

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 SEPTEMBER 2010

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**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2010**

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

<b>ASSETS</b>	<b>Notes</b>	<b>30 September 2010</b>	<b>31 December 2009</b>
<b>Current Assets</b>		<b>2,535,758</b>	<b>2,514,375</b>
Cash and cash equivalents	6	791,784	672,163
Financial investments	7	629,450	558,984
Trade and other receivables	9	565,554	588,008
Inventories		240,382	262,612
Other current assets		68,202	132,094
Company's share in current assets of joint ventures		227,353	297,817
Costs and estimated earnings in excess of billings on uncompleted contracts	10	11,909	1,562
		<u>2,534,634</u>	<u>2,513,240</u>
Assets held for sale		1,124	1,135
<b>Non-Current Assets</b>		<b>4,632,937</b>	<b>4,530,507</b>
Trade and other receivables	9	31,327	37,024
Financial investments	7	592,010	462,687
Property, plant and equipment			
- Group	12	1,827,199	1,887,465
- Group's share in joint ventures	12	67,124	76,503
Intangible assets		10,947	2,561
Goodwill		128,904	107,057
Investment properties	11	1,907,915	1,891,271
Other non-current assets		39,832	40,173
Group's share in non-current assets of joint ventures		7,939	3,857
Deferred tax assets	17	19,740	21,909
<b>TOTAL ASSETS</b>		<b><u>7,168,695</u></b>	<b><u>7,044,882</u></b>

The accompanying explanatory notes are an integral part of the condensed consolidated financial statements.

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2010**

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>30 September 2010</b>	<b>31 December 2009</b>
<b>Current Liabilities</b>		<b>1,193,575</b>	<b>1,390,182</b>
Short-term borrowings	8	24,771	16,369
Current portion of long-term borrowings	8	243,445	315,274
Trade and other payables	9	508,917	581,504
Other current liabilities and accrued expenses		130,325	137,900
Taxation on income	17	25,753	16,120
Group's share in current liabilities of joint ventures		242,350	259,154
Billings in excess of costs and estimated earnings on uncompleted contracts	10	18,014	63,861
<b>Non-Current Liabilities</b>		<b>1,668,048</b>	<b>1,666,106</b>
Long-term borrowings	8	458,054	503,949
Trade and other payables	9	7,909	2,314
Employee termination benefits		14,518	13,831
Deferred tax liability	17	281,545	274,274
Other non-current liabilities	14	905,598	871,716
Group's share in non-current liabilities of joint ventures		424	22
<b>EQUITY</b>			
<b>Equity Attributable to equity holders of the parent</b>		<b>4,060,883</b>	<b>3,742,404</b>
Share capital	16	1,476,498	1,214,907
Revaluation surplus		114,338	119,710
Currency translation difference		(94,242)	(80,633)
Other reserves		58,227	27,186
Legal reserves and accumulated profit		2,506,062	2,461,234
<b>Non-controlling interest</b>		<b>246,189</b>	<b>246,190</b>
<b>TOTAL LIABILITIES</b>		<b>7,168,695</b>	<b>7,044,882</b>

The accompanying explanatory notes are an integral part of the condensed consolidated financial statements.

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

### CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

	Notes	1 January- 30 September 2010	1 June- 30 September 2010	1 January- 30 September 2009	1 June- 30 September 2009
Revenue	5	3,494,178	1,137,697	3,895,439	1,210,477
Cost of sales	5	(2,845,228)	(970,449)	(3,209,636)	(954,366)
<b>GROSS PROFIT</b>		<b>648,950</b>	<b>167,248</b>	<b>685,803</b>	<b>256,111</b>
Selling and administrative expenses	5	(168,952)	(54,774)	(162,221)	(50,039)
Other operating income	5	31,550	8,743	32,009	3,833
Other operating expenses (-)	5	(14,478)	(5,009)	(15,098)	(4,562)
<b>PROFIT FROM OPERATIONS</b>		<b>497,070</b>	<b>116,208</b>	<b>540,493</b>	<b>205,343</b>
Financial income	5	64,267	6,760	74,277	11,801
Financial expenses	5	(81,150)	41,805	(90,571)	6,684
Income / (loss) from associates	5	-	-	(1,534)	(710)
<b>PROFIT BEFORE TAX</b>		<b>480,187</b>	<b>164,773</b>	<b>522,665</b>	<b>223,118</b>
Taxation charge					
Current	17	(63,729)	(20,661)	(86,453)	(29,436)
Deferred	17	299	10,209	(36,179)	(3,863)
<b>NET PROFIT FOR THE PERIOD</b>		<b>416,757</b>	<b>154,321</b>	<b>400,033</b>	<b>189,819</b>
<b>Attributable to:</b>					
Equity holders of the parent		404,981	151,590	367,322	174,873
Non-controlling interest		11,776	2,731	32,711	14,946
		<b>416,757</b>	<b>154,321</b>	<b>400,033</b>	<b>189,819</b>
Weighted average number of shares		220,000,000,000	220,000,000,000	220,000,000,000	220,000,000,000
<b>Basic earnings per share attributable to equity</b>					
holders of the parent - U.S. Dollar					
- ordinary share certificate (full cent)	4	0.18	0.07	0.17	0.08
- founder share	4	-	-	-	-

The accompanying explanatory notes are an integral part of the condensed consolidated financial statements.

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

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

Notes	1 January- 30 September 2010	1 June- 30 September 2010	1 January- 30 September 2009	1 June- 30 September 2009
<b>NET PROFIT FOR THE PERIOD</b>	<b>416,757</b>	<b>154,321</b>	<b>400,033</b>	<b>189,819</b>
<b>Other Comprehensive Income / (Expense):</b>				
Changes in unrealized gain / (loss) on available-for sale investments	39,499	27,718	37,842	25,481
Realised (gain) / loss on available-for-sale investments transferred to income statement	(625)	362	(1,387)	(765)
Gain / (loss) on cash flow hedge	(73)	182	1,751	295
Changes in currency translation difference	(12,759)	86,959	(11,327)	68,153
<b>OTHER COMPREHENSIVE INCOME BEFORE TAX</b>	<b>26,042</b>	<b>115,221</b>	<b>26,879</b>	<b>93,164</b>
Net deferred income tax relating to components of the other comprehensive income	17 (7,760)	(5,652)	(7,641)	(5,001)
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>18,282</b>	<b>109,569</b>	<b>19,238</b>	<b>88,163</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>435,039</b>	<b>263,890</b>	<b>419,271</b>	<b>277,982</b>
<b>Attributable to:</b>				
Equity holders of the parent	421,987	255,310	392,852	256,760
Non-controlling interest	13,052	8,580	26,419	21,222
	<b>435,039</b>	<b>263,890</b>	<b>419,271</b>	<b>277,982</b>

The accompanying explanatory notes are an integral part of the condensed consolidated financial statements.

