b>	<b>186,291</b>	<b>187,293</b>	<b>24,392</b>	<b>147,663</b>	<b>(15,696)</b>	<b>529,943</b>
Financial income	73,979	428	1,089	12,541	(7,844)	80,193
Financial expenses (-)	(98,554)	(6,309)	(19,130)	(12,981)	7,732	(129,242)
<b>Profit before tax</b>	<b>161,716</b>	<b>181,412</b>	<b>6,351</b>	<b>147,223</b>	<b>(15,808)</b>	<b>480,894</b>
Current tax expense (-)	(28,469)	(19,646)	(8,917)	(17,446)	-	(74,478)
Deferred tax income/ (expense)	(2,031)	(9,218)	6,171	(31,150)	-	(36,228)
<b>Net profit for the period</b>	<b>131,216</b>	<b>152,548</b>	<b>3,605</b>	<b>98,627</b>	<b>(15,808)</b>	<b>370,188</b>

(\*) Includes other operating expense of investment properties.

	30 September 2011				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
Segment assets	2,862,031	2,058,463	572,065	1,827,168	7,319,727
Unallocated assets					343
<b>Total assets</b>	<b>2,862,031</b>	<b>2,058,463</b>	<b>572,065</b>	<b>1,827,168</b>	<b>7,320,070</b>
Segment liabilities	578,650	362,562	336,178	1,437,147	2,714,537
Unallocated liabilities					1,125
<b>Total liabilities</b>	<b>578,650</b>	<b>362,562</b>	<b>336,178</b>	<b>1,437,147</b>	<b>2,715,662</b>

  

	1 January - 30 September 2011				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
<b>Other segment information</b>					
Property, plant and equipment & Investment Property	28,200	46,969	7,191	3,473	85,833
Intangible assets	900	39	475	416	1,830
<b>Total capital expenditures</b>	<b>29,100</b>	<b>47,008</b>	<b>7,666</b>	<b>3,889</b>	<b>87,663</b>
Depreciation expense	37,523	2,138	7,993	40,741	88,395
Amortization expense	1,404	36	433	122	1,995

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 6. SEGMENTAL INFORMATION (cont'd)

##### a) Business segments (cont'd)

	1 July - 30 September 2011					Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	
Revenue	287,107	99,775	150,813	792,590	-	1,330,285
Inter-segment revenue	6,342	-	4,829	3,624	(14,795)	-
Cost of revenue	(204,742)	(26,680)	(125,004)	(752,698)	-	(1,109,124)
Inter-segment cost of revenue	(7,793)	-	(2,294)	(3,654)	13,741	-
<b>Gross profit</b>	<b>80,914</b>	<b>73,095</b>	<b>28,344</b>	<b>39,862</b>	<b>(1,054)</b>	<b>221,161</b>
Marketing, selling and distribution expenses	(2,268)	(841)	(10,089)	-	-	(13,198)
Administrative expenses	(19,831)	(6,659)	(9,501)	(2,367)	1,052	(37,306)
Other operating income	3,917	1,107	595	532	(2,736)	3,415
Other operating expenses	(1,656)	(*) (1,427)	(2,086)	-	-	(5,169)
<b>Profit from operations</b>	<b>61,076</b>	<b>65,275</b>	<b>7,263</b>	<b>38,027</b>	<b>(2,738)</b>	<b>168,903</b>
Financial income	13,124	(3,033)	(3,298)	5,569	(4,698)	7,664
Financial expenses (-)	(12,602)	(3,638)	(11,700)	(4,817)	4,572	(28,185)
<b>Profit before tax</b>	<b>61,598</b>	<b>58,604</b>	<b>(7,735)</b>	<b>38,779</b>	<b>(2,864)</b>	<b>148,382</b>
Current tax expense (-)	(19,557)	(6,247)	1,285	(6,239)	-	(30,758)
Deferred tax income/ (expense)	(2,058)	(6,836)	727	(12,125)	-	(20,292)
<b>Net profit for the period</b>	<b>39,983</b>	<b>45,521</b>	<b>(5,723)</b>	<b>20,415</b>	<b>(2,864)</b>	<b>97,332</b>

(\*) Includes other operating expense of investment properties.

