

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

**CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 JUNE 2013**

## REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### *Introduction*

We have reviewed the accompanying condensed consolidated balance sheet of Enka İnşaat ve Sanayi Anonim Şirketi (Enka İnşaat) and its subsidiaries (together the "Group") as of 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month interim period then ended. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that, the accompanying interim condensed consolidated financial statements, do not present fairly, in all material respects, in accordance with International Financial Reporting Standards.

İstanbul, 21 August 2013

*DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.*  
DRT BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of DELOITTE TOUCHE TOHMATSU LIMITED

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

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2013**

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

| <b>ASSETS</b>  | <b>Notes</b> | <b>Reviewed<br/>30 June<br/>2013</b> | <b>Reclassified<br/>(Note 2.3)<br/>Audited<br/>31 December<br/>2012</b> |
|--|--------------|--------------------------------------|---|
| <b>Current Assets</b>  |              | <b>3.089.264</b>                     | <b>3.187.170</b>  |
| Cash and cash equivalents  | 7            | 1.098.896                            | 1.014.878   |
| Financial investments  | 8            | 645.382                              | 722.252   |
| Trade receivables  | 10           | 727.450                              | 878.720   |
| Other receivables  |              |                                      |   |
| Other receivables from related parties   |              | 734                                  | 233   |
| Other receivables from third parties   |              | 708                                  | 9.864   |
| Inventories  | 11           | 427.962                              | 337.592   |
| Prepaid expenses   |              | 76.502                               | 72.591  |
| Costs and estimated earnings in excess of billings on<br>uncompleted contracts | 12           | 60.267                               | 68.573  |
| Other current assets   |              | 47.732                               | 78.551  |
|  |              | <b>3.085.633</b>                     | <b>3.183.254</b>  |
| Assets held for sale and discontinued operations                               | 20           | 3.631                                | 3.916   |
| <b>Non-Current Assets</b>  |              | <b>4.828.322</b>                     | <b>5.050.336</b>  |
| Financial investments  | 8            | 851.478                              | 970.085   |
| Trade receivables  | 10           | 13.944                               | 21.918  |
| Investment properties  | 13           | 2.081.801                            | 2.133.921   |
| Property, plant and equipments   | 14           | 1.779.027                            | 1.816.885   |
| Intangible assets  |              |                                      |   |
| Goodwill   |              | 63.639                               | 63.725  |
| Other intangible assets  |              | 29.858                               | 29.965  |
| Deferred tax assets  | 21           | 23                                   | 84  |
| Other non-current assets   |              | 8.552                                | 13.753  |
| <b>TOTAL ASSETS</b>  |              | <b>7.917.586</b>                     | <b>8.237.506</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 BALANCE SHEET  
AS AT 30 JUNE 2013**

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

| <b>LIABILITIES</b>   | <b>Notes</b> | <b>Reviewed<br/>30 June<br/>2013</b> | <b>Reclassified<br/>(Note 2.3)<br/>Audited<br/>31 December<br/>2012</b> |
|--|--------------|--------------------------------------|---|
| <b>Current Liabilities</b>   |              | <b>1.348.141</b>                     | <b>1.456.644</b>  |
| Short-term borrowings  | 9            | 42.948                               | 20.053  |
| Current portion of long-term borrowings  | 9            | 67.309                               | 137.458   |
| Trade payables   | 10           | 570.636                              | 621.556   |
| Payables to employees  |              | 29.603                               | 22.026  |
| Other payables   |              |                                      |   |
| Payables to related parties  |              | 1.437                                | 1.457   |
| Payables to third parties  |              | 28.380                               | 26.576  |
| Billings in excess of costs and estimated earnings<br>on uncompleted contracts | 12           | 221.786                              | 182.021   |
| Deferred income  | 16           | 270.031                              | 317.229   |
| Taxation on income   | 21           | 46.618                               | 38.415  |
| Provisions   |              |                                      |   |
| Provisions for employee benefits   |              | 18.792                               | 23.819  |
| Other provisions   |              | 19.781                               | 36.466  |
| Other current liabilities  |              | 30.820                               | 29.568  |
| <b>Non-Current Liabilities</b>   |              | <b>1.320.801</b>                     | <b>1.421.359</b>  |
| Long-term borrowings   | 9            | 152.263                              | 219.041   |
| Trade payables   | 10           | 5.224                                | 5.277   |
| Other payables   |              | 27.636                               | 25.862  |
| Deferred income  | 16           | 753.094                              | 790.629   |
| Provisions for employee benefits   |              | 16.785                               | 17.038  |
| Deferred tax liabilities   | 21           | 365.799                              | 363.512   |
| <b>EQUITY</b>  |              | <b>5.248.644</b>                     | <b>5.359.503</b>  |
| <b>Equity attributable to equity holders of the parent</b>                     |              | <b>5.181.582</b>                     | <b>5.099.441</b>  |
| Share capital  | 19           | 2.040.352                            | 1.829.192   |
| Revaluation surplus  | 19           | 184.293                              | 186.592   |
| Currency translation difference  |              | (248.182)                            | (129.870)   |
| Other reserves   |              | 1.986                                | 1.974   |
| Legal reserves and accumulated profit  |              | 3.203.133                            | 3.211.553   |
| <b>Non-controlling interests</b>   |              | <b>67.062</b>                        | <b>260.062</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |              | <b>7.917.586</b>                     | <b>8.237.506</b>  |