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

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2009</b>	<b>828,831</b>	<b>129,480</b>	<b>(63,150)</b>	<b>(5,999)</b>	<b>2,391,327</b>	<b>3,280,489</b>	<b>243,105</b>	<b>3,523,594</b>
Total other comprehensive income	-	(187)	(4,848)	30,565	-	25,530	(6,292)	19,238
Profit for the period	-	-	-	-	367,322	367,322	32,711	400,033
Total comprehensive income	-	(187)	(4,848)	30,565	367,322	392,852	26,419	419,271
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	(2,137)	-	-	2,137	-	-	-
Dividends paid	-	-	-	-	(75,071)	(75,071)	(16,099)	(91,170)
Share capital increase from general reserve	386,076	-	-	-	(386,076)	-	-	-
<b>Balance at 30 September 2009</b>	<b>1,214,907</b>	<b>127,156</b>	<b>(67,998)</b>	<b>24,566</b>	<b>2,299,639</b>	<b>3,598,270</b>	<b>253,425</b>	<b>3,851,695</b>
<b>Balance at 1 January 2010</b>	<b>1,214,907</b>	<b>119,710</b>	<b>(80,633)</b>	<b>27,186</b>	<b>2,461,234</b>	<b>3,742,404</b>	<b>246,190</b>	<b>3,988,594</b>
Total other comprehensive income	-	(38)	(13,997)	31,041	-	17,006	1,276	18,282
Profit for the period	-	-	-	-	404,981	404,981	11,776	416,757
Total comprehensive income	-	(38)	(13,997)	31,041	404,981	421,987	13,052	435,039
Transfer of depreciation difference (net of deferred tax) of revaluation effect	-	(3,876)	-	-	3,876	-	-	-
Share capital increase from general reserve	261,591	-	-	-	(261,591)	-	-	-
Dividends paid	-	-	-	-	(102,581)	(102,581)	(13,980)	(116,561)
Scope change	-	(1,458)	388	-	143	(927)	927	-
<b>Balance at 30 September 2010</b>	<b>1,476,498</b>	<b>114,338</b>	<b>(94,242)</b>	<b>58,227</b>	<b>2,506,062</b>	<b>4,060,883</b>	<b>246,189</b>	<b>4,307,072</b>

The accompanying explanatory notes are an integral part of the condensed consolidated financial statements.

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

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

		1 January - 30 September 2010	1 January - 30 September 2009
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Profit before tax		480,187	522,665
Adjustments to reconcile net income to net cash used in operating activities:		-	-
- Depreciation and amortisation of non-current assets		113,006	111,946
- Unused vacation pay accrual		1,778	4,243
- Allowance for doubtful receivables		2,307	2,694
- Adjustments to deferred income from electricity sale		33,453	64,510
- Loss from associates consolidated based on equity method		-	1,534
- Loss from fair value of forward transactions		341	1,023
- Interest expense		21,697	41,379
- Interest income		(23,284)	(19,328)
- Dividend income		(2,804)	(1,624)
- Provision for impairment of inventory in profit		60	(279)
- Gain on sale or disposal of property, plant and equipment	12	(1,812)	(3,194)
		<u>624,929</u>	<u>725,569</u>
Movements in working capital			
Decrease/ (Increase) in trade and other receivables		27,479	(112,465)
(Increase) / decrease in cost and estimated earnings in excess of billings on uncompleted contracts		(10,347)	95,911
Decrease in Company's share in assets of joint venture		66,383	(50,041)
Decrease in inventory		34,311	71,986
Decrease in other current assets and other non current assets		64,421	63,683
Increase / (decrease) in trade and other payables		1,376	(88,122)
(Decrease)/Increase in billings in excess of cost and estimated earnings on uncompleted contracts		(45,847)	(8,869)
Company's share in current and non current liabilities of joint venture		(16,403)	53,582
Decrease in provision for liabilities and other liabilities		(117,254)	(24,290)
		4,119	1,375
Income taxes paid	17	(54,096)	(85,202)
Employee termination benefits paid		(996)	(1,450)
<b>Net cash generated from operating activities:</b>		<u><b>573,956</b></u>	<u><b>640,292</b></u>
<b>Cash flows from investing activities</b>			
Time deposits maturity dates over three months		22,753	45,153
Available for sale financial assets		(176,507)	(220,892)
Proceeds on disposal of property, plant and equipment	12	22,971	29,374
Payments for property and equipments, intangible asstes and investment property		(63,769)	(103,394)
Interest received		22,860	19,198
Cash used in acquisition of subsidiary net of cash acquired		(21,761)	-
Dividend income		2,804	1,624
<b>Net cash used in investing activities</b>		<u><b>(190,649)</b></u>	<u><b>(228,937)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		127,746	282,366
Repayment of borrowings		(248,982)	(505,942)
Interest paid		(14,179)	(36,309)
Changes in finance lease obligations		(85)	(352)
Dividend paid to non-controlling interests		(13,980)	(16,099)
Dividend paid		(102,581)	(75,071)
<b>Net cash generated by financing activities</b>		<u><b>(252,061)</b></u>	<u><b>(351,407)</b></u>
Translation reserve		11,128	45,520
Net increase in cash and cash equivalents		142,374	105,468
Cash and cash equivalents at beginning of the period	6	646,163	548,775
<b>Cash and cash equivalents at end of the period</b>	<b>6</b>	<u><b>788,537</b></u>	<u><b>654,243</b></u>

The accompanying explanatory notes are an integral part of the condensed consolidated financial statements.



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of September 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 30 September 2010, 12.78% of the shares of Enka İnşaat and 15,95% of the shares of Pimaş Plastik Malzemeleri Anonim Şirketi (Pimaş), subsidiary of Enka İnşaat, are traded publicly in İstanbul Stock Exchange (ISE).

As of 30 September 2010, the average numbers of white and blue-collar personnel are respectively 3.307 and 12.110 (31 December 2009 – 4.626 and 21.606).

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 five major geographical areas, which are as follows:

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

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

*Africa* : engaged in construction activities in different countries, especially in Burundi, Libya and Djibouti.

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

*Europe* : engaged in construction and trading activities in Romania, Germany, Albania, Netherlands, Switzerland, Bosnia and Herzegovina and Kosova.

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

##### 2.1 Basis of the 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 2009 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, available-for-sale (AFS) financial assets and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 30 September 2010. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 8 November 2010.