Other segment information	1 July - 30 September 2011				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
Property, plant and equipment & Investment Property	10,757	9,148	3,397	397	23,699
Intangible assets	93	8	243	123	467
<b>Total capital expenditures</b>	<b>10,850</b>	<b>9,156</b>	<b>3,640</b>	<b>520</b>	<b>24,166</b>
Depreciation expense	10,512	40	2,022	13,711	26,285
Amortization expense	315	12	69	41	437

# ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

### 6. SEGMENTAL INFORMATION (cont'd)

#### a) Business segments (cont'd)

	1 January - 30 September 2010					Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	
Revenue	928,799	274,671	371,439	1,919,269	-	3,494,178
Inter-segment revenue	28,064	-	10,507	-	(38,571)	-
Cost of revenue	(732,424)	(78,679)	(304,646)	(1,758,271)	-	(2,874,020)
Inter-segment cost of revenue	(32,122)	-	(2,722)	(125)	34,969	-
<b>Gross profit</b>	<b>192,317</b>	<b>195,992</b>	<b>74,578</b>	<b>160,873</b>	<b>(3,602)</b>	<b>620,158</b>
Marketing, selling and distribution expenses	(4,970)	(12,626)	(31,531)	-	-	(49,127)
Administrative expenses	(49,587)	(8,508)	(27,546)	(9,046)	3,654	(91,033)
Other operating income	18,772	5,034	2,788	7,997	(3,041)	31,550
Other operating expenses	(11,538)	(*) (2,419)	(2,702)	(229)	2,410	(14,478)
<b>Profit from operations</b>	<b>144,994</b>	<b>177,473</b>	<b>15,587</b>	<b>159,595</b>	<b>(579)</b>	<b>497,070</b>
Financial income	60,193	2,425	3,536	5,783	(7,670)	64,267
Financial expenses (-)	(55,804)	(4,526)	(9,348)	(16,750)	5,278	(81,150)
<b>Profit before tax</b>	<b>149,383</b>	<b>175,372</b>	<b>9,775</b>	<b>148,628</b>	<b>(2,971)</b>	<b>480,187</b>
Current tax expense (-)	(23,133)	(17,974)	(10,310)	(12,312)	-	(63,729)
Deferred tax income/ (expense)	10,225	(8,844)	7,920	(9,002)	-	299
<b>Net profit for the period</b>	<b>136,475</b>	<b>148,554</b>	<b>7,385</b>	<b>127,314</b>	<b>(2,971)</b>	<b>416,757</b>

(\*) Includes other operating expense of investment properties.

	31 December 2010				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
Segment assets	2,686,123	2,110,359	489,595	1,828,169	7,114,246
Unallocated assets	-	-	-	-	442
<b>Total assets</b>	<b>2,686,123</b>	<b>2,110,359</b>	<b>489,595</b>	<b>1,828,169</b>	<b>7,114,688</b>
Segment liabilities	580,675	369,960	266,483	1,482,586	2,699,704
Unallocated liabilities	-	-	-	-	1,080
<b>Total liabilities</b>	<b>580,675</b>	<b>369,960</b>	<b>266,483</b>	<b>1,482,586</b>	<b>2,700,784</b>

Other segment information	1 January - 30 September 2010				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
Property, plant and equipment & Investment Property	39,934	10,128	11,581	1,084	62,727
Intangible assets	551	21	81	389	1,042
<b>Total capital expenditures</b>	<b>40,485</b>	<b>10,149</b>	<b>11,662</b>	<b>1,473</b>	<b>63,769</b>
Depreciation expense	58,101	2,453	8,688	40,881	110,123
Amortization expense	2,392	69	300	122	2,883

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 6. SEGMENTAL INFORMATION (cont'd)

##### a) Business segments (cont'd)

	1 July - 30 September 2010					Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	
Revenue	227,288	92,997	144,047	673,365	-	1,137,697
Inter-segment revenue	7,996	-	4,309	-	(12,305)	-
Cost of revenue	(206,566)	(25,680)	(118,385)	(630,056)	-	(980,687)
Inter-segment cost of revenue	(10,297)	-	(1,801)	(24)	12,122	-
<b>Gross profit</b>	<b>18,421</b>	<b>67,317</b>	<b>28,170</b>	<b>43,285</b>	<b>(183)</b>	<b>157,010</b>
Marketing, selling and distribution expenses	(1,939)	(10,609)	(9,693)	-	-	(22,241)
Administrative expenses	(17,229)	5,503	(8,363)	(3,198)	992	(22,295)
Other operating income	10,330	600	607	194	(2,988)	8,743
Other operating expenses	(3,325)	(*) (69)	(2,139)	(157)	681	(5,009)
<b>Profit from operations</b>	<b>6,258</b>	<b>62,742</b>	<b>8,582</b>	<b>40,124</b>	<b>(1,498)</b>	<b>116,208</b>
Financial income	9,147	352	(134)	(702)	(1,903)	6,760
Financial expenses (-)	42,628	4,289	(964)	(5,389)	1,241	41,805
<b>Profit before tax</b>	<b>58,033</b>	<b>67,383</b>	<b>7,484</b>	<b>34,033</b>	<b>(2,160)</b>	<b>164,773</b>
Current tax expense (-)	(8,616)	(6,087)	(4,651)	(1,307)	-	(20,661)
Deferred tax income/ (expense)	3,888	(3,809)	3,475	6,655	-	10,209
<b>Net profit for the period</b>	<b>53,305</b>	<b>57,487</b>	<b>6,308</b>	<b>39,381</b>	<b>(2,160)</b>	<b>154,321</b>

(\*) Includes other operating expense of investment properties.

