

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 31 MARCH 2012

**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>7-36</b> |
| NOTE 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP .....               | 7           |
| NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS .....           | 7-13        |
| NOTE 3 INTEREST IN JOINT VENTURES .....                              | 14-15       |
| NOTE 4 CHANGES IN OPERATIONAL SEASON.....                            | 15          |
| NOTE 5 EARNINGS PER SHARE .....                                      | 15          |
| NOTE 6 SEGMENTAL INFORMATION .....                                   | 16-18       |
| NOTE 7 CASH AND CASH EQUIVALENTS .....                               | 19          |
| NOTE 8 FINANCIAL INVESTMENTS .....                                   | 20          |
| NOTE 9 FINANCIAL LIABILITIES .....                                   | 21-22       |
| NOTE 10 TRADE RECEIVABLES AND PAYABLES .....                         | 23          |
| NOTE 11 INVENTORIES.....   | 24          |
| NOTE 12 COST AND BILLINGS ON UNCOMPLETED CONTRACTS .....             | 24          |
| NOTE 13 INVESTMENT PROPERTIES .....                                  | 25          |
| NOTE 14 PROPERTY PLANT AND EQUIPMENT .....                           | 25          |
| NOTE 15 COMMITMENTS AND CONTINGENCIES .....                          | 25-26       |
| NOTE 16 OTHER ASSETS AND LIABILITIES .....                           | 27          |
| NOTE 17 DIVIDENDS .....  | 27          |
| NOTE 18 RELATED PARTY BALANCES AND TRANSACTIONS .....                | 27          |
| NOTE 19 SHARE CAPITAL .....  | 27-28       |
| NOTE 20 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS .....       | 28          |
| NOTE 21 TAXATION ON INCOME .....                                     | 29-32       |
| NOTE 22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES .....      | 33-36       |
| NOTE 23 SUBSEQUENT EVENTS .....                                      | 36          |

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

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

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

| <b>ASSETS</b>  | <b>Notes</b> | <b>31 March<br/>2012</b> | <b>31 December<br/>2011</b> |
|--|--------------|--------------------------|-----------------------------|
| <b>Current Assets</b>  |              | <b>2,990,731</b>         | <b>2,751,144</b>            |
| Cash and cash equivalents  | 7            | 780,910                  | 756,187                     |
| Financial investments  | 8            | 817,376                  | 633,954                     |
| Trade receivables  | 10           | 543,749                  | 584,571                     |
| Other receivables  |              | 1,281                    | 1,139                       |
| Inventories  | 11           | 328,014                  | 269,158                     |
| Costs and estimated earnings in excess of billings on<br>uncompleted contracts | 12           | 30,068                   | 52,273                      |
| Other current assets   |              | 127,063                  | 79,685                      |
| Group's share in current assets of joint ventures                              | 3            | 237,485                  | 253,657                     |
|  |              | <u>2,865,946</u>         | <u>2,630,624</u>            |
| Assets held for sale and discontinued operations                               | 20           | 124,785                  | 120,520                     |
| <b>Non-Current Assets</b>  |              | <b>4,861,601</b>         | <b>4,709,189</b>            |
| Trade receivables  | 10           | 18,650                   | 19,213                      |
| Financial investments  | 8            | 761,121                  | 774,585                     |
| Investment properties  | 13           | 2,098,049                | 1,942,767                   |
| Property, plant and equipment  |              | 1,850,114                | 1,841,866                   |
| - Group  | 14           | 1,790,226                | 1,781,698                   |
| - Group's share in joint ventures  | 3, 14        | 59,888                   | 60,168                      |
| Intangible assets  |              | 29,669                   | 29,424                      |
| Goodwill   |              | 63,826                   | 63,560                      |
| Deferred tax assets  | 21           | 25                       | 95                          |
| Other non-current assets   |              | 31,230                   | 28,966                      |
| Group's share in non-current assets of joint ventures                          | 3            | 8,917                    | 8,713                       |
| <b>TOTAL ASSETS</b>  |              | <b><u>7,852,332</u></b>  | <b><u>7,460,333</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 31 MARCH 2012

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

| <b>LIABILITIES</b>   | <b>Notes</b> | <b>31 March<br/>2012</b> | <b>31 December<br/>2011</b> |
|--|--------------|--------------------------|-----------------------------|
| <b>Current Liabilities</b>   |              | <b>1,216,006</b>         | <b>1,196,079</b>            |
| Financial liabilities  |              | 202,248                  | 214,953                     |
| - Bank loans   | 9            | 199,583                  | 212,233                     |
| - Obligations under finance leases   |              | 2,665                    | 2,720                       |
| Trade payables   | 10           | 408,779                  | 437,048                     |
| Other payables   |              | 160,161                  | 125,614                     |
| Billings in excess of costs and estimated earnings on<br>uncompleted contracts | 12           | 23,612                   | 3,805                       |
| Taxation on income   | 21           | 41,529                   | 28,275                      |
| Provisions   |              | 35,775                   | 32,737                      |
| Provisions for employee benefits   |              | 29,066                   | 30,096                      |
| Other current liabilities  |              | 91,746                   | 87,814                      |
| Group's share in current liabilities of joint ventures                         | 3            | 223,090                  | 235,737                     |
| <b>Non-Current Liabilities</b>   |              | <b>1,507,181</b>         | <b>1,489,641</b>            |
| Financial liabilities  |              | 274,401                  | 253,254                     |
| - Bank loans   | 9            | 219,242                  | 201,680                     |
| - Obligations under finance leases   |              | 55,159                   | 51,574                      |
| Trade payables   | 10           | 6,127                    | 6,734                       |
| Other payables   |              | 33,956                   | 24,384                      |
| Provisions for employee benefits   |              | 13,912                   | 13,048                      |
| Deferred tax liabilities   | 21           | 326,597                  | 324,579                     |
| Other non-current liabilities  | 16           | 845,406                  | 860,798                     |
| Group's share in non-current liabilities of joint ventures                     | 3            | 6,782                    | 6,844                       |
| <b>EQUITY</b>  |              |                          |                             |
| <b>Equity attributable to Equity Holders of the Parent</b>                     |              | <b>4,861,420</b>         | <b>4,532,507</b>            |
| Share capital  | 19           | 1,666,060                | 1,666,060                   |
| Revaluation surplus  |              | 202,816                  | 201,631                     |
| Currency translation difference  |              | (88,275)                 | (232,357)                   |
| Other reserves   |              | 1,886                    | 1,838                       |
| Legal reserves and accumulated profit  |              | 3,078,933                | 2,895,335                   |
| <b>Non-controlling interests</b>   |              | <b>267,725</b>           | <b>242,106</b>              |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |              | <b>7,852,332</b>         | <b>7,460,333</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 31 MARCH 2012

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

|  | Notes | 1 January-<br>31 March<br>2012 | 1 January-<br>31 March<br>2011 |
|--|-------|--------------------------------|--------------------------------|
| Revenue  | 6     | 1,122,029                      | 1,126,567                      |
| Cost of revenues (-)   | 6     | (942,991)                      | (952,964)                      |
| <b>GROSS PROFIT</b>  |       | <b>179,038</b>                 | <b>173,603</b>                 |
| Marketing, selling and distribution expenses (-)             | 6     | (7,286)                        | (7,423)                        |
| Administrative expenses (-)                                  | 6     | (22,619)                       | (21,148)                       |
| Other operating income                                       | 6     | 3,150                          | 5,999                          |
| Other operating expenses (-)                                 | 6     | (7,636)                        | (5,957)                        |
| <b>PROFIT FROM OPERATIONS</b>                                |       | <b>144,647</b>                 | <b>145,074</b>                 |
| Financial income   | 6     | 82,204                         | 47,198                         |
| Financial expenses (-)                                       | 6     | (16,527)                       | (27,942)                       |
| <b>PROFIT BEFORE TAX</b>                                     |       | <b>210,324</b>                 | <b>164,330</b>                 |
| Current tax expense (-)                                      | 21    | (40,362)                       | (19,643)                       |
| Deferred tax expense   | 21    | 17,708                         | (1,740)                        |
| <b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>        |       | <b>187,670</b>                 | <b>142,947</b>                 |
| <b>DISCONTINUED OPERATIONS</b>                               |       |                                |                                |
| Profit for the year from discontinued operations, net of tax | 20    | 22                             | (364)                          |
| <b>NET PROFIT FOR THE YEAR</b>                               |       | <b>187,692</b>                 | <b>142,583</b>                 |
| <b>Attributable to:</b>                                      |       |                                |                                |
| Non-controlling interests                                    |       | 5,094                          | 2,289                          |
| Equity holders of the parent                                 |       | 182,598                        | 140,294                        |
|  |       | <b>187,692</b>                 | <b>142,583</b>                 |
| <b>Earnings per share</b>                                    |       |                                |                                |
| - ordinary share certificate (full cent)                     | 5     | 0.07                           | 0.06                           |
| <b>Weighted average number of shares</b>                     |       | 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 31 MARCH 2012**