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.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

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

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

##### 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.

The rates used as of 30 September 2010, and 31 December 2009 and the rate as of the preparation date of the consolidated financial statements for one U.S. Dollar can be summarized as below

	<u>8 November 2010</u>	<u>30 September 2010</u>	<u>31 December 2009</u>	<u>30 Eylül 2009</u>
TL	1.3922	0.6891	0.6641	0.6748
EUR	1.4131	1.3612	1.4347	1.4577
RUB	0.0325	0.0329	0.0344	0.0332

##### 2.3 Reclassifications made to the previously issued consolidated financial statements

As of 30 September, 2009, the Group has changed the classification of "Selling and administrative expenses" related with rental income amounting to U.S. Dollars 11.253 and therefore reclassified the related accounts to "Cost of sales" reported in its previously issued consolidated financial statements to present them in conformity with the current year presentation.

##### 2.4 Summary of significant accounting policies

Except for the new and amended standards effective from 1 January 2010 the Group's accounting policies are consistent with the accounting policies used at 31 December 2009.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

### 2.5 New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

- a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.
- d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), "consolidated and separate financial statements", at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) on the current period, as none of the non-controlling interests have a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

#### Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2 *Share-based Payments*, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows*, IAS 17 *Leases*, IAS 18 *Revenue*, IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRIC 9 *Reassessment of Embedded Derivatives*, IFRIC 16 *Hedges of Net Investment in a Foreign Operation*. The effective dates vary standard by standard but most are effective 1 January 2010.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

### 2.5 New and amended standards adopted by the Group (cont'd)

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

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

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

#### IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

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

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group does not expect any impact of the adoption of this revised standard on the financial statements.

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

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

##### 2.5 New and amended standards adopted by the Group (cont'd)

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted (cont'd)

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 1 *Presentation of Financial Statements*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

##### 2.6 Critical judgments in applying the entity's accounting policies

For the period ended 30 September 2010, the Group continued using judgements applied during the year ended 31 December 2009.

##### 2.7 Key sources of estimation uncertainty

For the period ended 30 September 2010, the Group continued using estimations applied during the year ended 31 December 2009.

##### 2.8 Basis of consolidation

The Group purchased 100% shares of Soli Gemi İnşa Sanayi ve Ticaret A.Ş and paid USD 16.000, and further committed to pay USD 4.000. In addition to this, the Group purchased 100% shares of IBH Engineering GMBH and paid EUR 5.000 and further committed to pay EUR 5.000. The Group consolidated these two entities for the first time in accordance with IFRS.

#### 3. CHANGES IN OPERATIONAL SEASON

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

#### 4. 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 Group, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 30 September 2010 and 30 September 2009.

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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 4. EARNINGS PER SHARE (cont'd)

The calculations of basic earnings per share presented are as follows:

	<u>30 September 2010</u>	<u>30 September 2009</u>
Earning per share		
- ordinary share certificate (full cent)	0.18	0.17
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 Kr each)		
- ordinary share certificate	220,000,000,000	220,000,000,000
- founder shares	2,000	2,000

(\*) 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.

#### 5. SEGMENTAL INFORMATION

a) Business segments:

	<u>1 January - 30 September 2010</u>					
	Construction contracts	Rental	Trade manufacturing and others	Energy	Eliminations	Consolidated
Revenues	928,799	274,671	371,439	1,919,269	-	3,494,178
Inter-segment revenues	28,064	-	10,507	-	(38,571)	-
Cost of revenues	(732,424)	(49,887)	(304,646)	(1,758,271)	-	(2,845,228)
Inter-segment cost of revenues	(32,122)	-	(2,722)	(125)	34,969	-
<b>Gross profit</b>	<u>192,317</u>	<u>224,784</u>	<u>74,578</u>	<u>160,873</u>	<u>(3,602)</u>	<u>648,950</u>
Selling and administrative expense	(54,557)	(49,926)	(59,077)	(9,046)	3,654	(168,952)
Other operating income	18,772	5,034	2,788	7,997	(3,041)	31,550
Other operating expense (*)	(11,538)	(2,419)	(2,702)	(229)	2,410	(14,478)
<b>Profit from operations</b>	<u>144,994</u>	<u>177,473</u>	<u>15,587</u>	<u>159,595</u>	<u>(579)</u>	<u>497,070</u>
Financial income	60,193	2,425	3,536	5,783	(7,670)	64,267
Financial expense	(55,804)	(4,526)	(9,348)	(16,750)	5,278	(81,150)
<b>Profit before tax</b>	<u>149,383</u>	<u>175,372</u>	<u>9,775</u>	<u>148,628</u>	<u>(2,971)</u>	<u>480,187</u>
Current	(23,133)	(17,974)	(10,310)	(12,312)	-	(63,729)
Deferred	10,225	(8,844)	7,920	(9,002)	-	299
<b>Net profit for the year</b>	<u>136,475</u>	<u>148,554</u>	<u>7,385</u>	<u>127,314</u>	<u>(2,971)</u>	<u>416,757</u>

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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

	30 September 2010				
	Construction contracts	Rental	Trade manufacturing and others	Energy	Consolidated
Segment assets	2,569,801	2,143,950	547,238	1,907,286	7,168,275
Unallocated assets	-	-	-	-	420
<b>Total assets</b>	<b>2,569,801</b>	<b>2,143,950</b>	<b>547,238</b>	<b>1,907,286</b>	<b>7,168,695</b>
Segment liabilities	628,424	365,566	339,185	1,527,271	2,860,446
Unallocated liabilities	-	-	-	-	1,177
<b>Total liabilities</b>	<b>628,424</b>	<b>365,566</b>	<b>339,185</b>	<b>1,527,271</b>	<b>2,861,623</b>
	1 January - 30 September 2010				
<b>Other segment information</b>	Construction contracts	Rental	Trade manufacturing and others	Energy	Consolidated
Capital expenditures					
Property, plant and equipment	39,934	10,128	11,581	1,084	62,727
Intangible assets	551	21	81	389	1,042
<b>Total capital expenditures</b>	<b>40,485</b>	<b>10,149</b>	<b>11,662</b>	<b>1,473</b>	<b>63,769</b>
Depreciation expense	58,101	2,453	8,688	40,881	110,123
Amortisation	2,392	69	300	122	2,883