Other segment information	1 July - 30 September 2010				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
Property, plant and equipment & Investment Property	21,906	9,502	5,610	370	37,388
Intangible assets	-	1	57	66	124
<b>Total capital expenditures</b>	<b>21,906</b>	<b>9,503</b>	<b>5,667</b>	<b>436</b>	<b>37,512</b>
Depreciation expense	29,861	866	3,165	13,760	47,652
Amortization expense	1,934	23	110	42	2,109

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 period ended 30 September 2011, revenue amounting to USD 2,299,327 (30 September 2010: USD 1,919,269) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 30 September 2011, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 2,036,657 (30 September 2010: USD 1,647,243) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) which exceeds 10% of consolidated cost of revenue.

# ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

### 6. SEGMENTAL INFORMATION (cont'd)

#### b) Geographical segments

1 January - 30 September 2011						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Net sales	2,805,611	601,005	218,136	98,234	-	3,722,986
Inter-segment sales	41,167	3,131	-	-	(44,298)	-
Capital expenditures	21,572	50,864	5,230	9,997	-	87,663
30 September 2011						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Segmental assets	4,017,552	2,484,554	704,043	113,578	-	7,319,727
1 July- 30 September 2011						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Net sales	987,805	235,017	66,443	41,020	-	1,330,285
Inter-segment sales	13,742	1,053	-	-	(14,795)	-
Capital expenditures	6,146	11,029	1,602	5,389	-	24,166
1 January - 30 September 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Net sales	2,416,430	895,984	129,740	52,024	-	3,494,178
Inter-segment sales	34,917	3,654	-	-	(38,571)	-
Capital expenditures	28,766	28,588	4,542	1,873	-	63,769
31 December 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Segmental assets	4,009,693	2,549,883	479,913	74,757	-	7,114,246
1 July - 30 September 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Net sales	839,047	220,741	61,114	16,795	-	1,137,697
Inter-segment sales	11,311	994	-	-	(12,305)	-
Capital expenditures						-

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 7. CASH AND CASH EQUIVALENTS

	30 September 2011	31 December 2010
Cash on hand	2,399	1,539
Cash in bank		
Demand deposits	338,419	147,184
Time deposits	439,653	448,134
Other	3,131	2,222
	<u>783,602</u>	<u>599,079</u>
Less: 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>782,602</u>	<u>598,079</u>

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

	30 September 2011	31 December 2010
<i>Fixed interest rate</i>		
USD	0.15%-6.00%	0.15%-6.00%
Russian Ruble	4.00%-6.25%	2.50%-4.75%
EUR	0.42%-5.15%	0.25%-3.50%
TL	5.75%-11.48%	3.00%-9.05%
Japanese Yen	1.00%	0.30%-1.00%
Chinese Yuan	0.95%-2.85%	1.71%

Time deposits' interest rates with maturities over three months are as follows:

USD - Fixed interest rate	2.45%-6.00%	2.45%-6.00%
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## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 8. FINANCIAL INVESTMENTS

##### Short-term financial investments

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 30 September 2011 and 31 December 2010 are detailed below:

<u>Financial assets at fair value through profit or loss</u>	<u>30 September 2011</u>	<u>31 December 2010</u>
Private sector bonds		
- International markets	5,202	8,162
Foreign Government bonds		
- International markets	306,573	505,477
Equity securities		
- International markets	137,568	141,265
- Domestic market	2,248	2,904
Turkish Government bonds		
- Domestic market	18,567	18,073
Mutual funds		
- International markets	29,487	28,675
- Domestic market	12,049	17,672
	<u>511,694</u>	<u>722,228</u>

##### Long-term financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 30 September 2011 and 31 December 2010 are detailed below:

<u>Financial assets at fair value through profit or loss</u>	<u>30 September 2011</u>	<u>31 December 2010</u>
Private sector bonds		
- International markets	559,939	421,511
Foreign Government bonds		
- International markets	202,809	185,480
Turkish Government bonds		
- Domestic market	32,612	23,128
Turkish Government bonds		
- International markets	15,599	17,289
Equity securities	1,071	1,244
	<u>812,030</u>	<u>648,652</u>

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

	<u>30 September 2011</u>	<u>31 December 2010</u>
Private Sector Bonds - International markets	22 October 2049	10 December 2049
Foreign Government Bonds - International markets	15 February 2041	15 February 2040
Turkish Government Bonds		
- Domestic market	06 January 2021	1 April 2020
- International markets	14 February 2034	14 February 2034



## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 9. FINANCIAL LIABILITIES

##### Short-term borrowings:

	30 September 2011			
	Interest rate	Currency	Original	USD
		Type	Currency	Equivalent
Short-term bank borrowings	Libor +1.10% - 3.90%	EUR	4,338	5,914
	Libor +3.00% - 7.40%	USD	20,328	20,328
	10.75%	TL	9,395	5,091
	0%	JPY	344,679	4,492
				<u>35,825</u>
Current portion of long-term borrowings				204,205
Total short-term borrowings				<u><u>240,030</u></u>

##### Long-term borrowings:

	30 September 2011			
	Interest rate	Currency	Original	USD
		Type	Currency	Equivalent
Eximbank loans	Libor +0.10% - 4.26%	USD	119,953	119,953
OPIC loan	7.54% - 7.90%	USD	78,634	78,634
Hermes loan	Libor + 0.625%	USD	9,838	9,838
OND loan	Libor + 0.70%	USD	12,467	12,467
Hermes loan	Euribor +0.23% - 0.65%	EUR	41,797	56,982
Other long-term bank borrowings	Libor +1.45% - 4.50%	USD	15,219	15,219
	Libor +1.45% - 4.70%	EUR	27,994	38,165
	1.45%	JPY	10,274,955	133,913
	10.00%	TL	2,087	1,131
				<u>466,302</u>
Less: Current portion of long-term borrowings				(204,205)
Total long-term borrowings				<u><u>262,097</u></u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 9. FINANCIAL LIABILITIES (cont'd)

##### Short-term borrowings:

	31 December 2010			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings				
	Libor + 1.90%	USD	14,142	14,142
	7.15%	TL	799	517
				<u>14,659</u>
Current portion of long-term borrowings				202,858
Total short-term borrowings				<u><u>217,517</u></u>

##### Long-term borrowings:

	31 December 2010			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Eximbank loans	Libor + 0.10% - 4.26%	USD	153,658	153,658
OPIC loan	7.54% - 7.90%	USD	90,593	90,593
Hermes loan	Libor + 0.625%	USD	15,084	15,084
OND loan	Libor + 0.70%	USD	16,072	16,072
Hermes loan	Euribor + 0.23% - 0.65%	EUR	34,618	45,884
Other long-term bank borrowings				
	Libor + 1.30% - 3.00%	USD	8,103	8,103
	Euribor + 1.55% - 4.70%	EUR	27,635	36,628
	0.75%	JPY	8,601,680	105,339
	10.00%	TL	2,036	1,317
Iraq related Eximbank loans (*)				
		USD	80,699	80,699
		EUR	2,241	2,970
				<u>556,347</u>
Less: Current portion of long-term borrowings				(202,858)
Less: Iraq related Eximbank loans - received from UNCC by Eximbank		USD	(31,863)	(31,863)
Total long-term borrowings				<u><u>321,626</u></u>

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

	30 September 2011	31 December 2010
Less than 1 year	204,205	202,858
1 - 5 years	262,097	269,819
Less : Current portion of long-term borrowings	(204,205)	(202,858)
	<u>262,097</u>	<u>269,819</u>

(\*) The Group has restructured Iraq related Eximbank loans provided by Development and Subsidization Fund which is executed by Turkish Export Credit Bank (Eximbank) according to law no 6111 "Restructuring of Various Receivables" and paid USD 50,537 and EUR 2,241 principle amounts and USD 62,333 interest amount. In the previous periods the Group has not accrued and paid any interest related to the loan withdrawn from Eximbank in relation with Irak Credit Program which has primary purpose of compensation for Group Iraqi losses.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 10. TRADE RECEIVABLES AND PAYABLES

	30 September 2011	31 December 2010
<u>Short-term trade receivables</u>		
Trade receivables	417,865	413,805
Discount on trade receivables (-)	(319)	(201)
Notes and cheques receivables	84,035	101,478
Discount on notes and cheques receivables (-)	(1,220)	(1,369)
Contract receivables	55,208	56,419
Retention receivables (*)	24,140	27,551
	<u>579,709</u>	<u>597,683</u>
Less: Allowance for doubtful receivables	(27,070)	(27,836)
	<u>552,639</u>	<u>569,847</u>

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

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

	30 September 2011	31 December 2010
<u>Long-term trade receivables</u>		
Notes and cheques receivables	13,971	31,723
Discount on notes and cheques receivables (-)	(416)	(565)
Trade receivables	5	3,653
Discount on trade receivables (-)	(3)	(36)
Receivables from Iraq	-	115,116
Money received from UNNC by Eximbank – 1 (*)	-	(30,160)
Money received from UNNC by Eximbank – 2 (**)	-	(31,863)
Allowance for receivables from Iraq	-	(53,093)
	<u>13,557</u>	<u>34,775</u>