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

|  | <b>1 January-<br/>31 March<br/>2012</b> | <b>1 January-<br/>31 March<br/>2011</b> |
|--|---|---|
| <b>NET PROFIT FOR THE PERIOD</b>               | <b>187,692</b>                          | <b>142,583</b>                          |
| <b>Other Comprehensive Income / (Expense):</b> |   |   |
| Changes in cash flow hedge                     |   |   |
| Gain arising during the year                   | 59                                      | 119                                     |
| Tax effect                                     | (11)                                    | (24)                                    |
|  | <u>48</u>                               | <u>95</u>                               |
| Changes in revaluation fund of property        |   |   |
| Gain arising during the year                   | -                                       | 596                                     |
| Tax effect                                     | -                                       | (119)                                   |
|  | <u>-</u>                                | <u>477</u>                              |
| Changes in currency translation difference     | 166,792                                 | 127,719                                 |
| <b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>    | <b><u>166,840</u></b>                   | <b><u>128,291</u></b>                   |
| <b>TOTAL COMPREHENSIVE INCOME</b>              | <b><u><u>354,532</u></u></b>            | <b><u><u>270,874</u></u></b>            |
| <b>Attributable to:</b>                        |   |   |
| Non-controlling interests                      | 25,619                                  | 16,567                                  |
| Equity holders of the parent                   | 328,913                                 | 254,307                                 |
|  | <u><u>354,532</u></u>                   | <u><u>270,874</u></u>                   |

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 31 MARCH 2012

(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 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   |           | -                | 1,592               | 112,326                         | 95             | -                                     | 114,013          | 14,278                    | 128,291          |
| Profit for the period  |           | -                | -                   | -                               | -              | 140,294                               | 140,294          | 2,289                     | 142,583          |
| Total comprehensive income   |           | -                | 1,592               | 112,326                         | 95             | 140,294                               | 254,307          | 16,567                    | 270,874          |
| Transfer of depreciation difference<br>(net of deferred tax) of revaluation effect |           | -                | (686)               | -                               | -              | 686                                   | -                | -                         | -                |
| <b>Balance at 31 March 2011</b>  | <b>19</b> | <b>1,476,498</b> | <b>139,600</b>      | <b>(6,904)</b>                  | <b>1,614</b>   | <b>2,815,769</b>                      | <b>4,426,577</b> | <b>258,201</b>            | <b>4,684,778</b> |
| <b>Balance at 1 January 2012</b>   |           | <b>1,666,060</b> | <b>201,631</b>      | <b>(232,357)</b>                | <b>1,838</b>   | <b>2,895,335</b>                      | <b>4,532,507</b> | <b>242,106</b>            | <b>4,774,613</b> |
| Total other comprehensive income   |           | -                | 2,185               | 144,082                         | 48             | -                                     | 146,315          | 20,525                    | 166,840          |
| Profit for the period  |           | -                | -                   | -                               | -              | 182,598                               | 182,598          | 5,094                     | 187,692          |
| Total comprehensive income   |           | -                | 2,185               | 144,082                         | 48             | 182,598                               | 328,913          | 25,619                    | 354,532          |
| Transfer of depreciation difference<br>(net of deferred tax) of revaluation effect |           | -                | (1,000)             | -                               | -              | 1,000                                 | -                | -                         | -                |
| <b>Balance at 31 March 2012</b>  | <b>19</b> | <b>1,666,060</b> | <b>202,816</b>      | <b>(88,275)</b>                 | <b>1,886</b>   | <b>3,078,933</b>                      | <b>4,861,420</b> | <b>267,725</b>            | <b>5,129,145</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 31 MARCH 2012

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

|  | Notes | 1 January - 31<br>March<br>2012 | 1 January - 31<br>March<br>2011 |
|--|-------|---------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>  |       |                                 |                                 |
| Profit for the year  |       | 187,692                         | 142,583                         |
| Adjustments to reconcile net income<br>to net cash used in operating activities:                     |       |                                 |                                 |
| - Depreciation and amortization of non-current assets  |       | 27,736                          | 31,124                          |
| - Provision for employment termination benefits  |       | 1,239                           | 744                             |
| - Allowance for doubtful receivables   |       | 440                             | 911                             |
| - Adjustments to deferred income from electricity sale   |       | (14,712)                        | 5                               |
| - Loss from fair value of forward transactions   |       | (2,847)                         | 3                               |
| - Interest expense   |       | 5,065                           | 7,036                           |
| - Interest income  |       | (12,734)                        | (11,947)                        |
| - Dividend income  |       | (950)                           | (1,162)                         |
| - Provision for inventory impairment, net  |       | (584)                           | 33                              |
| - Gain on sale or disposal of property, plant and equipment, net                                     | 14    | (496)                           | (1,513)                         |
| - Interest accrual   |       | 466                             | 236                             |
| - Tax expense  |       | 22,650                          | 21,393                          |
|  |       | <u>212,965</u>                  | <u>189,446</u>                  |
| Movements in working capital   |       |                                 |                                 |
| Decrease in trade and other receivables  |       | 39,513                          | 18,717                          |
| Decrease in cost and estimated earnings in<br>excess of billings on uncompleted contracts            |       | 22,205                          | 2,926                           |
| Decrease in Group's share in assets of joint venture   |       | 15,969                          | 22,924                          |
| Increase in inventory  |       | (58,274)                        | (41,121)                        |
| Increase in other current assets<br>and other non current assets                                     |       | (53,942)                        | (15,898)                        |
| (Decrease)/increase in trade and other payables  |       | (28,876)                        | 8,749                           |
| Increase/(Decrease) in billings in excess of cost and estimated<br>earnings on uncompleted contracts |       | 19,807                          | (3,767)                         |
| Decrease in Group's share in current and<br>non current liabilities of joint ventures                |       | (12,711)                        | (24,235)                        |
| Increase in provision for liabilities and other liabilities  |       | 52,225                          | 3,033                           |
|  |       | <u>(4,084)</u>                  | <u>(28,672)</u>                 |
| Income taxes paid  | 21    | (27,108)                        | (24,983)                        |
| Employee termination benefits paid   |       | (710)                           | (303)                           |
| <b>Net cash generated from operating activities</b>  |       | <u><b>181,063</b></u>           | <u><b>135,488</b></u>           |
| <b>Cash flows from investing activities</b>  |       |                                 |                                 |
| Financial investments  |       | (169,958)                       | (48,152)                        |
| Proceeds on disposal or sale of property, plant and equipment  | 14    | 1,391                           | 3,996                           |
| Purchases of property, plant and equipment, intangible assets<br>and investment properties           |       | (30,735)                        | (24,502)                        |
| Interest received  |       | 12,268                          | 11,475                          |
| Dividend income  |       | 950                             | 1,162                           |
| <b>Net cash used in investing activities</b>   |       | <u><b>(186,084)</b></u>         | <u><b>(56,021)</b></u>          |
| <b>Cash flows from financing activities</b>  |       |                                 |                                 |
| Short-term borrowings, net   |       | (6,176)                         | 11,560                          |
| Addition to long-term borrowings   |       | 25,661                          | 9,160                           |
| Repayments of long-term borrowings   |       | (16,735)                        | (23,563)                        |
| Interest paid  |       | (2,204)                         | (2,997)                         |
| <b>Net cash used in financing activities</b>   |       | <u><b>546</b></u>               | <u><b>(5,840)</b></u>           |
| Translation reserve  |       | 29,198                          | 27,134                          |
| Net increase in cash and cash equivalents  |       | 24,723                          | 100,761                         |
| Cash and cash equivalents at beginning of the period   | 7     | 755,187                         | 598,079                         |
| <b>Cash and cash equivalents at end of the period</b>  | 7     | <u><b>779,910</b></u>           | <u><b>698,840</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 31 MARCH 2012

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

### 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 June 28, 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 March 2012, 12,66% 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 31 March 2012, the average numbers of white and blue-collar personnel are respectively 2.691 and 14.044 (31 December 2011 – 3.201 and 10.357).

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint ventures 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 and Kazakhstan:* engaged in construction activities in Russia and Kazakhstan and also engaged in the investment and deveopment 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.* Engaged in construction activities in Burundi, Libya, Djibouti and Equatorial Guinea in Africa; Saudi Arabia, Oman, Iraq and Afganistan in Asia, Dominican Republic in America and Papua New Guinea.
- iv. Europe :* engaged in construction and trading activities in Romania, Albania, Netherlands, Switzerland, Germany, Kosova and Bosnia Herzogovina.

### 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 2011 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 31 March 2012. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 15 May 2012. 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 31 MARCH 2012

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

## **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 31 Marh 2012 and 31 December 2011 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.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

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 period-end and average Turkish Lira (TL) rates for 31 March 2012, 31 December 2011 and 31 March 2011 for one U.S. Dollar can be summarized as below:

|   | <u>31 March 2012</u> | <u>31 December 2011</u> | <u>31 March 2011</u> |
|---|----------------------|-------------------------|----------------------|
| U.S. Dollars /TL – as of balance sheet date | 1.7729               | 1.8889                  | 1.5483               |
| U.S. Dollars /TL – period average           | 1.7899               | 1.6708                  | 1.5706               |

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

As the Group has classified its retail operation to the discontinued operations in 2011, notes to the statement of income for the period ended 31 March 2011 with its related notes 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.