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

	1 April - 30 September 2010					Consolidated
	Construction contracts	Rental	Trade manufacturing and others	Energy	Eliminations	
Revenues	227,288	92,997	144,047	673,365	-	1,137,697
Inter-segment revenues	7,996	-	4,309	-	(12,305)	-
Cost of revenues	(206,566)	(15,442)	(118,385)	(630,056)	-	(970,449)
Inter-segment cost of revenues	(10,297)	-	(1,801)	(24)	12,122	-
<b>Gross profit</b>	<b>18,421</b>	<b>77,555</b>	<b>28,170</b>	<b>43,285</b>	<b>(183)</b>	<b>167,248</b>
Selling and administrative expense	(19,168)	(15,344)	(18,056)	(3,198)	992	(54,774)
Other operating income	10,330	600	607	194	(2,988)	8,743
Other operating expense (*)	(3,325)	(69)	(2,139)	(157)	681	(5,009)
<b>Profit from operations</b>	<b>6,258</b>	<b>62,742</b>	<b>8,582</b>	<b>40,124</b>	<b>(1,498)</b>	<b>116,208</b>
Financial income	9,147	352	(134)	(702)	(1,903)	6,760
Financial expense	42,628	4,289	(964)	(5,389)	1,241	41,805
<b>Profit before tax</b>	<b>58,033</b>	<b>67,383</b>	<b>7,484</b>	<b>34,033</b>	<b>(2,160)</b>	<b>164,773</b>
Current	(8,616)	(6,087)	(4,651)	(1,307)	-	(20,661)
Deferred	3,888	(3,809)	3,475	6,655	-	10,209
<b>Net profit for the year</b>	<b>53,305</b>	<b>57,487</b>	<b>6,308</b>	<b>39,381</b>	<b>(2,160)</b>	<b>154,321</b>

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

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



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

	1 January - 30 September 2009					Consolidated
	Construction contracts	Rental	Trade manufacturing and others	Energy	Eliminations	
Revenues earned	1,451,516	301,720	313,055	1,829,148	-	3,895,439
Inter-segment revenues earned	67,188	-	19,357	-	(86,545)	-
Cost of revenues	(1,261,262)	(40,737)	(241,374)	(1,666,263)	-	(3,209,636)
Inter-segment cost of revenues	(68,379)	-	(3,649)	(102)	72,130	-
<b>Gross profit</b>	<b>189,063</b>	<b>260,983</b>	<b>87,389</b>	<b>162,783</b>	<b>(14,415)</b>	<b>685,803</b>
Selling and administrative expense	(47,811)	(45,580)	(64,408)	(7,588)	3,166	(162,221)
Other operating income	18,347	1,338	2,928	10,126	(730)	32,009
Other operating expense (*)	(8,694)	(894)	(7,776)	8	2,258	(15,098)
<b>Profit from operations</b>	<b>150,905</b>	<b>215,847</b>	<b>18,133</b>	<b>165,329</b>	<b>(9,721)</b>	<b>540,493</b>
Income/ (loss) from associates	-	-	(1,534)	-	-	(1,534)
Financial income	61,868	3,415	4,284	12,834	(8,124)	74,277
Financial expense	(43,485)	(9,520)	(14,183)	(29,249)	5,866	(90,571)
<b>Profit before tax</b>	<b>169,288</b>	<b>209,742</b>	<b>6,700</b>	<b>148,914</b>	<b>(11,979)</b>	<b>522,665</b>
Current	(50,740)	(32,807)	(2,906)	-	-	(86,453)
Deferred	3,899	(1,966)	(1,594)	(36,518)	-	(36,179)
<b>Net profit for the year</b>	<b>122,447</b>	<b>174,969</b>	<b>2,200</b>	<b>112,396</b>	<b>(11,979)</b>	<b>400,033</b>

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

	31 December 2009					Consolidated
	Construction contracts	Rental	Trade manufacturing and others	Retail	Energy	
Segment assets	2,543,137	1,217,879	442,914	985,912	1,854,440	7,044,282
Unallocated assets	-	-	-	-	-	600
<b>Total assets</b>	<b>2,543,137</b>	<b>1,217,879</b>	<b>442,914</b>	<b>985,912</b>	<b>1,854,440</b>	<b>7,044,882</b>
Segment liabilities	856,204	187,390	303,789	224,407	1,483,563	3,055,353
Unallocated liabilities	-	-	-	-	-	935
<b>Total liabilities</b>	<b>856,204</b>	<b>187,390</b>	<b>303,789</b>	<b>224,407</b>	<b>1,483,563</b>	<b>3,056,288</b>

	1 January - 30 September 2009				
	Construction contracts	Rental	Trade manufacturing and others	Energy	Consolidated
<b>Other segment information</b>					
Capital expenditures					
Property, plant and equipment	40,370	43,127	19,177	11,470	114,144
Intangible assets	131	264	80	408	883
<b>Total capital expenditures</b>	<b>40,501</b>	<b>43,391</b>	<b>19,257</b>	<b>11,878</b>	<b>115,027</b>
Depreciation expense	57,527	2,706	10,976	40,000	111,209
Amortisation	135	106	379	117	737

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

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

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

	1 April - 30 September 2009					Consolidated
	Construction contracts	Rental	Trade manufacturing and others	Energy	Eliminations	
Revenues earned	490,587	99,020	109,615	511,255	-	1,210,477
Inter-segment revenues earned	19,583	-	5,640	-	(25,223)	-
Cost of revenues	(393,306)	(14,609)	(87,577)	(458,874)	-	(954,366)
Inter-segment cost of revenues	(23,645)	-	2,197	(25)	21,473	-
<b>Gross profit</b>	<b>93,219</b>	<b>84,411</b>	<b>29,875</b>	<b>52,356</b>	<b>(3,750)</b>	<b>256,111</b>
Selling and administrative expense	(16,795)	(14,649)	(17,041)	(2,624)	1,070	(50,039)
Other operating income	2,376	148	(7,041)	1,174	7,176	3,833
Other operating expense (*)	(3,942)	(427)	6,476	(6)	(6,663)	(4,562)
<b>Profit from operations</b>	<b>74,858</b>	<b>69,483</b>	<b>12,269</b>	<b>50,900</b>	<b>(2,167)</b>	<b>205,343</b>
Income/ (loss) from associates	-	-	(710)	-	-	(710)
Financial income	19,517	1,569	(4,698)	(372)	(4,215)	11,801
Financial expense	8,487	4,531	(825)	(8,994)	3,485	6,684
<b>Profit before tax</b>	<b>102,862</b>	<b>75,583</b>	<b>6,036</b>	<b>41,534</b>	<b>(2,897)</b>	<b>223,118</b>
Current	(17,070)	(12,195)	(171)	-	-	(29,436)
Deferred	2,800	711	(1,919)	(5,455)	-	(3,863)
<b>Net profit for the year</b>	<b>88,592</b>	<b>64,099</b>	<b>3,946</b>	<b>36,079</b>	<b>(2,897)</b>	<b>189,819</b>

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

	1 April - 30 September 2009				Consolidated
	Construction contracts	Rental	Trade manufacturing and others	Energy	
<b>Other segment information</b>					
Capital expenditures					
Property, plant and equipment	(4,570)	15,171	1,958	1,600	14,159
Intangible assets	21	55	2	142	220
<b>Total capital expenditures</b>	<b>(4,549)</b>	<b>15,226</b>	<b>1,960</b>	<b>1,742</b>	<b>14,379</b>
Depreciation expense	19,952	1,075	3,689	13,477	38,193
Amortisation	54	38	116	38	246

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

For the period ended 30 September 2010, revenue amounting to USD 1.919.269 (30 September 2009: USD 1.829.148) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), the share of which is consolidated revenue exceeds 10%. For the period ended 30 September 2010, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 1.647.243 (30 September 2009: USD 1.539.658) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds 10%.