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

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

	30 September 2011	31 December 2010
<u>Short-term trade payables</u>		
Trade payables	407,327	371,827
Discount on trade payables (-)	(23)	(33)
Notes payable	7,455	4,014
Discount on notes payable (-)	(21)	(28)
Other trade payables	169	714
	<u>414,907</u>	<u>376,494</u>
	30 September 2011	31 December 2010
<u>Long term trade payables</u>		
Trade payables	6,987	6,627
	<u>6,987</u>	<u>6,627</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 11. INVENTORIES

	30 September 2011	31 December 2010
Raw materials and spare parts	114,383	97,918
Trade goods (machinery and others)	95,426	45,183
Finished goods	30,025	20,985
Goods in transit	24,508	11,930
Work in progress	14,483	14,190
Construction materials	5,863	10,352
Allowance for impairment on inventory (*)	(1,070)	(987)
	<u>283,618</u>	<u>199,571</u>

(\*) As of 30 September 2011 and 31 December 2010, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 30 September 2011, there is no pledge on inventories (31 December 2010: None)

#### 12. COST AND BILLINGS ON UNCOMPLETED CONTRACTS

	30 September 2011	31 December 2010
Costs incurred on uncompleted contracts	1,539,930	1,930,253
Estimated earnings	8,685	48,961
	<u>1,548,615</u>	<u>1,979,214</u>
Less: Billings to date	(1,542,769)	(1,979,407)
	<u>5,846</u>	<u>(193)</u>

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

	30 September 2011	31 December 2010
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	9,137	9,912
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(3,291)	(10,105)
	<u>5,846</u>	<u>(193)</u>

As of 30 September 2011, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 133,895 (31 December 2010: USD 73,572).

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 13. INVESTMENT PROPERTIES

As of 30 September 2011 and 2010, movement of investment properties is as follows:

	30 September 2011	30 September 2010
Opening balance as at 1 January	1,918,673	1,891,271
Currency translation difference	(60,494)	(7,626)
Prepayments for land leases	7,920	-
Transfers from property, plant and equipment and construction in progress	345	24,270
Closing balance as at 30 September	<u>1,866,444</u>	<u>1,907,915</u>

#### 14. PROPERTY PLANT AND EQUIPMENT

During the period ended 30 September 2011 the Group purchased property plant and equipment amounting to USD 87,663. In addition during the period ended 30 September 2011 net book value of USD 7,997 property plant and equipment sold for USD 11,949.

#### 15. COMMITMENTS AND CONTINGENCIES

##### Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group as of 30 September 2011 and 31 December 2010 are as follows:

	30 September 2011	31 December 2010
Within one year	8,767	8,132
After one year but not more than five years	25,943	29,627
More than 5 years	24,895	28,781
	<u>59,605</u>	<u>66,540</u>

##### Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 30 September 2011 and 31 December 2010 are as follows:

	30 September 2011	31 December 2010
Within one year	287,664	259,329
After one year but not more than five years	628,544	589,995
More than 5 years	325,925	332,319
	<u>1,242,133</u>	<u>1,181,643</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 15. COMMITMENTS AND CONTINGENCIES (cont'd)

##### Litigations

One of the law suits related to the loss attributed to two construction projects and unbilled revenues was resulted in favour of the Group thus; the Group received USD 11,343 and EUR 7,607. The law suit related to the loss beared and the receivable claim; amounting to USD 118,567 is on trial. The employer of the Group has USD 66,906 counter claim accordingly.

Except for the matters stated above, during the period ended 30 September 2011, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2010 consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

##### Commitments and contingencies

During the period ended 30 September 2011 the Group does not have any new commitments and contingencies or progress to existing commitments and contingencies that need additional explanation other than disclosed in 31 December 2010 consolidated financial statements.

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 30 September 2011 and 31 December 2010 is as follows;

	30 September 2011		31 December 2010	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
Letters of guarantee, guarantee notes given, mortgage and pledges				
A. Total amount of guarantees provided by the Company on behalf of itself		2,983,110		2,962,164
-USD	2,647,374	2,647,374	2,731,139	2,731,139
-EUR	140,540	191,598	158,602	210,211
-TL	18,127	9,823	4,120	2,665
-Others (*)		134,314		18,149
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		359,758		336,016
-USD	23,935	23,935	43,078	43,078
-EUR	83,115	113,311	63,453	84,101
-TL	1,751	949	1,000	647
-Others (*)		221,563		208,190
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		400		400
i. Total amount of guarantees given on behalf of the parent company		-		-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C		400		400
-USD	400	400	400	400
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>3,343,268</u>		<u>3,298,580</u>

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

As of 30 September 2011 the portion of other guarantess given to shareholders' equity is 0.01% (31 December 2010:0.01%).

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 16. OTHER ASSETS AND LIABILITIES

	30 September 2011	31 December 2010
<u>Other non- current liabilities</u>		
Deferred revenue (*)	872,585	888,122
Deferred rent revenue	2,811	3,974
	<u>875,396</u>	<u>892,096</u>

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

#### 17. DIVIDENDS

Regarding the distribution of the year 2010 profit, based on the resolution taken at the Group's ordinary general assembly, it has been further resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.0727 gross / 0.0618 net (full TL) in total TL 160,000.