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME  
FOR THE PERIOD ENDED 30 JUNE 2013

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

|  | Notes | Reclassified (Note 2.3)                   |  |   |  |
|--|-------|---|--|---|--|
|  |       | Reviewed<br>1 January-<br>30 June<br>2013 | Not Reviewed<br>1 April -<br>30 June<br>2013 | Reviewed<br>1 January-<br>30 June<br>2012 | Not Reviewed<br>1 April -<br>30 June<br>2012 |
| <b>CONTINUING OPERATIONS</b>                                   |       |   |  |   |  |
| Revenue  | 6     | 3.281.844                                 | 1.711.961                                    | 2.471.788                                 | 1.349.759                                    |
| Cost of revenues (-)   | 6     | (2.700.015)                               | (1.377.807)                                  | (2.098.422)                               | (1.155.431)                                  |
| <b>GROSS PROFIT</b>  |       | <b>581.829</b>                            | <b>334.154</b>                               | <b>373.366</b>                            | <b>194.328</b>                               |
| Marketing, selling and distribution expenses (-)               | 6     | (17.178)                                  | (9.345)                                      | (18.281)                                  | (10.995)                                     |
| Administrative expenses (-)                                    | 6     | (70.678)                                  | (38.402)                                     | (64.945)                                  | (42.326)                                     |
| Other operating income   | 6     | 20.441                                    | 15.156                                       | 13.031                                    | 7.374  |
| Other operating expenses (-)                                   | 6     | (23.554)                                  | (12.947)                                     | (22.798)                                  | (10.354)                                     |
| <b>PROFIT FROM OPERATIONS</b>                                  |       | <b>490.860</b>                            | <b>288.616</b>                               | <b>280.373</b>                            | <b>138.027</b>                               |
| Investment income  | 6     | 50.480                                    | 14.764                                       | 67.843                                    | 23.678                                       |
| Investment expenses (-)  | 6     | (72.068)                                  | (49.069)                                     | (5.692)                                   | 1.510  |
| <b>PROFIT BEFORE TAX</b>                                       |       | <b>469.272</b>                            | <b>254.311</b>                               | <b>342.524</b>                            | <b>163.215</b>                               |
| Financial income   | 6     | 20.570                                    | (11.182)                                     | 33.742                                    | (15.578)                                     |
| Financial expenses (-)   | 6     | (35.223)                                  | (2.713)                                      | (40.292)                                  | (21.987)                                     |
| <b>PROFIT BEFORE TAX</b>                                       |       | <b>454.619</b>                            | <b>240.416</b>                               | <b>335.974</b>                            | <b>125.650</b>                               |
| Current tax expense (-)  | 21    | (90.699)                                  | (51.531)                                     | (50.927)                                  | (10.565)                                     |
| Deferred tax expense   | 21    | (16.971)                                  | (9.730)                                      | (7.554)                                   | (25.262)                                     |
| <b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>        |       | <b>346.949</b>                            | <b>179.155</b>                               | <b>277.493</b>                            | <b>89.823</b>                                |
| <b>DISCONTINUED OPERATIONS</b>                                 |       |   |  |   |  |
| Profit for the period from discontinued operations, net of tax | 20    | -   | -  | 30.901                                    | 30.879                                       |
| <b>NET PROFIT FOR THE PERIOD</b>                               |       | <b>346.949</b>                            | <b>179.155</b>                               | <b>308.394</b>                            | <b>120.702</b>                               |
| <b>Attributable to:</b>  |       |   |  |   |  |
| Non-controlling interests                                      |       | 13.576                                    | 6.300  | 10.278                                    | 5.184  |
| Equity holders of the parent                                   |       | 333.373                                   | 172.855                                      | 298.116                                   | 115.518                                      |
|  |       | <b>346.949</b>                            | <b>179.155</b>                               | <b>308.394</b>                            | <b>120.702</b>                               |
| <b>Earnings per share from continued operations</b>            |       |   |  |   |  |
| - ordinary share certificate (full cent)                       | 5     | 0,10                                      | 0,05   | 0,09                                      | 0,04   |
| <b>Weighted average number of shares</b>                       |       | <b>320.000.000.000</b>                    | <b>320.000.000.000</b>                       | <b>320.000.000.000</b>                    | <b>320.000.000.000</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 COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2013**