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

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

##### b) Geographical segments:

1 January - 30 September 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and other (*)	Eliminations	Consolidated
Net sales	2,416,430	895,984	129,740	52,024	-	3,494,178
Inter-segment sales	34,917	3,654	-	-	(38,571)	-
Capital expenditures	28,766	28,588	4,542	1,873	-	63,769
30 September 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and other (*)	Eliminations	Consolidated
Segmental assets	4,116,977	2,600,434	382,722	68,142	-	7,168,275
1 April - 30 September 2010						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and other (*)	Eliminations	Consolidated
Net sales	839,047	220,741	61,114	16,795	-	1,137,697
Inter-segment sales	11,311	994	-	-	(12,305)	-
1 January - 30 September 2009						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and other (*)	Eliminations	Consolidated
Net sales	2,407,604	1,112,503	309,616	65,716	-	3,895,439
Inter-segment assets	49,767	36,778	-	-	(86,545)	-
Capital expenditures	40,247	66,032	6,220	2,528	-	115,027
31 December 2009						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and other	Eliminations	Consolidated
Segmental assets	3,850,346	2,690,057	447,815	56,064	-	7,044,282
1 April - 30 September 2009						
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and other (*)	Eliminations	Consolidated
Net sales	730,822	336,162	119,249	24,244	-	1,210,477
Inter-segment sales	14,921	10,302	-	-	(25,223)	-

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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 6. CASH AND CASH EQUIVALENTS

	30 September 2010	31 December 2009
Cash on hand	1,415	2,629
Cash in bank		
Demand deposits	303,889	163,150
Time deposits	481,983	504,110
Other	4,497	2,274
	<u>791,784</u>	<u>672,163</u>
Less: short term time deposits which are blocked in bank accounts as collateral	(3,247)	(26,000)
Cash and cash equivalents at consolidated cash flow statement	<u>788,537</u>	<u>646,163</u>

#### Time deposits with maturities over three months

	30 September 2010	31 December 2009
<i>Variable interest rate</i>		
US Dollars	-	Libor + %1,15
<i>Fixed interest rate</i>		
US Dollars	%0,15-% 3,26	%0,15-%3,50
Russian Ruble	% 4,00	%6,00-%7,50
EUR	%0,25 -%3,20	%0,20-%3,10
TL	%6,00-%9,75	%6,00-%11,00
Japanese Yen	%0,30-%1,00	%0,15-%0,35
Chinese Yuan	%1,71	%1,71

#### Time deposits with maturities over three months

US Dollars - Variable interest rate	-	Libor+%1,15
US Dollars - Fixed interest rate	%2,75	%3,00-%6,00
Euro - Fixed interest rate	%1,10	-

As of 30 September 2010, the entity does not have time deposits that are blocked as collateral against the bank loan of a subsidiary with maturity over three months and less than one year (31 December 2009: USD 10.000); and with maturity less than three months (31 December 2009: USD 15.000).

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 7. FINANCIAL INVESTMENTS

##### Current Financial Investments

Details of current financial investments are as follows:

	30 September 2010		31 December 2009	
	Effective interest rate	Amount	Effective interest rate	Amount
<b>Investments available for sale</b>				
Private sector bonds				
- International markets	%2.69-%3.34	5,062	0,42%-15,48%	29,091
Foreign Government bonds				
- International markets	%0.14-%7.49	437,576	0,02%-0,49%	399,436
Equity securities				
- International markets		105,072		81,039
- Domestic market		4,142		4,498
Turkish Government bonds				
- Domestic market	%7.70-%9.53	16,398	7,53%-11,89%	12,004
Mutual funds				
- International markets		45,324		31,217
- Domestic market		15,876		1,699
		<u>629,450</u>		<u>558,984</u>

##### Non-Current Financial Investments

Details of non-current financial investments are as follows:

	30 September 2010		31 December 2009	
	Effective interest rate	Amount	Effective interest rate	Amount
<b>Investments available for sale</b>				
Private sector bonds				
- International markets	%1.61-%16.10	373,290	2,43%-16,10%	156,895
Foreign Government bonds				
- International markets	%1.99-%15.91	184,935	1,99%-8,78%	271,613
Turkish Government bonds				
- Domestic market	%9.22	14,826	7,64%-9,53%	26,944
- International markets	%6.48-%9.80	17,420	8,09%-9,80%	5,893
Equity securities		1,539		1,342
		<u>592,010</u>		<u>462,687</u>

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

	30 September 2010	31 December 2009
Private Sector Bonds - International markets	10 December 2049	10 December 2049
Foreign Government Bonds - International markets	15 February 2040	15 February 2029
Turkish Government Bonds		
- Domestic market	25 January 2012	11 May 2011
- International markets	14 February 2034	14 February 2034

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 8. FINANCIAL LIABILITIES

##### Short-term borrowings:

	30 September 2010			
	Interest rate	Currency Type	Original Currency	U.S Dollar Equivalent
Short-term bank borrowings	Euribor + 2,5 % - 3,0 %	EUR	5,100	6,942
	Libor +2,75 % - 3,10 %	USD	14,773	14,773
	7,20 %	TL	4,435	3,056
				<u>24,771</u>

##### Long-term borrowings:

	30 September 2010			
	Interest rate	Currency Type	Original Currency	U.S Dollar Equivalent
Eximbank loans	Libor + 0,10 % - 4,26 %	USD	198,163	198,163
OPIC loan	7,54 % - 7,90 %	USD	106,123	106,123
Hermes loan	Libor + 0,625 %	USD	21,771	21,771
OND loan	Libor + 0,70 %	USD	20,818	20,818
Hermes loan	Libor + 0,23 % - 0,65 %	EUR	44,766	60,936
Other long-term bank borrowings	Libor + 1,30 % - 3,00 %	USD	8,297	8,297
	Euribor + 1,55 % - 4,70 %	EUR	28,545	38,855
	0,75 % - 2,20 %	JPY	11,294,202	134,825
	10,00 % - 12,00 %	TL	2,792	1,924
Iraq related Eximbank loans		USD	80,701	80,701
		EUR	2,241	3,051
Obligations under finance leases	Libor + 1,90%	USD	852	852
	3,00%	RUR	1,651,669	56,758
	5,00 %	EUR	108	288
				<u>733,362</u>
Less: Current portion of long-term borrowings and finance lease obligations				(243,445)
Less: Money received from UNCC by Eximbank		USD	(31,863)	(31,863)
Total long-term borrowings				<u>458,054</u>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