### 2.4 Summary of significant accounting policies

Except for the new and amended standards effective from 1 January 2012 the Group's accounting policies are consistent with the accounting policies used at 31 December 2011.

### 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

None.

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

None.

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

The following new and revised IFRSs have also been adopted in these consolidated financial statements. 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 31 MARCH 2012

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

## 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)

##### *Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets*

The amendment is effective for annual periods beginning on or after 1 January 2012. 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, through sale. The application of the amendments has not had material effect on the Group's consolidated financial statements.

##### *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures.

#### d) 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:

|                             |  |
|-----------------------------|--|
| Amendments to IFRS 7        | Disclosures – Offsetting of Financial Assets and Financial Liabilities                         |
| IFRS 10                     | Consolidated Financial Statements  |
| IFRS 11                     | Joint Arrangements   |
| IFRS 12                     | Disclosure of Interests in Other Entities  |
| IFRS 13                     | Fair Value Measurement   |
| Amendments to IAS 1         | Presentation of Items of Other Comprehensive Income  |
| IAS 19 (as revised in 2011) | Employee Benefits  |
| IAS 27 (as revised in 2011) | Separate Financial Statement   |
| IAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures   |
| IFRIC 20                    | Stripping Costs in the Production Phase of a Surface Mine                                      |
| Amendments to IAS 32        | Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities |

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

## 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)

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

## 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 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012**

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

#### **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)**

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

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

For the period ended 31 March 2012, the Group continued using judgements applied during the year ended 31 December 2011.

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

For the period ended 31 March 2012, the Group continued using estimations applied during the year ended 31 December 2011.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 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:

|  | 31 March<br>2012 | 31 December<br>2011 |
|--|------------------|---------------------|
| <b>ASSETS</b>  |                  |                     |
| <b>Current Assets</b>  |                  |                     |
| Cash and cash equivalents  | 71,139           | 58,481              |
| Trade receivables  | 138,423          | 162,066             |
| Other current assets   | 22,707           | 23,543              |
| Inventories  | 5,216            | 7,931               |
| Costs and estimated earnings in excess of billings on<br>uncompleted contracts | -                | 1,636               |
| <b>Group's share in current assets of joint ventures</b>                       | <b>237,485</b>   | <b>253,657</b>      |
| <b>Non-Current Assets</b>  |                  |                     |
| Cost   | 177,480          | 180,036             |
| Accumulated depreciation   | (117,592)        | (119,868)           |
| <b>Group's share in joint ventures in property,<br/>plant and equipment</b>    | <b>59,888</b>    | <b>60,168</b>       |
| Trade receivables  | 7,595            | 7,587               |
| Other non-current assets   | 1,322            | 1,126               |
| <b>Group's share in non-current assets of joint ventures</b>                   | <b>8,917</b>     | <b>8,713</b>        |
| <b>LIABILITIES</b>   |                  |                     |
| <b>Current Liabilities</b>   |                  |                     |
| Trade payables   | 30,731           | 39,124              |
| Other current liabilities and accrued expenses                                 | 74,519           | 86,573              |
| Billings in excess costs and estimated earnings on<br>uncompleted contracts    | 117,840          | 110,040             |
| <b>Group's share in current liabilities of joint ventures</b>                  | <b>223,090</b>   | <b>235,737</b>      |
| <b>Non-Current Liabilities</b>   |                  |                     |
| Other non-current liabilities  | 6,782            | 6,781               |
| Deferred tax liability   | -                | 63                  |
| <b>Group's share in non-current liabilities of joint ventures</b>              | <b>6,782</b>     | <b>6,844</b>        |



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 3. INTEREST IN JOINT VENTURES (cont'd)

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:

|                                 | 31 March<br>2012 | 31 March<br>2011 |
|---------------------------------|------------------|------------------|
| Revenue                         | 96,990           | 85,106           |
| Cost of revenue                 | (81,414)         | (59,142)         |
| General administrative expenses | (2)              | -                |
| Other operating income          | 305              | 1,169            |
| Other operating expenses        | -                | (14)             |
| Financial income                | 1,012            | 573              |
| Financial expenses              | (928)            | (1,152)          |
| Taxation charge                 | (1,090)          | (982)            |
| Net profit                      | <u>14,873</u>    | <u>25,558</u>    |

#### 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 31 March 2012 and 31 March 2011.

|  | <u>1 January-<br/>31 March 2012</u> | <u>1 January-<br/>31 March 2011</u> |
|--|-------------------------------------|-------------------------------------|
| Earning per share  |                                     |                                     |
| - ordinary share certificate (full cent)                                       | 0.07                                | 0.06                                |
| Weighted average number of share certificates<br>(nominal value of 1 YKr each) |                                     |                                     |
| - ordinary share certificate   | 250,000,000,000                     | 250,000,000,000                     |
| Enka Insaat founder shares   | 1,000                               | 1,000                               |
| Enka Holding founder shares  | 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 31 MARCH 2012

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

### 6. SEGMENTAL INFORMATION

#### a) Business segments

|   | 1 January - 31 March 2012 |               |                         |               |              | Consolidated   |
|---|---------------------------|---------------|-------------------------|---------------|--------------|----------------|
|   | Construction contracts    | Real estate   | Trade and manufacturing | Energy        | Eliminations |                |
| Revenue   | 183,109                   | 105,835       | 92,753                  | 740,332       | -            | 1,122,029      |
| Inter-segment revenue                                 | 24,123                    | 297           | 1,922                   | 6,214         | (32,556)     | -              |
| Cost of revenue                                       | (154,165)                 | (33,911)      | (80,086)                | (674,829)     | -            | (942,991)      |
| Inter-segment cost of revenue                         | (28,151)                  | -             | (672)                   | (6,249)       | 35,072       | -              |
| <b>Gross profit</b>                                   | <b>24,916</b>             | <b>72,221</b> | <b>13,917</b>           | <b>65,468</b> | <b>2,516</b> | <b>179,038</b> |
| Marketing, selling and distribution expenses          | (1,759)                   | (1,100)       | (4,427)                 | -             | -            | (7,286)        |
| Administrative expenses                               | (14,654)                  | (2,515)       | (3,489)                 | (2,258)       | 297          | (22,619)       |
| Other operating income                                | 2,565                     | 289           | 561                     | 253           | (518)        | 3,150          |
| Other operating expenses                              | (5,675)                   | *(249)        | (1,623)                 | (89)          | -            | (7,636)        |
| <b>Profit from operations</b>                         | <b>5,393</b>              | <b>68,646</b> | <b>4,939</b>            | <b>63,374</b> | <b>2,295</b> | <b>144,647</b> |
| Financial income                                      | 66,215                    | 5,986         | 10,999                  | 3,538         | (4,534)      | 82,204         |
| Financial expenses (-)                                | (7,654)                   | (4,436)       | (2,947)                 | (5,996)       | 4,506        | (16,527)       |
| <b>Profit before tax</b>                              | <b>63,954</b>             | <b>70,196</b> | <b>12,991</b>           | <b>60,916</b> | <b>2,267</b> | <b>210,324</b> |
| Current tax expense (-)                               | (3,223)                   | (25,065)      | (2,213)                 | (9,861)       | -            | (40,362)       |
| Deferred tax income/ (expense)                        | (1,126)                   | 14,317        | 1,115                   | 3,402         | -            | 17,708         |
| <b>Profit for the year from continuing operations</b> | <b>59,605</b>             | <b>59,448</b> | <b>11,893</b>           | <b>54,457</b> | <b>2,267</b> | <b>187,670</b> |
| Profit for the year from discontinued operations      | -                         | -             | 22                      | -             | -            | 22             |
| <b>Net profit for the period</b>                      | <b>59,605</b>             | <b>59,448</b> | <b>11,915</b>           | <b>54,457</b> | <b>2,267</b> | <b>187,692</b> |

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

|                          | 31 March 2012          |                  |                         |                  |                  |
|--------------------------|------------------------|------------------|-------------------------|------------------|------------------|
|                          | Construction contracts | Real estate      | Trade and manufacturing | Energy           | Consolidated     |
| Segment assets           | 3,078,694              | 2,401,738        | 521,244                 | 1,850,263        | 7,851,939        |
| Unallocated assets       |                        |                  |                         |                  | 393              |
| <b>Total assets</b>      | <b>3,078,694</b>       | <b>2,401,738</b> | <b>521,244</b>          | <b>1,850,263</b> | <b>7,852,332</b> |
| Segment liabilities      | 594,854                | 426,276          | 326,955                 | 1,374,275        | 2,722,360        |
| Unallocated liabilities  |                        |                  |                         |                  | 827              |
| <b>Total liabilities</b> | <b>594,854</b>         | <b>426,276</b>   | <b>326,955</b>          | <b>1,374,275</b> | <b>2,723,187</b> |