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

|  | Reviewed<br>1 January-<br>30 June<br>2013 | Not Reviewed<br>1 April -<br>30 June<br>2013 | Reclassified (Note 2.3)                   |  |
|--|---|--|---|--|
|  |   |  | Reviewed<br>1 January-<br>30 June<br>2012 | Not Reviewed<br>1 April -<br>30 June<br>2012 |
| <b>NET PROFIT FOR THE PERIOD</b>                         | <b>346.949</b>                            | <b>179.155</b>                               | <b>308.394</b>                            | <b>120.702</b>                               |
| <b>Other Comprehensive Income / (Expense):</b>           |   |  |   |  |
| Changes in cash flow hedge                               |   |  |   |  |
| Gain arising during the period                           | 15  | 2  | 88  | 29   |
| Tax effect   | (3)                                       | (1)  | (18)                                      | (7)  |
|  | 12  | 1  | 70  | 22   |
| Changes in revaluation fund of property                  |   |  |   |  |
| Changes in currency translation difference               | (128.315)                                 | (62.076)                                     | (39.455)                                  | (206.247)                                    |
| <b>OTHER COMPREHENSIVE INCOME /<br/>(LOSS) AFTER TAX</b> | <b>(128.303)</b>                          | <b>(62.075)</b>                              | <b>(39.385)</b>                           | <b>(206.225)</b>                             |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>               | <b>218.646</b>                            | <b>117.080</b>                               | <b>269.009</b>                            | <b>(85.523)</b>                              |
| <b>Attributable to:</b>                                  |   |  |   |  |
| Non-controlling interests                                | 4.411                                     | 1.891  | 5.268                                     | (20.351)                                     |
| Equity holders of the parent                             | 214.235                                   | 115.189                                      | 263.741                                   | (65.172)                                     |
|  | <b>218.646</b>                            | <b>117.080</b>                               | <b>269.009</b>                            | <b>(85.523)</b>                              |

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2013**

(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 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  |           | -                | (424)               | (34.021)                        | 70             | -                                     | (34.375)         | (5.010)                   | (39.385)         |
| Profit for the period   |           | -                | -                   | -                               | -              | 298.116                               | 298.116          | 10.278                    | 308.394          |
| Total comprehensive income  |           | -                | (424)               | (34.021)                        | 70             | 298.116                               | 263.741          | 5.268                     | 269.009          |
| Transfer of depreciation difference (net of deferred tax) of revaluation effect |           | -                | (1.833)             | -                               | -              | 1.833                                 | -                | -                         | -                |
| Share capital increase  |           | 163.132          | -                   | -                               | -              | (163.132)                             | -                | -                         | -                |
| Dividends paid  | 17        | -                | (17.618)            | -                               | -              | (126.831)                             | (126.831)        | (9.330)                   | (136.161)        |
| Transfer of revaluation surplus of sold buildings                               |           | -                | -                   | -                               | -              | 17.618                                | -                | -                         | -                |
| <b>Balance at 30 June 2012</b>  | <b>19</b> | <b>1.829.192</b> | <b>181.756</b>      | <b>(266.378)</b>                | <b>1.908</b>   | <b>2.922.939</b>                      | <b>4.669.417</b> | <b>238.044</b>            | <b>4.907.461</b> |
| <b>Balance at 1 January 2013</b>  |           | <b>1.829.192</b> | <b>186.592</b>      | <b>(129.870)</b>                | <b>1.974</b>   | <b>3.211.553</b>                      | <b>5.099.441</b> | <b>260.062</b>            | <b>5.359.503</b> |
| Total other comprehensive income  |           | -                | (838)               | (118.312)                       | 12             | -                                     | (119.138)        | (9.165)                   | (128.303)        |
| Profit for the period   |           | -                | -                   | -                               | -              | 333.373                               | 333.373          | 13.576                    | 346.949          |
| Total comprehensive income  |           | -                | (838)               | (118.312)                       | 12             | 333.373                               | 214.235          | 4.411                     | 218.646          |
| Transfer of depreciation difference (net of deferred tax) of revaluation effect |           | -                | (1.461)             | -                               | -              | 1.461                                 | -                | -                         | -                |
| Share capital increase from general reserve                                     | 19        | 211.160          | -                   | -                               | -              | (211.160)                             | -                | -                         | -                |
| Dividends paid  | 17        | -                | -                   | -                               | -              | (135.244)                             | (135.244)        | (312)                     | (135.556)        |
| Effect of acquisition of non-controlling interest                               |           | -                | -                   | -                               | -              | 3.150                                 | 3.150            | (197.099)                 | (193.949)        |
| <b>Balance at 30 June 2013</b>  | <b>19</b> | <b>2.040.352</b> | <b>184.293</b>      | <b>(248.182)</b>                | <b>1.986</b>   | <b>3.203.133</b>                      | <b>5.181.582</b> | <b>67.062</b>             | <b>5.248.644</b> |