Regarding the distribution of the year 2009 profit, based on the resolution taken at the Group's ordinary general assembly, it has been further resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.0800 gross / 0.0680 net (full TL) in total TL 144,000.

#### 18. RELATED PARTY BALANCES AND TRANSACTIONS

No extraordinary or significant transaction is realized with the related parties throughout the interim period.

#### 19. SHARE CAPITAL

The shareholders of the Group and their percentage of ownership as of 30 September 2011 and 31 December 2010 is as follows:

	30 September 2011		31 December 2010	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	48.98%	816,036	48.80%	720,531
Tara and Gülçelik families	27.99%	466,330	28.08%	414,601
Publicly traded	12.71%	211,756	12.79%	188,844
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.95%	99,131	5.96%	87,999
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	72,807	4.37%	64,523
	<u>100.00%</u>	<u>1,666,060</u>	<u>100.00%</u>	<u>1,476,498</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 19. SHARE CAPITAL (cont'd)

Based on the Group's Ordinary General Assembly held on 21 April 2011; it has been unanimously resolved to increase the share capital of the Group from TL 2,200,000 to TL 2,500,000; and to cover TL 300,000 from the 1st Dividend at an amount of TL 213,000 and from the 2nd Dividend at an amount of TL 87,000.

The movement of the share capital (in numbers and in historical TL) of the Group during 30 September 2011 and 31 December 2010 is as follows:

	30 September 2011		31 December 2010	
	Number	TL	Number	TL
At 1 January,	220,000,000,000	2,200,000	180,000,000,000	1,800,000
bonus shares issued out of general reserve	30,000,000,000	300,000	40,000,000,000	400,000
	<u>250,000,000,000</u>	<u>2,500,000</u>	<u>220,000,000,000</u>	<u>2,200,000</u>

#### 20. 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 2010: 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 2010 – 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.



## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 20. TAXATION ON INCOME (cont'd)

##### Tax legislation in Turkey (cont'd)

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 30 September 2011 and 30 September 2010 components of tax expense are as follows:

	1 January- 30 September 2011	1 January- 30 September 2010
Consolidated income statement		
Current corporate tax	(74,478)	(63,729)
Deferred tax expense	(36,228)	299
	<u>(110,706)</u>	<u>(63,430)</u>

##### Tax legislations in other countries

As of 30 September 2011 and 31 December 2010 effective corporation tax rate in other countries are as follows:

	30 September 2011	31 December 2010
Russia	20%	20%
Netherlands	25.5%	25.5%
Kazakhstan	28% - 32%	28% - 32%
Romania	16%	16%
Albania	10%	10%
Oman	12%	12%
Libya	20%	20%
Kosovo	10%	10%

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

	2011	2010
Balance at 1 January	28,875	16,120
Current year tax expense	74,478	63,729
Taxes paid	(76,145)	(54,096)
Balance at 30 September	<u>27,208</u>	<u>25,753</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 20. TAXATION ON INCOME (cont'd)

##### Deferred tax assets and liabilities

As of 30 September 2011 and 31 December 2010, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	30 September 2011	31 December 2010
	<u>                    </u>	<u>                    </u>
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(469,038)	(440,849)
IAS 39 adjustments on financial instruments and derivatives	(2,173)	(1,995)
GE Inventory in the context of "PSA" (*)	(21,243)	(9,477)
Others	-	(4,880)
Gross deferred income tax liabilities	<u>(492,454)</u>	<u>(457,201)</u>
Adjustment of revenue levelization	172,772	175,848
Tax loss carry-forward	7,911	620
Allowance for doubtful receivables	1,899	1,784
Allowance for retirement pay liability	1,955	1,934
Remeasurement of inventories	498	465
Deferred financial expenses	262	409
Others	4,544	-
Gross deferred income tax assets	<u>189,841</u>	<u>181,060</u>
Net deferred tax liability	<u>(302,613)</u>	<u>(276,141)</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:

	30 September 2011	31 December 2010
	<u>                    </u>	<u>                    </u>
Deferred tax assets	15	14,289
Deferred tax liabilities	(302,628)	(290,430)
Net deferred tax liabilities	<u>(302,613)</u>	<u>(276,141)</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

#### 20. TAXATION ON INCOME (cont'd)

##### Deferred tax assets and liabilities (cont'd)

Movements of net deferred tax liability are as follows as of 30 September 2011 and 2010:

	2011	2010
Balance at 1 January of Enka İnşaat and its subsidiaries	276,141	252,365
Balance at 1 January of the joint ventures	-	(673)
Balance at 1 January	<b>276,141</b>	<b>251,692</b>
Deferred income tax expense recognized in income statement	36,228	(299)
Deferred income tax expense recognized in equity	169	7,760
Translation loss	(9,925)	2,652
Total net deferred tax liabilities as of 30 September	<b>302,613</b>	<b>261,805</b>
Of which:		
Balance at 30 September of Enka İnşaat and its subsidiaries	302,613	261,805
Balance at 30 September of the joint ventures, net	-	(583)
Total net deferred tax liabilities as of 30 September	<b>302,613</b>	<b>261,222</b>

As of 30 September 2011 and 30 September 2010, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	1 January - 30 September 2011			1 January - 30 September 2010		
	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax
Changes in fair value of financial assets	-	-	-	38,874	(7,775)	31,099
Change in revaluation of buildings	532	(106)	426	-	-	-
Changes in fair value of derivative assets	313	(63)	250	(73)	15	(58)
Changes in currency translation differences	(72,471)	-	(72,471)	(12,759)	-	(12,759)
	<b>(71,626)</b>	<b>(169)</b>	<b>(71,795)</b>	<b>26,042</b>	<b>(7,760)</b>	<b>18,282</b>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

##### 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 30 September 2011 and 31 December 2010:

	<u>30 September 2011</u>	<u>31 December 2010</u>
A. Assets denominated in foreign currency	1,286,290	1,261,619
B. Liabilities denominated in foreign currency	(625,563)	(475,639)
Net foreign currency position (A+B)	660,727	785,980

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

##### Foreign currency risk (cont'd)

The Group's foreign currency position at 30 September 2011 and 31 December 2010 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

	30 September 2011						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (* )	USD (**)	
Cash and cash equivalents	48,141	26,088	171,341	233,589	114,766	35,407	409,850
Financial investments measured at fair value through profit or loss	85,119	46,127	19,870	27,089	41,850	123,463	238,529
Trade and other receivables	17,764	9,627	68,876	93,899	42,627	13,244	159,397
Other current assets	93,406	50,618	1,821	2,483	7,760	182	61,043
Company's share in current assets of joint ventures	-	-	9,165	12,495	60,439	134	73,068
<b>Current assets</b>	<b>244,430</b>	<b>132,460</b>	<b>271,073</b>	<b>369,555</b>	<b>267,442</b>	<b>172,430</b>	<b>941,887</b>
Financial investments measured at fair value through profit or loss	60,178	32,611	182,838	249,263	38,283	-	320,157
Trade and other receivables	-	-	8,097	11,039	2,174	26	13,239
Other non current assets	2,471	1,339	993	1,354	3,139	5,155	10,987
Company's share in non current assets of joint ventures	-	-	-	-	20	-	20
<b>Non-current assets</b>	<b>62,649</b>	<b>33,950</b>	<b>191,928</b>	<b>261,656</b>	<b>43,616</b>	<b>5,181</b>	<b>344,403</b>
<b>Total assets</b>	<b>307,079</b>	<b>166,410</b>	<b>463,001</b>	<b>631,211</b>	<b>311,058</b>	<b>177,611</b>	<b>1,286,290</b>
Financial liabilities	1,502	814	45,508	62,041	52,464	17,185	132,504
Trade and other payables	35,162	19,055	42,098	57,392	57,254	8,748	142,449
Other current liabilities and accrued expenses	52,039	28,201	9,434	12,861	21,501	18,717	81,280
Company's share in current liabilities of joint ventures	-	-	75	102	115,610	2,249	117,961
<b>Current liabilities</b>	<b>88,703</b>	<b>48,070</b>	<b>97,115</b>	<b>132,396</b>	<b>246,829</b>	<b>46,899</b>	<b>474,194</b>
Financial liabilities	657	356	28,947	39,463	97,650	6,362	143,831
Trade and other payables	-	-	5,125	6,987	-	-	6,987
Other non-current liabilities	-	-	209	285	-	266	551
<b>Non-current liabilities</b>	<b>657</b>	<b>356</b>	<b>34,281</b>	<b>46,735</b>	<b>97,650</b>	<b>6,628</b>	<b>151,369</b>
<b>Total liabilities</b>	<b>89,360</b>	<b>48,426</b>	<b>131,396</b>	<b>179,131</b>	<b>344,479</b>	<b>53,527</b>	<b>625,563</b>
<b>Net foreign currency position</b>	<b>217,719</b>	<b>117,984</b>	<b>331,605</b>	<b>452,080</b>	<b>(33,421)</b>	<b>124,084</b>	<b>660,727</b>
<b>Net notional amount of derivatives</b>							-
<b>Export</b>	-	-	<b>40,022</b>	<b>56,331</b>	<b>1,105</b>	<b>19,718</b>	<b>77,154</b>
<b>Import</b>	-	-	<b>102,580</b>	<b>144,382</b>	<b>111,175</b>	<b>87,774</b>	<b>343,331</b>

(\* ) USD equivalents of the foreign currency balances other than TL and Euro.