##### Short-term borrowings:

	31 December 2009			
	Interest rate	Currency Type	Original Currency	U.S Dollar Equivalent
Short-term bank borrowings	Euribor + 2,25%-4,25%	EUR	9,217	13,224
	12,65%-18,00%	TL	4,735	3,145
Total short-term borrowings				<u>16,369</u>

##### Long-term borrowings:

	31 December 2009			
	Interest rate	Currency Type	Original Currency	U.S Dollar Equivalent
Eximbank loans	Libor + 0,10%-4,26%	USD	241,676	241,676
OPIC loan	7,54%-7,90%	USD	117,507	117,507
Hermes loan	Libor + 0,625%	USD	28,572	28,572
OND loan	Libor + 0,70%	USD	25,565	25,565
ABN Amro loan	Libor + 1,35%	USD	25,003	25,003
Hermes loan	Euribor + 1,21% - 1,65%	EUR	58,102	83,359
Other long-term bank borrowings	Libor + 1,15%-7,78%	USD	33,847	33,847
	Euribor + 1,30%-6,84%	EUR	48,217	69,176
	1,85%-6,45%	JPY	7,760,775	84,175
Iraq related Eximbank loans		USD	80,699	80,699
		EUR	2,241	3,215
Obligations under finance leases	Libor + 1,90%	USD	1,579	1,579
	3,00%	RUR	1,715,256	56,713
				<u>851,086</u>
Less: Current portion of long-term borrowings and finance lease obligations				(315,274)
Less: Money received from UNCC by Eximbank (Note 8)		USD	(31,863)	(31,863)
Total long-term borrowings				<u>503,949</u>

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

	30 September 2010	31 December 2009
Less than 1 year	243,445	315,274
1 - 5 years	350,700	400,853
More than 5 years	164	51,045
Less : Current portion of long-term borrowings	(243,445)	(315,274)
	<u>350,864</u>	<u>451,898</u>

As of 30 September 2010 there is no material change in financial liabilities except as explained in the explanatory notes of 31 December 2009 consolidated financial statements.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 9. TRADE RECEIVABLES AND PAYABLES

	30 September 2010	31 December 2009
<u>Short-term trade receivables</u>		
Trade Receivables, net	384,895	368,817
Notes and cheques receivables	67,725	106,215
Contract Receivables	111,865	104,297
Retention Receivables (*)	(1,419)	34,052
Other Receivables	29,715	600
	<u>592,782</u>	<u>613,981</u>
Less: Allowance for doubtful receivables	(27,228)	(25,973)
	<u>565,554</u>	<u>588,008</u>

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

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

	30 September 2010	31 December 2009
<u>Long-term trade receivables</u>		
Accrued receivables from Iraq	115,116	115,116
Notes and cheques receivables	30,134	32,719
Trade Receivables	1,193	4,305
Allowance for accrued receivables for Iraq losses	(53,093)	(53,093)
Money received from UNNC by Eximbank (*)	(30,160)	(30,160)
Money received from UNNC by Eximbank (**)	(31,863)	(31,863)
	<u>31,327</u>	<u>37,024</u>

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

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

	30 September 2010	31 December 2009
<u>Short-term trade payables</u>		
Trade payables	373,813	338,813
Advances Received	131,691	233,569
Notes Payable	(68)	8,177
Other Payables	3,481	945
	<u>508,917</u>	<u>581,504</u>
	30 September 2010	31 December 2009
<u>Long term trade payables</u>		
Trade payables	7,909	2,314
	<u>7,909</u>	<u>2,314</u>



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

	30 September 2010	31 December 2009
Construction cost incurred plus	1,644,863	2,416,277
Recognised profit less recognised losses to date	125,472	179,958
	<u>1,770,335</u>	<u>2,596,235</u>
Less: progress billing	(1,776,440)	(2,658,534)
	<u>(6,105)</u>	<u>(62,299)</u>

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

	30 September 2010	31 December 2009
Costs and estimated earnings in excess of billings on uncompleted contracts	11,909	1,562
Billings in excess of costs and estimated earnings on uncompleted contracts	(18,014)	(63,861)
	<u>(6,105)</u>	<u>(62,299)</u>

As of 30 September 2010, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 97.412 (31 December 2009 – USD 219.990).

#### 11. INVESTMENT PROPERTIES

As of 30 September 2010 and 2009, movement of investment properties is as follows:

	2010	2009
<b>Opening balance as at January 1</b>	1,891,271	1,882,856
Currency translation difference	(7,626)	(32,291)
Transfers from construction in progress	24,270	418
<b>Closing balance as at September 30</b>	<u>1,907,915</u>	<u>1,850,983</u>

#### 12. PROPERTY PLANT AND EQUIPMENT

During the period ended 30 September 2010 the Group purchased property plant and equipment amounting to USD 63.769. In addition during the period ended 30 September 2010 net book value of USD 21.159 property plant and equipment sold for USD 22.971.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 13. COMMITMENTS AND CONTINGENCIES

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

Future minimum lease payments under non-cancellable operating leases of the Group as of 30 September 2010 and 31 December 2009 are as follows:

	30 September 2010	31 December 2009
Within one year	8,151	8,938
After one year but not more than five years	22,876	31,670
More than 5 years	8,076	31,476
	<u>39,103</u>	<u>72,084</u>

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

The minimum future rental income of the Group under non-cancelable operating leases at 30 September 2010 and 31 December 2009 are as follows:

	30 September 2010	31 December 2009
Within one year	249,196	271,293
After one year but not more than five years	499,399	616,503
More than 5 years	331,840	344,221
	<u>1,080,435</u>	<u>1,232,017</u>

##### Litigations:

During the period ended 30 September 2010 the Group does not have any new legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2009 consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

##### Commitments and contingencies:

During the period ended 30 September 2010 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 2009 consolidated financial statements.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

##### Commitments and contingencies (cont'd):

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 30 September 2010 and 31 December 2009 is as follows;

	30 September 2010	31 December 2009
A. Total amount of guarantees provided by the Company on behalf of itself	3,051,125	3,127,731
B. Total amount for guarantees provided on behalf of the consolidated subsidiaries accounted under full consolidation method	391,849	393,460
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-
D. Other guarantees given	521	560
i. Total amount of guarantees given on behalf of the parent company	-	-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	521	560
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-
	<u>3,443,495</u>	<u>3,521,751</u>

As of 30 September 2010 the portion of other guarantees given to shareholders' equity is 0,01% (31 December 2009: 0,01%).

#### 14. OTHER LIABILITIES

	30 September 2010	31 December 2009
<u>Other non current liabilities</u>		
Deferred revenue (*)	885,024	851,570
Deposits taken	16,600	16,172
Deferred rent revenue	3,974	3,974
	<u>905,598</u>	<u>871,716</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.