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



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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2013

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

|  | Notes | 1 January - 30<br>June<br>2013 | 1 January - 30<br>June<br>2012 |
|--|-------|--------------------------------|--------------------------------|
| <b>Cash flows from operating activities</b>  |       |                                |                                |
| Profit for the period  |       | 346.949                        | 308.394                        |
| Adjustments to reconcile net income<br>to net cash used in operating activities:                     |       |                                |                                |
| - Depreciation and amortization of non-current assets  |       | 53.213                         | 53.705                         |
| - Provision for employment termination benefits  |       | 2.558                          | 2.580                          |
| - Allowance for doubtful receivables   |       | 2.714                          | 1.196                          |
| - Provision for litigations  |       | 4.531                          | -                              |
| - Adjustments to deferred income from electricity sale   |       | (38.128)                       | (31.492)                       |
| - Gain on sale of discontinued operations  | 20    | -                              | (38.358)                       |
| - Loss from fair value of forward transactions   |       | 2.089                          | 1.952                          |
| - Interest expense   |       | 5.911                          | 9.518                          |
| - Interest income  |       | (30.065)                       | (24.119)                       |
| - Dividend income  |       | (6.112)                        | (3.023)                        |
| - Provision for inventory impairment, net  |       | 1.044                          | (538)                          |
| - Gain on sale or disposal of property, plant and equipment, net                                     | 14    | (923)                          | (692)                          |
| - Valuation of investment securities   |       | 57.744                         | (37.604)                       |
| - Tax expense  |       | 107.670                        | 64.760                         |
|  |       | <u>509.195</u>                 | <u>306.279</u>                 |
| Movements in working capital   |       |                                |                                |
| Decrease in trade and other receivables  |       | 156.961                        | 90.112                         |
| Decrease in cost and estimated earnings in<br>excess of billings on uncompleted contracts            |       | 8.305                          | 2.442                          |
| Increase in inventory  |       | (91.414)                       | (24.257)                       |
| Increase in other current and non current receivables  |       | 41.550                         | (68.866)                       |
| Decrease in trade and other payables   |       | (50.974)                       | (8.647)                        |
| Increase/(decrease) in billings in excess of cost and estimated<br>earnings on uncompleted contracts |       | 39.765                         | 63.003                         |
| (Decrease) / increase in other payables and liabilities  |       | (62.305)                       | 945                            |
|  |       | <u>41.888</u>                  | <u>54.732</u>                  |
| Income taxes paid  | 21    | (82.496)                       | (61.842)                       |
| Employee termination benefits paid   |       | (2.190)                        | (1.361)                        |
| <b>Net cash generated from operating activities</b>  |       | <u><b>466.397</b></u>          | <u><b>297.808</b></u>          |
| <b>Cash flows from investing activities</b>  |       |                                |                                |
| Financial investments  |       | 137.972                        | (268.677)                      |
| Proceeds on disposal or sale of property, plant and equipment  | 14    | 7.708                          | 8.105                          |
| Purchases of property, plant and equipment, intangible assets<br>and investment properties           | 6     | (101.579)                      | (71.545)                       |
| Interest received  |       | 29.821                         | 23.911                         |
| Acquisition of non-controlling interest  | 24    | (193.949)                      | -                              |
| Proceeds from sale of discontinued operations  |       | -                              | 168.993                        |
| Dividend income  |       | 6.112                          | 3.023                          |
| <b>Net cash used in investing activities</b>   |       | <u><b>(113.915)</b></u>        | <u><b>(136.190)</b></u>        |
| <b>Cash flows from financing activities</b>  |       |                                |                                |
| Short-term borrowings, net   |       | 22.337                         | (5.522)                        |
| Addition to long-term borrowings   |       | 19.604                         | 41.445                         |
| Repayments of long-term borrowings   |       | (138.836)                      | (94.187)                       |
| Interest paid  |       | (5.007)                        | (8.557)                        |
| Dividend paid to non-controlling interests   |       | (312)                          | (9.330)                        |
| Dividend paid  |       | (135.244)                      | (126.831)                      |
| <b>Net cash used in financing activities</b>   |       | <u><b>(237.458)</b></u>        | <u><b>(202.982)</b></u>        |
| Translation reserve  |       | (31.006)                       | (13.524)                       |
| <b>Net increase in cash and cash equivalents</b>   |       | <u><b>84.018</b></u>           | <u><b>(54.888)</b></u>         |
| Cash and cash equivalents at beginning of the period   | 7     | 1.013.878                      | 813.668                        |
| <b>Cash and cash equivalents at end of the period</b>  | 7     | <u><b>1.097.896</b></u>        | <u><b>758.780</b></u>          |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