  

|   | 1 January - 31 March 2012 |             |                         |            |               |
|---|---------------------------|-------------|-------------------------|------------|---------------|
|   | Construction contracts    | Real estate | Trade and manufacturing | Energy     | Consolidated  |
| <b>Other segment information</b>                    |                           |             |                         |            |               |
| <b>Capital expenditures</b>                         |                           |             |                         |            |               |
| Property, plant and equipment & Investment Property | 8,550                     | 174         | 21,405                  | 141        | 30,270        |
| Intangible assets                                   | 31                        | 23          | 293                     | 118        | 465           |
| <b>Total capital expenditures</b>                   | <b>8,581</b>              | <b>197</b>  | <b>21,698</b>           | <b>259</b> | <b>30,735</b> |
| Depreciation expense                                | 11,886                    | 585         | 1,217                   | 13,577     | 27,265        |
| Amortization expense                                | 358                       | 12          | 62                      | 40         | 472           |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

|   | 1 January - 31 March 2011 |               |                         |               |                | Consolidated   |
|---|---------------------------|---------------|-------------------------|---------------|----------------|----------------|
|   | Construction contracts    | Real estate   | Trade and manufacturing | Energy        | Eliminations   |                |
| Revenue   | 160,865                   | 99,110        | 89,192                  | 777,400       | -              | 1,126,567      |
| Inter-segment revenue                                 | 5,443                     | -             | 2,811                   | 5,875         | (14,129)       | -              |
| Cost of revenue                                       | (126,063)                 | (35,385)      | (76,764)                | (714,752)     | -              | (952,964)      |
| Inter-segment cost of revenue                         | (6,550)                   | -             | (694)                   | (5,907)       | 13,151         | -              |
| <b>Gross profit</b>                                   | <b>33,695</b>             | <b>63,725</b> | <b>14,545</b>           | <b>62,616</b> | <b>(978)</b>   | <b>173,603</b> |
| Marketing, selling and distribution expenses          | (1,623)                   | (931)         | (4,869)                 | -             | -              | (7,423)        |
| Administrative expenses                               | (14,054)                  | (1,983)       | (3,653)                 | (2,492)       | 1,034          | (21,148)       |
| Other operating income                                | 7,201                     | 232           | 988                     | 550           | (2,972)        | 5,999          |
| Other operating expenses                              | (4,954)                   | *(727)        | (450)                   | 174           | -              | (5,957)        |
| <b>Profit from operations</b>                         | <b>20,265</b>             | <b>60,316</b> | <b>6,561</b>            | <b>60,848</b> | <b>(2,916)</b> | <b>145,074</b> |
| Financial income                                      | 39,244                    | 2,813         | 4,073                   | 2,821         | (1,753)        | 47,198         |
| Financial expenses (-)                                | (20,154)                  | (1,803)       | (3,397)                 | (4,285)       | 1,697          | (27,942)       |
| <b>Profit before tax</b>                              | <b>39,355</b>             | <b>61,326</b> | <b>7,237</b>            | <b>59,384</b> | <b>(2,972)</b> | <b>164,330</b> |
| Current tax expense (-)                               | (2,975)                   | (6,501)       | (1,142)                 | (9,025)       | -              | (19,643)       |
| Deferred tax income/ (expense)                        | 3,176                     | (1,654)       | (270)                   | (2,992)       | -              | (1,740)        |
| <b>Profit for the year from continuing operations</b> | <b>39,556</b>             | <b>53,171</b> | <b>5,825</b>            | <b>47,367</b> | <b>(2,972)</b> | <b>142,947</b> |
| Profit for the year from discontinued operations      | -                         | -             | (364)                   | -             | -              | (364)          |
| <b>Net profit for the period</b>                      | <b>39,556</b>             | <b>53,171</b> | <b>5,461</b>            | <b>47,367</b> | <b>(2,972)</b> | <b>142,583</b> |

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

|                          | 31 March 2011          |                  |                         |                  |                  |
|--------------------------|------------------------|------------------|-------------------------|------------------|------------------|
|                          | Construction contracts | Real estate      | Trade and manufacturing | Energy           | Consolidated     |
| Segment assets           | 2,749,577              | 2,219,012        | 539,517                 | 1,876,504        | 7,384,610        |
| Unallocated assets       | -                      | -                | -                       | -                | 385              |
| <b>Total assets</b>      | <b>2,749,577</b>       | <b>2,219,012</b> | <b>539,517</b>          | <b>1,876,504</b> | <b>7,384,995</b> |
| Segment liabilities      | 534,666                | 388,906          | 290,970                 | 1,484,567        | 2,699,109        |
| Unallocated liabilities  | -                      | -                | -                       | -                | 1,108            |
| <b>Total liabilities</b> | <b>534,666</b>         | <b>388,906</b>   | <b>290,970</b>          | <b>1,484,567</b> | <b>2,700,217</b> |

|   | 1 January - 31 March 2011 |             |                         |              |               |
|---|---------------------------|-------------|-------------------------|--------------|---------------|
|   | Construction contracts    | Real estate | Trade and manufacturing | Energy       | Consolidated  |
| <b>Other segment information</b>                    |                           |             |                         |              |               |
| <b>Capital expenditures</b>                         |                           |             |                         |              |               |
| Property, plant and equipment & Investment Property | 6,321                     | 638         | 16,362                  | 901          | 24,222        |
| Intangible assets                                   | 45                        | 3           | 107                     | 125          | 280           |
| <b>Total capital expenditures</b>                   | <b>6,366</b>              | <b>641</b>  | <b>16,469</b>           | <b>1,026</b> | <b>24,502</b> |
| Depreciation expense                                | 13,110                    | 995         | 1,454                   | 13,458       | 29,017        |
| Amortization expense                                | 245                       | 8           | 198                     | 40           | 491           |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 6. 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 period ended 31 March 2012, revenue amounting to USD 740,332 (31 March 2011: USD 777,400) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 31 March 2011, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 642,627 (31 March 2011: USD 682,503) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) which exceeds 10% of consolidated cost of revenue.

##### b) Geographical segments

| 1 January - 31 March 2012 |         |                                   |        |        |              |              |
|---------------------------|---------|-----------------------------------|--------|--------|--------------|--------------|
|                           | Turkey  | Russian Federation,<br>Kazakhstan | Europe | Other  | Eliminations | Consolidated |
| Net sales                 | 882,712 | 144,349                           | 34,053 | 60,915 | -            | 1,122,029    |
| Inter-segment sales       | 21,183  | 11,373                            | -      | -      | (32,556)     | -            |
| Capital expenditures      | 6,816   | 21,700                            | 175    | 2,044  | -            | 30,735       |

| 31 March 2012    |           |                                   |         |         |              |              |
|------------------|-----------|-----------------------------------|---------|---------|--------------|--------------|
|                  | Turkey    | Russian Federation,<br>Kazakhstan | Europe  | Other   | Eliminations | Consolidated |
| Segmental assets | 4,248,428 | 2,788,424                         | 647,036 | 168,051 | -            | 7,851,939    |

| 1 January - 31 March 2011 |         |                                   |        |        |              |              |
|---------------------------|---------|-----------------------------------|--------|--------|--------------|--------------|
|                           | Turkey  | Russian Federation,<br>Kazakhstan | Europe | Other  | Eliminations | Consolidated |
| Net sales                 | 902,069 | 152,798                           | 43,816 | 27,884 | -            | 1,126,567    |
| Inter-segment sales       | 13,095  | 1,034                             | -      | -      | (14,129)     | -            |
| Capital expenditures      | 6,099   | 15,926                            | 1,876  | 601    | -            | 24,502       |

| 31 December 2011 |           |                                   |         |         |              |              |
|------------------|-----------|-----------------------------------|---------|---------|--------------|--------------|
|                  | Turkey    | Russian Federation,<br>Kazakhstan | Europe  | Other   | Eliminations | Consolidated |
| Segmental assets | 4,091,502 | 2,592,372                         | 633,265 | 142,860 | -            | 7,459,999    |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 7. CASH AND CASH EQUIVALENTS

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Cash on hand  | 3,260            | 1,655               |
| Cash in bank  |                  |                     |
| Demand deposits   | 237,027          | 314,093             |
| Time deposits   | 536,865          | 436,954             |
| Other   | 3,758            | 3,485               |
|   | <u>780,910</u>   | <u>756,187</u>      |
| Less: time deposits with maturity over three months<br>and less than one year | (1,000)          | (1,000)             |
| Cash and cash equivalents at consolidated statement of cash flows             | <u>779,910</u>   | <u>755,187</u>      |

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

|                            | 31 March<br>2012 | 31 December<br>2011 |
|----------------------------|------------------|---------------------|
| <i>Fixed interest rate</i> |                  |                     |
| USD                        | 0.05%-6.08%      | 0.10%-6.00%         |
| Russian Ruble              | 5.50%-7.50%      | 4.25%-8.25%         |
| EUR                        | 0.12%-4.65%      | 0.25%-5.75%         |
| TL                         | 5.00%-11.00%     | 0.50%-12.50%        |
| Japanese Yen               | 0.01%-2.05%      | 0.05%-2.05%         |
| Chinese Yuan               | 3.10%-3.25%      | 2.85%-3.10%         |