#### 15. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

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

#### 16. SHARE CAPITAL

The shareholders of the Group during 30 September 2010 and 31 December 2009 is as follows:

	30 September 2010		31 December 2009	
	Hisse oranı	Amount	Hisse oranı	Amount
Tara Holding A.Ş.	48.80%	720,502	48.63%	590,809
Tara ve Gülçelik families	28.05%	414,135	28.63%	347,828
Publicly traded	12.78%	188,706	12.32%	149,677
Enka Spor Eğitim ve Sosyal Yardım Vakfı	6.00%	88,657	6.05%	73,502
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	64,498	4.37%	53,091
	<u>100%</u>	<u>1,476,498</u>	<u>100%</u>	<u>1,214,907</u>

Based on the Group's Ordinary General Assembly held on April 22, 2010; the Group increased the share capital of the Group from TL 1.800.000 to TL 2.200.000; and covered the TL 400.000 from the 1st Dividend at an amount of TL 200.000, and from the 2nd Dividend at an amount of TL 140.000 plus a further amount of TL 60.000 from the reserve funds.

Regarding the distribution of the year 2009 profit, based on the resolution taken at the Group's Ordinary General Assembly, the Group distributed to its shareholders for each TL 1 (full TL) nominal valued share, 0.0800 gross / 0.0680 net (full TL) (as being 8% gross, 6.80% net of the issued share capital) in total TL 144.000.

The movement of the share capital (in numbers and in historical TL) of the Group during 30 September 2010 and 31 December 2009 is as follows:

	30 September 2010		31 December 2009	
	Share Amount	TL	Share Amount	TL
At 1 January,	180,000,000,000	1,800,000	120,000,000,000	1,200,000
- Bonus shares issued our of general led	40,000,000,000	400,000	60,000,000,000	600,000
	<u>220,000,000,000</u>	<u>2,200,000</u>	<u>180,000,000,000</u>	<u>1,800,000</u>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

#### 17. 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 2009 - 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 2009 – 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

As of 30 September 2010 and 30 September 2009 components of tax expense are as follows:

	30 September 2010	30 September 2009
Consolidated income statement		
Current corporate tax	(63,729)	(86,453)
Deferred tax income / (expense)	299	(36,179)
	<u>(63,430)</u>	<u>(122,632)</u>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

##### Tax legislations in other countries

As of 30 September 2010 and 31 December 2009 effective corporation tax rate in other countries are as follows:

	30 September 2010	31 December 2009
Russia	20%	20%
Netherlands	25,5%	25,5%
Kazakhstan	20% - 30%	30% - 37%
Romania	16%	16%
Albania	10%	10%
Oman	12%	12%
Libya	20%	15% - 40%
Kosova	10%	10%

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

	2010	2009
1 January	16,120	23,847
Current year tax expense	63,729	86,453
Taxes paid	(54,096)	(85,202)
30 September	<u>25,753</u>	<u>25,098</u>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

##### Deferred tax assets and liabilities

As of 30 September 2010 and 31 December 2009, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	30 September 2010	31 December 2009
	<u>                    </u>	<u>                    </u>
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(426,715)	(421,709)
Adjustment for percentage of completion method on construction projects	-	-
IAS 39 adjustments on financial instruments and derivatives	(674)	-
GE Inventory in the context of "PSA" (*)	(9,897)	(16,878)
Others	(4,309)	(5,249)
<b>Gross deferred income tax liabilities</b>	<u>(441,595)</u>	<u>(443,836)</u>
Adjustment of revenue levelization	175,235	168,606
Adjustment for percentage of completion method on construction projects	-	454
Tax loss carry-forward	163	16,481
Unused vacation pay accrual	-	1,856
Allowance for retirement pay liability	1,647	-
Allowance for doubtful receivables	1,831	1,640
Remeasurement of inventories	451	470
Deferred financial expenses	463	476
Others	-	1,488
<b>Gross deferred income tax assets</b>	<u>179,790</u>	<u>191,471</u>
<b>Net deferred tax liability</b>	<u>(261,805)</u>	<u>(252,365)</u>

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

Reflected as:

	30 September 2010	31 December 2009
	<u>                    </u>	<u>                    </u>
Deferred tax assets	19,740	21,909
Deferred tax liabilities	<u>(281,545)</u>	<u>(274,274)</u>
<b>Net deferred tax liabilities</b>	<u><u>(261,805)</u></u>	<u><u>(252,365)</u></u>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

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

	30 September 2010	30 September 2009
Balance at 1 January of Enka İnşaat and its subsidiaries	252,365	201,473
Balance at 1 January of the joint ventures	(673)	1,276
<b>Balance at 1 January</b>	<b>251,692</b>	<b>202,749</b>
Deferred income tax expense recognized in income statement	(299)	36,179
Deferred income tax expense recognized in equity	7,760	7,641
Translation loss	2,652	(8,063)
<b>Total net deferred tax liabilities</b>	<b>261,805</b>	<b>238,506</b>
Balance at 30 September of Enka İnşaat and its subsidiaries	261,805	238,506
Balance at 30 September joint ventures	(583)	(576)
<b>Total net deferred tax liabilities</b>	<b>261,222</b>	<b>237,930</b>

As of 30 September 2010 and 30 September 2009, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	30 September 2010			30 September 2009		
	Before taxation	Deferred tax (expense)/i ncome	Netted off deferred tax	Before taxation	Deferred tax (expense)/i ncome	Netted off deferred tax
Changes in fair value of financial assets	38,874	(7,775)	31,099	36,455	(7,291)	29,164
Changes in fair value of derivative assets	(73)	15	(58)	1,751	(350)	1,401
Changes in currency translation differences	(12,759)	-	(12,759)	(11,327)	-	(11,327)
	<b>26,042</b>	<b>(7,760)</b>	<b>18,282</b>	<b>26,879</b>	<b>(7,641)</b>	<b>19,238</b>



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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

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

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

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

##### Foreign currency risk

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

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

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

The following table details the Group's foreign currency position as at 30 September 2010 and 31 December 2009:

	<u>30 September 2010</u>	<u>31 December 2009</u>
A.Total assets	1,324,458	1,344,000
B.Total liabilities	(556,269)	(668,111)
Net foreign currency position (A-B)	768,189	675,889

The Group's foreign currency position at 30 September 2010 and 31 December 2009 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