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

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 30 June 2013, 12.35% 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 June 2013, the average numbers of white and blue-collar personnel are respectively 5.137 and 21.985 (31 December 2012 – 4,612 and 16,678).

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

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

##### 2.1 Basis of presentation

The condensed 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 consolidated financial statements of the Group for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial investments and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 30 June 2013. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 21 August 2013. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

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

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

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

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

##### 2.2 Functional and presentation currency

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

Until 31 December 2005, the financial statements of subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 (Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 30 June 2013 and 31 December 2012 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 30 JUNE 2013

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

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

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

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 30 June 2013, 31 December 2012 and 30 June 2012 for one U.S. Dollars can be summarized as below:

|  | <u>30 June 2013</u> | <u>31 December 2012</u> | <u>30 June 2012</u> |
|--|---------------------|-------------------------|---------------------|
| U.S. Dollars / TL – as of balance sheet date | 1,9248              | 1,7826                  | 1,8065              |
| U.S. Dollars / TL – period average           | 1,8089              | 1,7922                  | 1,7935              |

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

IAS 19 ("Employee Benefits") has been revised effective from the annual period beginning on of after 1 January 2013. In accordance with the revised standard, actuarial gain/loss related to employee benefits shall be recognised in the statement of comprehensive income.

The Group used to recognize the actuarial gain/loss related to employee benefits in consolidated income statement until 31 December 2012. As a result of the revision in IAS 19, the Group applied the accounting policy change retrospectively, and actuarial gain/loss priorly recognized in statement of income, have been restated as a change in the opening balance of the retained earnings.

"Advances given" and "Prepaid expenses" at amount of USD 72.591 presented in "Other current assets" in the consolidated balance sheet as of 31 December 2012 are reclassified to "Prepaid expenses".

Financial borrowings presented as "Bank loans" and "Obligations under finance leases" in the consolidated balance sheet as of 31 December 2012, is now presented as "Short term borrowings", "Current portion of long term borrowings" and "Long term borrowings".

"Payroll payables" at an amount of USD 22.026 presented in "Provisions for employee benefits" in the consolidated balance sheet as of 31 December 2012 are reclassified to "Payables to employees".

"Advances received" at an amount of 251.066 USD and "Deferred rental revenue" at an amount of USD 66.163 presented in "Other current liabilities" in the consolidated balance sheet as of 31 December 2012 are reclassified to "Deferred Income".

Foreign exchange difference gains and losses and interest income/expenses from trade payables and receivables at an amount of USD 3.273 presented in "Financial income" and "Financial expense" in the consolidated statement of income for the period ended 30 June 2012, is now presented in "Other operating income" and "Other operating expenses".