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

|                           |             |             |
|---------------------------|-------------|-------------|
| USD - Fixed interest rate | 2.45%-6.00% | 2.45%-6.00% |
|---------------------------|-------------|-------------|

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 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 31 March 2012 and 31 December 2011 are detailed below:

| Financial assets at fair value through profit or loss | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Private sector bonds                                  |                  |                     |
| - International markets                               | 24,494           | 6,447               |
| Foreign Government bonds                              |                  |                     |
| - International markets                               | 583,998          | 430,473             |
| Equity securities                                     |                  |                     |
| - International markets                               | 137,498          | 119,372             |
| - Domestic market                                     | 2,483            | 1,946               |
| Turkish Government bonds                              |                  |                     |
| - Domestic market                                     | 9,236            | 24,179              |
| Mutual funds  |                  |                     |
| - International markets                               | 49,105           | 27,714              |
| - Domestic market                                     | 10,562           | 23,823              |
|   | 817,376          | 633,954             |

##### Long-term financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 March 2012 and 31 December 2011 are detailed below:

| Financial assets at fair value through profit or loss | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Private sector bonds                                  |                  |                     |
| - International markets                               | 609,108          | 544,843             |
| Foreign Government bonds                              |                  |                     |
| - International markets                               | 102,172          | 189,628             |
| Turkish Government bonds                              |                  |                     |
| - Domestic market                                     | 8,504            | 23,926              |
| Turkish Government bonds                              |                  |                     |
| - International markets                               | 40,269           | 15,437              |
| Equity securities                                     | 1,068            | 751                 |
|   | 761,121          | 774,585             |

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

|  | 31 March 2012    | 31 December 2011 |
|--|------------------|------------------|
| Private Sector Bonds - International markets     | 22 October 2049  | 22 October 2049  |
| Foreign Government Bonds - International markets | 15 February 2042 | 15 February 2041 |
| Turkish Government Bonds                         |                  |                  |
| - Domestic market                                | 12 January 2022  | 29 January 2014  |
| - International markets                          | 14 January 2041  | 14 February 2034 |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 9. FINANCIAL LIABILITIES

##### Short-term borrowings:

|   | 31 March 2012         |          |          |                       |
|---|-----------------------|----------|----------|-----------------------|
|   | Interest rate         | Currency | Original | USD                   |
|   |                       | Type     | Currency | Equivalent            |
| Short-term bank borrowings              | (Euribor+2.00%)+5.85% | EUR      | 5,668    | 7,566                 |
|   | (Libor+1.75%)+6.50%   | USD      | 6,494    | 6,494                 |
|   | 13.75%                | TL       | 1,306    | 737                   |
|   | 10.50%                | RBL      | 20,000   | 675                   |
|   | 0%                    | JPY      | 395,063  | 4,805                 |
|   |                       |          |          | <u>20,277</u>         |
| Current portion of long-term borrowings |                       |          |          | 179,306               |
| Total short-term borrowings             |                       |          |          | <u><u>199,583</u></u> |

##### Long-term borrowings:

|   | 31 March 2012          |          |            |                       |
|---|------------------------|----------|------------|-----------------------|
|   | Interest rate          | Currency | Original   | USD                   |
|   |                        | Type     | Currency   | Equivalent            |
| Eximbank loans                                | Libor +0.10% - 4.26%   | USD      | 92,583     | 92,583                |
| OPIC loan                                     | 7.54%-7.90%            | USD      | 64,871     | 64,871                |
| Hermes loan                                   | Libor +0.625%          | USD      | 5,633      | 5,633                 |
| OND loan                                      | Libor + 0.70%          | USD      | 9,594      | 9,594                 |
| Hermes loan                                   | Euribor + 0.23%+ 0.65% | EUR      | 31,918     | 42,604                |
| Other long-term bank borrowings               | Libor +1.45% - 5.20%   | USD      | 14,921     | 14,921                |
|   | Euribor +1.45% - 7.30% | EUR      | 25,419     | 33,930                |
|   | Libor +1.45% - 3.34%   | JPY      | 10,866,837 | 132,192               |
|   | 10.00% - 13.75%        | TL       | 3,936      | 2,220                 |
|   |                        |          |            | <u>398,548</u>        |
| Less: Current portion of long-term borrowings |                        |          |            | (179,306)             |
| Total long-term borrowings                    |                        |          |            | <u><u>219,242</u></u> |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

|   | 31 December 2011      |          |          |                       |
|---|-----------------------|----------|----------|-----------------------|
|   | Interest rate         | Currency | Original | USD                   |
|   |                       | Type     | Currency | Equivalent            |
| Short-term bank borrowings              | (Libor+1.75%)+7.40%   | USD      | 17,965   | 17,965                |
|   | (Euribor+2.00%)+5.85% | EUR      | 5,136    | 6,645                 |
|   | 10.05%                | TL       | 1,280    | 678                   |
|   | 10.50%                | RBL      | 20,000   | 616                   |
|   |                       |          |          | <u>25,904</u>         |
| Current portion of long-term borrowings |                       |          |          | <u>186,329</u>        |
| Total short-term borrowings             |                       |          |          | <u><u>212,233</u></u> |

#### Long-term borrowings:

|   | 31 December 2011        |          |           |                       |
|---|-------------------------|----------|-----------|-----------------------|
|   | Interest rate           | Currency | Original  | U.S Dollar            |
|   |                         | Type     | Currency  | Equivalent            |
| Eximbank loans                                | Libor +0.10% - 4.26%    | USD      | 91,538    | 91,538                |
| OPIC loan                                     | 7.54%-7.90%             | USD      | 63,607    | 63,607                |
| Hermes loan                                   | Libor + 0.625%          | USD      | 5,584     | 5,584                 |
| OND loan                                      | Libor + 0.70%           | USD      | 9,512     | 9,512                 |
| Hermes loan                                   | Euribor + 0.23% - 0.65% | EUR      | 37,661    | 48,725                |
| Other long-term bank borrowings               | Libor +1.45% - 3.90%    | USD      | 14,380    | 14,380                |
|   | Euribor +1.45% - 4.70%  | EUR      | 24,720    | 31,983                |
|   | Libor +1.45% - 3.34%    | JPY      | 9,419,013 | 121,373               |
|   | 10.00% - 10.30%         | TL       | 2,469     | 1,307                 |
|   |                         |          |           | <u>388,009</u>        |
| Less: Current portion of long-term borrowings |                         |          |           | <u>(186,329)</u>      |
| Total long-term borrowings                    |                         |          |           | <u><u>201,680</u></u> |

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

|  | 31 March<br>2012 | 31 December<br>2011 |
|--|------------------|---------------------|
| Less than 1 year                               | 179,306          | 186,328             |
| 1 - 2 years                                    | 112,519          | 109,800             |
| 2 - 3 years                                    | 82,778           | 80,322              |
| 3 - 4 years                                    | 13,165           | 9,350               |
| More than 4 years                              | 10,780           | 2,209               |
| Less : Current portion of long-term borrowings | (179,306)        | (186,329)           |
|  | <u>219,242</u>   | <u>201,680</u>      |



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 10. TRADE RECEIVABLES AND PAYABLES

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| <u>Short-term trade receivables</u>           |                  |                     |
| Trade receivables                             | 391,210          | 434,019             |
| Discount on trade receivables (-)             | (254)            | (271)               |
| Notes and cheques receivables                 | 79,952           | 83,453              |
| Discount on notes and cheques receivables (-) | (1,184)          | (1,337)             |
| Contract receivables                          | 70,253           | 69,838              |
| Retention receivables (*)                     | 26,862           | 29,062              |
|   | <u>566,839</u>   | <u>614,764</u>      |
| Less: Allowance for doubtful receivables      | (23,090)         | (30,193)            |
|   | <u>543,749</u>   | <u>584,571</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 90 days.

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| <u>Long-term trade receivables</u>            |                  |                     |
| Notes and cheques receivables                 | 9,555            | 10,106              |
| Discount on notes and cheques receivables (-) | (173)            | (249)               |
| Trade receivables                             | 9,271            | 9,387               |
| Discount on trade receivables (-)             | (3)              | (31)                |
|   | <u>18,650</u>    | <u>19,213</u>       |
|   |                  |                     |
|   | 31 March<br>2012 | 31 December<br>2011 |
| <u>Short-term trade payables</u>              |                  |                     |
| Trade payables                                | 401,307          | 430,554             |
| Discount on trade payables (-)                | (48)             | (35)                |
| Notes payable                                 | 7,354            | 6,418               |
| Discount on notes payable (-)                 | (34)             | (31)                |
| Other trade payables                          | 200              | 142                 |
|   | <u>408,779</u>   | <u>437,048</u>      |
|   |                  |                     |
|   | 31 March<br>2012 | 31 December<br>2011 |
| <u>Long term trade payables</u>               |                  |                     |
| Trade payables                                | 6,127            | 6,734               |
|   | <u>6,127</u>     | <u>6,734</u>        |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 11. INVENTORIES

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Raw materials and spare parts             | 134,641          | 128,056             |
| Trade goods (machinery and others)        | 13,043           | 78,691              |
| Finished goods                            | 37,766           | 20,298              |
| Goods in transit                          | 102,477          | 26,191              |
| Work in progress                          | 9,685            | 8,439               |
| Construction materials                    | 31,285           | 8,950               |
| Allowance for impairment on inventory (*) | (883)            | (1,467)             |
|   | <u>328,014</u>   | <u>269,158</u>      |

(\*) As of 31 March 2012 and 31 December 2011, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 March 2012, there is no pledge on inventories (31 December 2011: None)

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

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Costs incurred on uncompleted contracts | 835,495          | 839,117             |
| Estimated earnings                      | 117,874          | 106,855             |
|   | <u>953,369</u>   | <u>945,972</u>      |
| Less: Billings to date                  | (946,913)        | (897,504)           |
|   | <u>6,456</u>     | <u>48,468</u>       |

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

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Costs and estimated earnings in excess of billings on uncompleted contracts (net) | 30,068           | 52,273              |
| Billings in excess of costs and estimated earnings on uncompleted contracts (net) | (23,612)         | (3,805)             |
|   | <u>6,456</u>     | <u>48,468</u>       |

As of 31 March 2012, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 163,841 (31 December 2011: USD 148,729).