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

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

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

	30 September 2010						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	88,255	60,815	160,989	219,138	84,806	56,656	421,416
Investments available-for-sale	52,946	36,484	110,831	150,863	24,361	100,373	312,082
Trade and other receivables	12,655	8,720	75,230	102,403	58,544	8,319	177,986
Other current assets	32,033	22,073	1,238	1,685	21,522	296	45,577
Company's share in non current assets of joint ventures	-	-	2,521	3,432	22,619	55	26,105
<b>Current assets</b>	<b>185,889</b>	<b>128,093</b>	<b>350,809</b>	<b>477,521</b>	<b>211,852</b>	<b>165,699</b>	<b>983,166</b>
Financial assets	21,515	14,826	184,362	250,954	35,699	-	301,478
Trade and other receivables	-	-	17,573	23,920	5,364	109	29,393
Other non current assets	1,781	1,227	937	1,275	2,713	5,174	10,390
Company's share in non current assets of joint ventures	-	-	-	-	31	-	31
<b>Non-current assets</b>	<b>23,296</b>	<b>16,053</b>	<b>202,872</b>	<b>276,149</b>	<b>43,807</b>	<b>5,283</b>	<b>341,292</b>
<b>Total assets</b>	<b>209,185</b>	<b>144,146</b>	<b>553,681</b>	<b>753,671</b>	<b>255,659</b>	<b>170,982</b>	<b>1,324,458</b>
Short-term borrowings	926	638	44,033	59,938	54,925	9,951	125,452
Trade and other payables	34,045	23,460	62,644	85,271	22,796	9,875	141,402
Other current liabilities and accrued expenses	46,740	32,208	13,258	18,047	10,690	16,136	77,081
Company's share in non current liabilities of joint ventures	1	1	19	26	54,784	1,871	56,682
<b>Current liabilities</b>	<b>81,712</b>	<b>56,307</b>	<b>119,954</b>	<b>163,281</b>	<b>143,196</b>	<b>37,833</b>	<b>400,617</b>
Long-term borrowings	1,184	816	34,784	47,348	94,412	4,500	147,076
Trade and other payables	-	-	5,000	6,806	-	1,103	7,909
Other non-current liabilities	-	-	184	250	-	268	518
Company's share in non current liabilities of joint ventures	-	-	-	-	148	-	148
<b>Non-current liabilities</b>	<b>1,184</b>	<b>816</b>	<b>39,968</b>	<b>54,404</b>	<b>94,560</b>	<b>5,871</b>	<b>155,652</b>
<b>Total liabilities</b>	<b>82,896</b>	<b>57,122</b>	<b>159,922</b>	<b>217,686</b>	<b>237,756</b>	<b>43,704</b>	<b>556,269</b>
<b>Net foreign currency position</b>	<b>126,289</b>	<b>87,024</b>	<b>393,759</b>	<b>535,985</b>	<b>17,902</b>	<b>127,278</b>	<b>768,189</b>
<b>Net notional amount of derivatives</b>	-	-	-	-	-	-	-
<b>Export</b>	-	-	<b>84,094</b>	<b>114,469</b>	<b>6,838</b>	<b>2,458</b>	<b>123,765</b>
<b>Import</b>	<b>160</b>	<b>110</b>	<b>59,375</b>	<b>80,821</b>	<b>79,106</b>	<b>26,235</b>	<b>186,273</b>

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

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

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

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

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

	31 December 2009						
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	32,842	21,812	119,277	171,127	61,598	101,665	356,202
Investments available-for-sale	28,988	19,252	180,424	258,854	20,194	81,458	379,758
Trade and other receivables	15,209	10,101	82,824	118,828	57,710	9,790	196,429
Other current assets	32,836	21,808	5,721	8,208	13,084	353	43,453
Company's share in non current assets of joint ventures	-	-	7,663	10,994	37,159	187	48,340
<b>Current assets</b>	<b>109,875</b>	<b>72,973</b>	<b>395,909</b>	<b>568,011</b>	<b>189,745</b>	<b>193,453</b>	<b>1,024,182</b>
Financial assets	40,569	26,944	157,119	225,419	18,713	-	271,076
Trade and other receivables	-	-	19,962	28,639	8,034	145	36,818
Other non current assets	1,870	1,242	1,768	2,537	2,624	5,500	11,903
Company's share in non current assets of joint ventures	-	-	-	-	21	-	21
<b>Non-current assets</b>	<b>42,439</b>	<b>28,186</b>	<b>178,849</b>	<b>256,595</b>	<b>29,392</b>	<b>5,645</b>	<b>319,818</b>
<b>Total assets</b>	<b>152,314</b>	<b>101,159</b>	<b>574,758</b>	<b>824,606</b>	<b>219,137</b>	<b>199,098</b>	<b>1,344,000</b>
Short-term borrowings	266	177	64,723	92,858	35,666	58,340	187,041
Trade and other payables	32,910	21,857	57,615	82,660	45,911	10,277	160,705
Other current liabilities and accrued expenses	34,252	22,748	13,787	19,780	23,505	16,000	82,033
Company's share in non current liabilities of joint ventures	-	-	175	251	82,497	13,790	96,538
<b>Current liabilities</b>	<b>67,428</b>	<b>44,782</b>	<b>136,300</b>	<b>195,549</b>	<b>187,579</b>	<b>98,407</b>	<b>526,317</b>
Long-term borrowings	-	-	53,073	76,144	60,214	510	136,868
Trade and other payables	-	-	-	-	2,140	2,314	4,454
Other non-current liabilities	-	-	105	151	-	321	472
Company's share in non current liabilities of joint ventures	-	-	-	-	-	-	-
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>53,178</b>	<b>76,295</b>	<b>62,354</b>	<b>3,145</b>	<b>141,794</b>
<b>Total liabilities</b>	<b>67,428</b>	<b>44,782</b>	<b>189,478</b>	<b>271,844</b>	<b>249,933</b>	<b>101,552</b>	<b>668,111</b>
<b>Net foreign currency position</b>	<b>84,886</b>	<b>56,377</b>	<b>385,280</b>	<b>552,762</b>	<b>(30,796)</b>	<b>97,546</b>	<b>675,889</b>
<b>Net notional amount of derivatives</b>	<b>-</b>	<b>-</b>	<b>5,600</b>	<b>8,034</b>	<b>-</b>	<b>-</b>	<b>8,034</b>
<b>Export</b>	<b>2,905</b>	<b>1,929</b>	<b>172,717</b>	<b>247,797</b>	<b>894</b>	<b>3,436</b>	<b>254,056</b>
<b>Import</b>	<b>152</b>	<b>101</b>	<b>107,379</b>	<b>154,057</b>	<b>46,252</b>	<b>26,517</b>	<b>226,927</b>

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

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

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

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

#### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 profit before tax and the Group's equity.

The following table details the Group's foreign currency sensitivity as at 30 September 2010 and 31 December 2009:

Currency	30 September 2010		31 December 2009	
	Increase rate	Effect on profit before tax	Increase rate	Effect on profit before tax
Euro	10%	53,598	10%	56,080
TL	10%	8,702	10%	5,638
Other currencies	10%	1,790	10%	(3,080)

#### 19. SUBSEQUENT EVENTS

None.