Income from investment activities at an amount of USD 62.151 presented in "Financial income" in the consolidated statement of income for the period ended 30 June 2012, is now presented in "Investment income" and "Investment expenses".

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

### 2.4 Summary of significant accounting policies

Except for the new and amended standards effective from 1 January 2013 the Group's accounting policies are consistent with the accounting policies used at 31 December 2012.

### 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) Amendments to IFRSs affecting amounts reported in the financial statements

##### *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

##### *IAS 19 Employee Benefits*

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. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. The effect of this change on financial statements is explained in Note 2.3.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

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

###### (a) Amendments to IFRSs affecting amounts reported in the financial statements (cont'd)

###### *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 2015; earlier adoption is permitted.

The Group has adopted IFRS 9 and the related consequential amendments to other IFRSs at 31 December 2011.

###### (b) New and Revised IFRSs not affecting the reported financial performance and / or financial position

|   |   |
|---|---|
| Amendments to IAS 1                           | <i>Presentation of Items of Other Comprehensive Income</i>  |
| Amendments to IAS 1                           | <i>Clarification of the Requirements for Comparative Information</i>  |
| IFRS 10                                       | <i>Consolidated Financial Statements</i>  |
| IFRS 11                                       | <i>Joint Arrangements</i>   |
| IFRS 12                                       | <i>Disclosure of Interests in Other Entities</i>  |
| IFRS 13                                       | <i>Fair Value Measurement</i>   |
| Amendments to IFRS 7                          | <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>  |
| Amendments to IFRS 10, IFRS 11<br>and IFRS 12 | <i>Consolidated Financial Statements, Joint Arrangements and<br/>Disclosures of Interests in Other Entities: Transition Guide</i> |
| IAS 27 (as revised in 2011)                   | <i>Separate Financial Statements</i>  |
| IAS 28 (as revised in 2011)                   | <i>Investments in Associates and Joint Operations</i>   |
| Amendments to IFRSs                           | <i>Annual Improvements to IFRSs 2009-2011 Cycle except for the<br/>amendment to IAS 1</i>   |
| IFRIC 20                                      | <i>Stripping Costs in the Production Phase of a Surface Mine</i>  |

###### *Amendments to IAS 1 Presentation of Financial Statements*

(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

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

###### (b) New and Revised IFRSs not affecting the reported financial performance and / or financial position (cont'd)

###### **New and revised Standards on consolidation, joint arrangements, associates and disclosures**

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).

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* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that 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 return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Operations*. 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* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint operations, 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 operations 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 proportional consolidation.

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.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

The application of these five standards did not have significant impact on amounts reported in the consolidated financial statements.

###### **IFRS 13 *Fair Value Measurement***

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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

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

###### (b) New and Revised IFRSs affecting the reported financial performance and / or financial position (cont'd)

financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The application of the new Standard did not have significant impact on the consolidated financial statements.

###### **Amendments to IFRS 7 *Offsetting Financial Assets and Financial Liabilities and the related disclosures***

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

###### **Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012**

- Amendments to IAS 16 *Property, Plant and Equipment*;
- Amendments to IAS 32 *Financial Instruments: Presentation*; and
- Amendments to IAS 34 *Interim Financial Reporting*.

###### Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 did not have a significant effect on the Group's consolidated financial statements.

###### Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The amendments to IAS 32 did not have a significant effect on the Group's consolidated financial statements.

###### Amendments to IAS 34

The amendments to IAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to IAS 34 did not have an effect on the Group's consolidated financial statements.

###### **IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine***

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

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

###### **(c) New and Revised IFRSs 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 IAS 32 | <i>Offsetting Financial Assets and Financial Liabilities<sup>1</sup></i>        |
| Amendments to IAS 36 | <i>Recoverable Amount Disclosures for Non-Financial Assets<sup>1</sup></i>      |
| Amendments to IAS 39 | <i>Novation of Derivatives and Continuation of Hedge Accounting<sup>1</sup></i> |
| IFRIC 21             | <i>Levies<sup>1</sup></i>   |

<sup>1</sup> 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 30 June 2013, the Group continued using judgements applied during the year ended 31 December 2012.