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 13. INVESTMENT PROPERTIES

As of 31 March 2012 and 2011, movement of investment properties is as follows:

|  | 31 March<br>2012 | 31 March<br>2011 |
|--|------------------|------------------|
| Opening balance as at 1 January  | 1,942,767        | 1,918,673        |
| Currency translation difference  | 134,888          | 99,379           |
| Transfers from property, plant and equipment<br>and construction in progress | 17,353           | -                |
| Change in present value of lease obligations                                 | 3,041            | 248              |
| Closing balance as at 31 March   | <u>2,098,049</u> | <u>2,018,300</u> |

#### 14. PROPERTY PLANT AND EQUIPMENT

During the period ended 31 March 2012 the Group purchased property plant and equipment amounting to USD 13,382. In addition during the period ended 31 March 2012 net book value of USD 895 property plant and equipment sold for USD 1,391.

#### 15. COMMITMENTS AND CONTINGENCIES

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

Future minimum lease payments under non-cancellable operating leases of the Group as of 31 March 2012 and 31 December 2011 are as follows:

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Within one year                             | 3,048            | 8,301               |
| After one year but not more than five years | 3,789            | 25,020              |
| More than 5 years                           | 25,045           | 23,331              |
|   | <u>31,882</u>    | <u>56,652</u>       |

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

The minimum future rental income of the Group under non-cancelable operating leases at 31 March 2012 and 31 December 2011 are as follows:

|   | 31 March<br>2012 | 31 December<br>2011 |
|---|------------------|---------------------|
| Within one year                             | 335,255          | 300,700             |
| After one year but not more than five years | 637,873          | 731,660             |
| More than 5 years                           | 267,333          | 364,785             |
|   | <u>1,240,461</u> | <u>1,397,145</u>    |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### Litigations

During the period ended 31 March 2012, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2011 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 31 March 2012 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 2011 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 31 March 2012 and 31 December 2011 is as follows;

|   | 31 March 2012        |                   | 31 December 2011     |                   |
|---|----------------------|-------------------|----------------------|-------------------|
|   | Original<br>Currency | USD<br>Equivalent | Original<br>Currency | USD<br>Equivalent |
| Letters of guarantee, guarantee notes given,<br>mortgage and pledges  |                      |                   |                      |                   |
| A. Total amount of guarantees provided by<br>the Company on behalf of itself  |                      | 2,997,926         |                      | 2,951,272         |
| -USD  | 2,677,523            | 2,677,523         | 2,630,385            | 2,630,385         |
| -EUR  | 128,188              | 171,101           | 133,205              | 172,336           |
| -TL   | 30,641               | 17,283            | 35,881               | 18,996            |
| -Others (*)   |                      | 132,019           |                      | 129,555           |
| B. Total amount for guarantees provided on behalf of<br>subsidiaries accounted under full consolidation method          |                      | 360,153           |                      | 360,737           |
| -USD  | 4,435                | 4,435             | 4,435                | 4,435             |
| -EUR  | 110,833              | 147,936           | 105,369              | 136,324           |
| -TL   | 1,738                | 980               | 1,738                | 920               |
| -Others (*)   |                      | 206,802           |                      | 219,058           |
| C. Provided on behalf of third parties in order to<br>maintain operating activities<br>(to secure third party payables) |                      | -                 |                      | -                 |
| D. Other guarantees given   |                      | 400               |                      | 400               |
| i. Total amount of guarantees given on behalf of<br>the parent company  |                      | -                 |                      | -                 |
| ii. Total amount of guarantees provided on behalf of<br>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<br>third parties which are not in the scope of C                  |                      | -                 |                      | -                 |
|   |                      | <u>3,358,479</u>  |                      | <u>3,312,409</u>  |

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

As of 31 March 2012 the portion of other guarantess given to shareholders' equity is 0.01% (31 December 2011:0.01%).

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 16. OTHER ASSETS AND LIABILITIES

|                                | 31 March<br>2012 | 31 December<br>2011 |
|--------------------------------|------------------|---------------------|
| Other non- current liabilities |                  |                     |
| Deferred revenue (*)           | 843,123          | 857,834             |
| Deferred rent revenue          | 2,283            | 2,964               |
|                                | <u>845,406</u>   | <u>860,798</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

Based on the Group's Ordinary General Assembly held on April 18, 2012; regarding the distribution of the year 2011 profit, it has been further resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.0840 gross / 0.0743 net (as being 8,40% gross, 7,43% net of the issued share capital) in total TL 210.000.

#### 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 31 March 2012 and 31 December 2011 is as follows:

|  | 31 March 2012              |                  | 31 December 2011           |                  |
|--|----------------------------|------------------|----------------------------|------------------|
|  | Percentage of<br>ownership | Amount           | Percentage of<br>ownership | Amount           |
| Tara Holding A.Ş.                                  | 49.04%                     | 817,036          | 48.99%                     | 816,203          |
| Tara and Gülçelik families                         | 27.99%                     | 466,330          | 27.99%                     | 466,330          |
| Publicly traded                                    | 12.66%                     | 210,923          | 12.71%                     | 211,756          |
| Enka Spor Eğitim ve Sosyal<br>Yardım Vakfı         | 5.94%                      | 98,964           | 5.94%                      | 98,964           |
| Alternatif Aksesuar Sanayi ve<br>Ticaret Ltd. Şti. | 4.37%                      | 72,807           | 4.37%                      | 72,807           |
|  | <u>100.00%</u>             | <u>1,666,060</u> | <u>100.00%</u>             | <u>1,666,060</u> |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

The movement of the share capital (in numbers and in historical TL) of the Group during 31 March 2012 and 31 December 2011 is as follows:

|   | 31 March 2012          |                  | 31 December 2011       |                  |
|---|------------------------|------------------|------------------------|------------------|
|   | Number                 | TL               | Number                 | TL               |
| At 1 January,                                 | 250,000,000,000        | 2,500,000        | 220,000,000,000        | 2,200,000        |
| bonus shares issued out of<br>general reserve | -                      | -                | 30,000,000,000         | 300,000          |
|   | <u>250,000,000,000</u> | <u>2,500,000</u> | <u>250,000,000,000</u> | <u>2,500,000</u> |

#### 20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

##### a) Lands and buildings held for sale

As of 31 March 2012, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 4,212 (31 December 2011 - USD 4.344).

##### b) Discontinued operations

In 2011, Group management has taken a decision to sell assets related with the retail operations that is located in Russian Federation and the framework agreement has been signed with OOO Billa and OOO Billa Realty companies. Therefore, the assets those expected to be sold in 12 months have been classified to assets held for sale account and presented in balance sheet separately. In addition to these, discontinued operations of group have been separated from the trade and manufacturing segment in prior year's segmental reporting disclosure (Note 6).

Since the expectation on sales revenue from assets is higher than its book value, no provision has been recorded for impairment for held for sale assets.