(\*\*) USD balances of consolidated subsidiaries and joint ventures whose functional currency is other than USD.

# ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

#### Foreign currency risk (cont'd)

	31 December 2010						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (* )	USD (**)	
Cash and cash equivalents	66,400	42,950	151,403	200,670	69,428	58,469	371,517
Financial investments measured at fair value through profit or loss	59,172	38,274	79,732	105,677	33,507	124,354	301,812
Trade and other receivables	20,309	13,136	71,667	94,987	49,072	6,378	163,573
Other current assets	36,097	23,349	2,054	2,722	16,736	633	43,440
Company's share in current assets of joint ventures	-	-	2,163	2,867	33,125	60	36,052
<b>Current assets</b>	<b>181,978</b>	<b>117,709</b>	<b>307,019</b>	<b>406,923</b>	<b>201,868</b>	<b>189,894</b>	<b>916,394</b>
Financial investments measured at fair value through profit or loss	35,756	23,128	186,058	246,601	34,774	-	304,503
Trade and other receivables	-	-	17,992	23,847	6,756	105	30,708
Other non current assets	2,061	1,333	685	908	2,763	4,996	10,000
Company's share in non current assets of joint ventures	-	-	-	-	14	-	14
<b>Non-current assets</b>	<b>37,817</b>	<b>24,461</b>	<b>204,735</b>	<b>271,356</b>	<b>44,307</b>	<b>5,101</b>	<b>345,225</b>
<b>Total assets</b>	<b>219,795</b>	<b>142,170</b>	<b>511,754</b>	<b>678,279</b>	<b>246,175</b>	<b>194,995</b>	<b>1,261,619</b>
Financial liabilities	736	476	37,360	49,517	42,669	10,496	103,158
Trade and other payables	34,528	22,334	47,075	62,393	28,151	4,884	117,762
Other current liabilities and accrued expenses	52,528	33,977	15,337	20,328	16,820	18,116	89,241
Company's share in current liabilities of joint ventures	1	1	22	29	47,977	2,046	50,053
<b>Current liabilities</b>	<b>87,793</b>	<b>56,788</b>	<b>99,794</b>	<b>132,267</b>	<b>135,617</b>	<b>35,542</b>	<b>360,214</b>
Financial liabilities	-	-	188	249	-	416	665
Long-term borrowings	1,086	702	26,569	35,215	75,513	3,251	114,681
Company's share in non current liabilities of joint ventures	-	-	-	-	79	-	79
<b>Non-current liabilities</b>	<b>1,086</b>	<b>702</b>	<b>26,757</b>	<b>35,464</b>	<b>75,592</b>	<b>3,667</b>	<b>115,425</b>
<b>Total liabilities</b>	<b>88,879</b>	<b>57,490</b>	<b>126,551</b>	<b>167,731</b>	<b>211,209</b>	<b>39,209</b>	<b>475,639</b>
<b>Net foreign currency position</b>	<b>130,916</b>	<b>84,680</b>	<b>385,203</b>	<b>510,548</b>	<b>34,966</b>	<b>155,786</b>	<b>785,980</b>
<b>Net notional amount of derivatives</b>	-	-	<b>698</b>	<b>925</b>	-	-	<b>925</b>
<b>Export</b>	-	-	<b>89,004</b>	<b>117,966</b>	<b>425</b>	<b>23,165</b>	<b>141,556</b>
<b>Import</b>	-	-	<b>66,937</b>	<b>88,718</b>	<b>79,844</b>	<b>54,047</b>	<b>222,609</b>

(\*) USD equivalents of the foreign currency balances other than TL and Euro.

(\*\*) USD balances of consolidated subsidiaries and joint ventures whose functional currency is other than USD.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

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

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

##### Foreign currency risk (cont'd)

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 30 September 2011 and 31 December 2010:

	30 September 2011		31 December 2010	
	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)	11,798	(11,798)	8,468	(8,468)
2- Portion hedged against TL risk (-)			-	-
<b>3- TL net effect (1+2)</b>	<b>11,798</b>	<b>(11,798)</b>	<b>8,468</b>	<b>(8,468)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	45,208	(45,208)	51,055	(51,055)
5- Portion hedged against Euro risk (-)			92	(92)
<b>6- Euro net effect (1+2)</b>	<b>45,208</b>	<b>(45,208)</b>	<b>51,147</b>	<b>(51,147)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	(3,342)	3,342	3,497	(3,497)
8- Portion hedged against other foreign currency risk (-)			-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>(3,342)</b>	<b>3,342</b>	<b>3,497</b>	<b>(3,497)</b>
<b>Total (3+6+9)</b>	<b>53,664</b>	<b>(53,664)</b>	<b>63,112</b>	<b>(63,112)</b>