The details of operation assets those reclassified as assets held for sale are given below:

|  | 31 March 2012               | 31 December 2011            |
|--|-----------------------------|-----------------------------|
| Poverty, plant and equipment                     | 67,490                      | 61,306                      |
| Inventories                                      | 1,042                       | 7,464                       |
| Goodwill   | 52,041                      | 47,406                      |
| Group's total assets held for sale, net          | <u>120,573</u>              | <u>116,176</u>              |
|  | 1 January- 31 March<br>2012 | 1 January- 31 March<br>2011 |
| Revenue  | 23,953                      | 28,393                      |
| Cost of sales (-)                                | (13,598)                    | (18,068)                    |
| Marketing, selling and distribution expenses (-) | (6,939)                     | (6,297)                     |
| Administrative expenses (-)                      | (4,666)                     | (4,393)                     |
| Other operating income                           | 1,397                       | 140                         |
| Other operating expenses (-)                     | (26)                        | (84)                        |
| Financial expenses (-)                           | (95)                        | (45)                        |
| Current tax expense (-)                          | (14)                        | (2,390)                     |
| Deferred tax income                              | 10                          | 2,380                       |
| Net profit                                       | <u>22</u>                   | <u>(364)</u>                |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 21. 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 2011: 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 2011 – 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 31 MARCH 2012

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

#### 21. 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.

##### Tax legislations in other countries

As of 31 March 2012 and 31 December 2011 effective corporation tax rate in other countries are as follows:

|             | 31 March<br><u>2012</u> | 31 December<br><u>2011</u> |
|-------------|-------------------------|----------------------------|
| Russia      | 20%                     | 20%                        |
| Netherlands | 25.5%                   | 25.5%                      |
| Kazakhstan  | 28% - 32%               | 28% - 32%                  |
| Iraq        | 15%- 35%                | 15%- 35%                   |
| 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:

|                          | <u>31 March 2012</u> | <u>31 March 2011</u> |
|--------------------------|----------------------|----------------------|
| Balance at 1 January     | 28,275               | 28,875               |
| Current year tax expense | 40,362               | 22,033               |
| Taxes paid               | (27,108)             | (24,983)             |
| Balance at 31 March      | <u>41,529</u>        | <u>25,925</u>        |



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### Deferred tax assets and liabilities

As of 31 March 2012 and 31 December 2011, the breakdown of temporary differences which give rise to deferred taxes is as follows:

|   | 31 March<br>2012            | 31 December<br>2011         |
|---|-----------------------------|-----------------------------|
|   | <u>                    </u> | <u>                    </u> |
| Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property | (499,969)                   | (487,400)                   |
| Adjustments on financial instruments and derivatives  | (1,360)                     | -                           |
| Adjustment for percentage of completion method on construction projects                                   | (32)                        | (22)                        |
| GE Inventory in the context of "PSA" (*)  | (19,096)                    | (19,987)                    |
|   | <u>                    </u> | <u>                    </u> |
| Gross deferred income tax liabilities   | (520,457)                   | (507,409)                   |
| Adjustment of revenue levelization  | 166,938                     | 169,851                     |
| Allowance for doubtful receivables  | 2,553                       | 2,351                       |
| Allowance for retirement pay liability  | 2,189                       | 2,000                       |
| Allowance for inventories   | 320                         | 886                         |
| Adjustments on financial instruments and derivatives  | -                           | 1,867                       |
| Deferred financial expenses   | 68                          | 184                         |
| Others  | 21,817                      | 5,786                       |
|   | <u>                    </u> | <u>                    </u> |
| Gross deferred income tax assets  | 193,885                     | 182,925                     |
|   | <u>                    </u> | <u>                    </u> |
| Net deferred tax liability  | (326,572)                   | (324,484)                   |

(\*) 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 March<br>2012            | 31 December<br>2011         |
|------------------------------|-----------------------------|-----------------------------|
|                              | <u>                    </u> | <u>                    </u> |
| Deferred tax assets          | 25                          | 95                          |
| Deferred tax liabilities     | (326,597)                   | (324,579)                   |
|                              | <u>                    </u> | <u>                    </u> |
| Net deferred tax liabilities | (326,572)                   | (324,484)                   |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

Movements of net deferred tax liability are as follows as of 31 March 2012 and 2011:

|  | <u>31 March 2012</u> | <u>31 March 2011</u> |
|--|----------------------|----------------------|
| Balance at 1 January of Enka İnşaat and its subsidiaries   | 324,484              | 276,141              |
| Balance at 1 January of the joint ventures                 | 63                   | -                    |
| Balance at 1 January                                       | <u>324,547</u>       | <u>276,141</u>       |
| Deferred income tax expense recognized in income statement | (17,718)             | (640)                |
| Deferred income tax expense recognized in equity           | 11                   | 143                  |
| Translation loss   | 19,732               | 14,825               |
| Total net deferred tax liabilities as of 31 March          | <u>326,572</u>       | <u>290,469</u>       |
| Of which:  |                      |                      |
| Balance at 31 March of Enka İnşaat and its subsidiaries    | 326,572              | 290,469              |
| Balance at 31 March of the joint ventures, net             | -                    | 157                  |
| Total net deferred tax liabilities as of 31 March          | <u>326,572</u>       | <u>290,626</u>       |

As of 31 March 2012 and 31 March 2011, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

|   | <u>1 January - 31 March 2012</u> |                                      |                            | <u>1 January - 31 March 2011</u> |                                      |                               |
|---|----------------------------------|--------------------------------------|----------------------------|----------------------------------|--------------------------------------|-------------------------------|
|   | Before<br>Taxation               | Deferred tax<br>(expense)/<br>income | Netted-off<br>deferred tax | Before<br>Taxation               | Deferred tax<br>(expense)/<br>income | Netted-off<br>deferred<br>tax |
| Change in revaluation of buildings          | -                                | -                                    | -                          | 596                              | (119)                                | 477                           |
| Changes in fair value of derivative assets  | 59                               | (11)                                 | 48                         | 119                              | (24)                                 | 95                            |
| Changes in currency translation differences | 166,792                          | -                                    | 166,792                    | 127,719                          | -                                    | 127,719                       |
|   | <u>166,851</u>                   | <u>(11)</u>                          | <u>166,840</u>             | <u>128,434</u>                   | <u>(143)</u>                         | <u>128,291</u>                |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 22. 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 31 March 2012 and 31 December 2011:

|  | <u>31 March 2012</u> | <u>31 December 2011</u> |
|--|----------------------|-------------------------|
| A. Assets denominated in foreign currency      | 1,391,647            | 1,274,515               |
| B. Liabilities denominated in foreign currency | (579,936)            | (582,777)               |
| Net foreign currency position (A+B)            | 811,711              | 691,738                 |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

The Group's foreign currency position at 31 March 2012 and 31 December 2011 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

|   | 31 March 2012             |                   |                |                   |                   |                | Total USD<br>Equivalent |
|---|---------------------------|-------------------|----------------|-------------------|-------------------|----------------|-------------------------|
|   | TL                        | USD<br>Equivalent | Euro           | USD<br>Equivalent | Other USD<br>(* ) | USD (**)       |                         |
|   | Cash and cash equivalents | 95,060            | 53,618         | 204,122           | 272,462           | 105,319        |                         |
| Financial investments   | 66,888                    | 37,728            | 57,632         | 76,927            | 68,041            | 159,632        | 342,328                 |
| Trade and other receivables                                     | 25,123                    | 14,171            | 60,040         | 80,141            | 39,132            | 5,775          | 139,219                 |
| Other current assets  | 97,004                    | 54,715            | 10,129         | 13,520            | 5,715             | 214            | 74,164                  |
| Company's share in current<br>assets of joint ventures          | -                         | -                 | 2,712          | 3,620             | 56,886            | 145            | 60,651                  |
| <b>Current assets</b>   | <b>284,075</b>            | <b>160,232</b>    | <b>334,635</b> | <b>446,670</b>    | <b>275,093</b>    | <b>225,882</b> | <b>1,107,877</b>        |
| Financial investments   | 15,077                    | 8,504             | 155,631        | 207,736           | 39,448            | -              | 255,688                 |
| Trade and other receivables                                     | -                         | -                 | 6,901          | 9,211             | 2,093             | 6,071          | 17,375                  |
| Other non current assets  | 2,453                     | 1,384             | 1,304          | 1,741             | 2,428             | 5,104          | 10,657                  |
| Company's share in non current<br>assets of joint ventures      | -                         | -                 | -              | -                 | 50                | -              | 50                      |
| <b>Non-current assets</b>                                       | <b>17,530</b>             | <b>9,888</b>      | <b>163,836</b> | <b>218,688</b>    | <b>44,019</b>     | <b>11,175</b>  | <b>283,770</b>          |
| <b>Total assets</b>   | <b>301,605</b>            | <b>170,120</b>    | <b>498,471</b> | <b>665,358</b>    | <b>319,112</b>    | <b>237,057</b> | <b>1,391,647</b>        |
| Short-term borrowings   | 1,011                     | 570               | 40,359         | 53,871            | 50,931            | 18,915         | 124,287                 |
| Trade and other payables  | 32,455                    | 18,306            | 62,885         | 83,939            | 31,566            | 9,835          | 143,646                 |
| Other current liabilities<br>and accrued expenses               | 56,230                    | 31,716            | 15,542         | 20,745            | 18,918            | 21,693         | 93,072                  |
| Company's share in current<br>liabilities of joint ventures     | 41                        | 23                | 104            | 139               | 74,791            | 278            | 75,231                  |
| <b>Current liabilities</b>                                      | <b>89,737</b>             | <b>50,615</b>     | <b>118,890</b> | <b>158,694</b>    | <b>176,206</b>    | <b>50,721</b>  | <b>436,236</b>          |
| Trade and other payables  | 212                       | 120               | 22,667         | 30,256            | 97,322            | 2,500          | 130,198                 |
| Long-term borrowings  | -                         | -                 | 4,590          | 6,127             | -                 | -              | 6,127                   |
| Other non-current liabilities                                   | -                         | -                 | 222            | 296               | 66                | 231            | 593                     |
| Company's share in non current<br>liabilities of joint ventures | -                         | -                 | -              | -                 | 6,782             | -              | 6,782                   |
| <b>Non-current liabilities</b>                                  | <b>212</b>                | <b>120</b>        | <b>27,479</b>  | <b>36,679</b>     | <b>104,170</b>    | <b>2,731</b>   | <b>143,700</b>          |
| <b>Total liabilities</b>  | <b>89,949</b>             | <b>50,735</b>     | <b>146,369</b> | <b>195,373</b>    | <b>280,376</b>    | <b>53,452</b>  | <b>579,936</b>          |
| <b>Net foreign currency position</b>                            | <b>211,656</b>            | <b>119,385</b>    | <b>352,102</b> | <b>469,985</b>    | <b>38,736</b>     | <b>183,605</b> | <b>811,711</b>          |
| <b>Net notional amount<br/>of derivatives</b>                   | <b>10,945</b>             | <b>6,174</b>      | <b>98,253</b>  | <b>131,148</b>    | <b>(10,530)</b>   | <b>-</b>       | <b>126,791</b>          |
| <b>Export</b>   | <b>-</b>                  | <b>-</b>          | <b>14,506</b>  | <b>20,160</b>     | <b>207</b>        | <b>7,275</b>   | <b>27,642</b>           |
| <b>Import</b>   | <b>-</b>                  | <b>-</b>          | <b>21,660</b>  | <b>30,103</b>     | <b>30,556</b>     | <b>20,667</b>  | <b>81,326</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 31 MARCH 2012

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

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

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

|   | 31 December 2011          |                   |                |                   |                  |                | Total USD<br>Equivalent |
|---|---------------------------|-------------------|----------------|-------------------|------------------|----------------|-------------------------|
|   | TL                        | USD<br>Equivalent | Euro           | USD<br>Equivalent | Other USD<br>(*) | USD (**)       |                         |
|   | Cash and cash equivalents | 53,690            | 28,424         | 171,849           | 222,338          | 113,422        |                         |
| Financial investments   | 94,286                    | 49,916            | 44,769         | 57,922            | 42,640           | 151,628        | 302,106                 |
| Trade and other receivables                                     | 20,699                    | 10,958            | 65,770         | 85,093            | 40,773           | 8,232          | 145,056                 |
| Other current assets  | 76,287                    | 40,387            | 3,068          | 3,969             | 6,434            | 215            | 51,005                  |
| Company's share in current<br>assets of joint ventures          | -                         | -                 | 7,247          | 9,376             | 71,077           | 395            | 80,848                  |
| <b>Current assets</b>   | <b>244,962</b>            | <b>129,685</b>    | <b>292,703</b> | <b>378,698</b>    | <b>274,346</b>   | <b>193,732</b> | <b>976,461</b>          |
| Financial investments   | 45,195                    | 23,927            | 160,312        | 207,412           | 38,402           | -              | 269,741                 |
| Trade and other receivables                                     | -                         | -                 | 7,473          | 9,669             | 2,496            | 5,692          | 17,857                  |
| Other non current assets  | 2,450                     | 1,297             | 758            | 981               | 2,841            | 5,213          | 10,332                  |
| Company's share in non current<br>assets of joint ventures      | -                         | -                 | -              | -                 | 124              | -              | 124                     |
| <b>Non-current assets</b>                                       | <b>47,645</b>             | <b>25,224</b>     | <b>168,543</b> | <b>218,062</b>    | <b>43,863</b>    | <b>10,905</b>  | <b>298,054</b>          |
| <b>Total assets</b>   | <b>292,607</b>            | <b>154,909</b>    | <b>461,246</b> | <b>596,760</b>    | <b>318,209</b>   | <b>204,637</b> | <b>1,274,515</b>        |
| Short-term borrowings   | 876                       | 464               | 42,693         | 55,236            | 52,810           | 18,829         | 127,339                 |
| Trade and other payables  | 36,990                    | 19,583            | 38,681         | 50,045            | 34,661           | 11,076         | 115,365                 |
| Other current liabilities<br>and accrued expenses               | 70,226                    | 37,178            | 19,369         | 25,060            | 33,747           | 20,448         | 116,433                 |
| Company's share in current<br>liabilities of joint ventures     | 38                        | 20                | 159            | 206               | 101,940          | 337            | 102,503                 |
| <b>Current liabilities</b>                                      | <b>108,130</b>            | <b>57,245</b>     | <b>100,902</b> | <b>130,547</b>    | <b>223,158</b>   | <b>50,690</b>  | <b>461,640</b>          |
| Trade and other payables  | -                         | -                 | 5,205          | 6,734             | -                | -              | 6,734                   |
| Long-term borrowings  | 451                       | 239               | 24,953         | 32,284            | 79,743           | 1,500          | 113,766                 |
| Other non-current liabilities                                   | -                         | -                 | 269            | 348               | 58               | 231            | 637                     |
| Company's share in non current<br>liabilities of joint ventures | -                         | -                 | -              | -                 | -                | -              | -                       |
| <b>Non-current liabilities</b>                                  | <b>451</b>                | <b>239</b>        | <b>30,427</b>  | <b>39,366</b>     | <b>79,801</b>    | <b>1,731</b>   | <b>121,137</b>          |
| <b>Total liabilities</b>  | <b>108,581</b>            | <b>57,484</b>     | <b>131,329</b> | <b>169,913</b>    | <b>302,959</b>   | <b>52,421</b>  | <b>582,777</b>          |
| <b>Net foreign currency position</b>                            | <b>184,026</b>            | <b>97,425</b>     | <b>329,917</b> | <b>426,847</b>    | <b>15,250</b>    | <b>152,216</b> | <b>691,738</b>          |
| <b>Net notional amount<br/>of derivatives</b>                   | 14,906                    | 7,891             | 94,211         | 121,890           | (12,784)         | -              | 116,997                 |
| <b>Export</b>   | -                         | -                 | 70,999         | 98,674            | 1,220            | 66,253         | 166,147                 |
| <b>Import</b>   | 2,058                     | 1,090             | 127,709        | 177,489           | 131,630          | 122,665        | 432,874                 |

(\*) 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 31 MARCH 2012

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

#### 22. 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 31 March 2012 and 31 December 2011:

|  | 31 March 2012                       |                                     | 31 December 2011                    |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Profit / (loss)                     |                                     | Profit / (loss)                     |                                     |
|  | Valuation<br>of foreign<br>currency | Valuation<br>of foreign<br>currency | Valuation<br>of foreign<br>currency | Valuation<br>of foreign<br>currency |
| <i>In the case of TL gaining 10% value<br/>against US Dollar</i>                       |                                     |                                     |                                     |                                     |
| 1- TL net asset / (liability)  | 11,939                              | (11,939)                            | 9,743                               | (9,743)                             |
| 2- Portion hedged against TL risk (-)  | 617                                 | (617)                               | 789                                 | (789)                               |
| <b>3- TL net effect (1+2)</b>  | <b>12,556</b>                       | <b>(12,556)</b>                     | <b>10,532</b>                       | <b>(10,532)</b>                     |
| <i>In the case of Euro gaining 10% value<br/>against US Dollar</i>                     |                                     |                                     |                                     |                                     |
| 4- Euro net asset / (liability)  | 46,999                              | (46,999)                            | 42,685                              | (42,685)                            |
| 5- Portion hedged against Euro risk (-)  | 13,115                              | (13,115)                            | 12,189                              | (12,189)                            |
| <b>6- Euro net effect (1+2)</b>  | <b>60,114</b>                       | <b>(60,114)</b>                     | <b>54,874</b>                       | <b>(54,874)</b>                     |
| <i>In the case of other foreign currencies<br/>gaining 10% value against US Dollar</i> |                                     |                                     |                                     |                                     |
| 7- Other foreign currency net asset / (liability)                                      | 3,874                               | (3,874)                             | 1,525                               | (1,525)                             |
| 8- Portion hedged against<br>other foreign currency risk (-)                           | (1,053)                             | 1,053                               | (1,278)                             | 1,278                               |
| <b>9- Other foreign currency net effect (7+8)</b>                                      | <b>2,821</b>                        | <b>(2,821)</b>                      | <b>247</b>                          | <b>(247)</b>                        |
| <b>Total (3+6+9)</b>   | <b>75,491</b>                       | <b>(75,491)</b>                     | <b>65,653</b>                       | <b>(65,653)</b>                     |

#### 23. SUBSEQUENT EVENTS

Based on the Group's Ordinary General Assembly held on April 18, 2012; it has been unanimously resolved to increase the share capital of the Group from TL 2.500.000 to TL 2.8000.000; and to cover TL 300.000 from the 1 st Dividend at an amount of TL 115.000, and from the 2 nd Dividend at an amount of TL 185.000.

Regarding the distribution of the year 2011 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, 0.0840 gross / 0.0743 net (as being 8,40% gross, 7,43% net of the issued share capital) in total TL 210.000.

The transfer of the retail assets of the Group's Russian subsidiary OOO ENKA TC, to OOO BILLA and OOO BILLA REALTY has taken place and EUR 126.8 million has been collected.