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

For the period ended 30 June 2013, the Group continued using estimations applied during the year ended 31 December 2012.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

#### 3. INTEREST IN JOINT OPERATIONS

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

|  | 30 June<br>2013 | 31 December<br>2012 |
|--|-----------------|---------------------|
| <b>ASSETS</b>  |                 |                     |
| <b>Current Assets</b>  |                 |                     |
| Cash and cash equivalents  | 65.661          | 51.948              |
| Trade receivables  | 105.992         | 152.386             |
| Other receivables  | 63              | 45                  |
| Inventories  | 10.237          | 20.777              |
| Costs and estimated earnings in excess of billings on<br>uncompleted contracts | 3.418           | 1.817               |
| Other current assets   | 18.343          | 17.702              |
| <b>Group's share in current assets of joint operations</b>                     | <b>203.714</b>  | <b>244.675</b>      |
| <b>Non-Current Assets</b>  |                 |                     |
| Cost   | 140.245         | 164.063             |
| Accumulated depreciation   | (97.950)        | (109.757)           |
| <b>Group's share in joint operations in property,<br/>plant and equipment</b>  | <b>42.295</b>   | <b>54.306</b>       |
| Trade receivables  | -               | 7.612               |
| Other non-current assets   | 557             | 1.292               |
| <b>Group's share in non-current assets of joint operations</b>                 | <b>557</b>      | <b>8.904</b>        |
| <b>LIABILITIES</b>   |                 |                     |
| <b>Current Liabilities</b>   |                 |                     |
| Trade payables   | 41.716          | 40.309              |
| Billings in excess of costs and estimated earnings on<br>uncompleted contracts | 133.757         | 144.510             |
| Taxation on income   | 10.378          | 456                 |
| Provisions   | 6.022           | 8.048               |
| Provisions for employee benefits   | 7.506           | 7.983               |
| Other current liabilities  | 17.804          | 39.576              |
| <b>Group's share in current liabilities of joint operations</b>                | <b>217.183</b>  | <b>240.882</b>      |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

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

|                                 | 30 June<br>2013 | 30 June<br>2012 |
|---------------------------------|-----------------|-----------------|
| Revenue                         | 279.753         | 238.380         |
| Cost of revenue                 | (266.559)       | (186.879)       |
| General administrative expenses | -               | (2)             |
| Other operating income          | 1.278           | 310             |
| Other operating expenses        | (136)           | -               |
| Financial income                | 1.205           | 358             |
| Financial expenses              | (1.008)         | (3.570)         |
| Taxation charge                 | (13.985)        | (2.927)         |
| Net profit                      | <u>548</u>      | <u>45.670</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 30 June 2013 and 30 June 2012.

|   | 1 January-<br>30 June 2013 | 1 January-<br>30 June 2012 |
|---|----------------------------|----------------------------|
| Earning per share   |                            |                            |
| - ordinary share certificate (full cent)                                    | 0,10                       | 0,09                       |
| - founder shares (*)  | -                          | -                          |
| Weighted average number of share certificates (nominal value of 1 YKr each) |                            |                            |
| - ordinary share certificate  | 320.000.000.000            | 320.000.000.000            |
| 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.

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6. SEGMENTAL INFORMATION

a) Business segments

|   | 1 January - 30 June 2013 |                  |                         |                  |              |                  |
|---|--------------------------|------------------|-------------------------|------------------|--------------|------------------|
|   | Construction contracts   | Real estate      | Trade and manufacturing | Energy           | Eliminations | Consolidated     |
| Revenue   | 1.048.827                | 229.692          | 256.967                 | 1.746.358        | -            | 3.281.844        |
| Inter-segment revenue                                 | 73.598                   | 364              | 2.536                   | 12.064           | (88.562)     | -                |
| Cost of revenue                                       | (817.884)                | (54.401)         | (211.502)               | (1.616.228)      | -            | (2.700.015)      |
| Inter-segment cost of revenue                         | (77.350)                 | -                | (2.536)                 | (11.631)         | 91.517       | -                |
| <b>Gross profit</b>                                   | <b>227.191</b>           | <b>175.655</b>   | <b>45.465</b>           | <b>130.563</b>   | <b>2.955</b> | <b>581.829</b>   |
| Marketing, selling and distribution expenses          | (2.634)                  | (3.619)          | (10.883)                | (42)             | -            | (17.178)         |
| Administrative expenses                               | (43.391)                 | (10.269)         | (11.368)                | (6.149)          | 499          | (70.678)         |
| Other operating income                                | 4.275                    | 3.454            | 4.862                   | 7.850            | -            | 20.441           |
| Other operating expenses                              | (16.635)                 | (982)            | (5.585)                 | (352)            | -            | (23.554)         |
| <b>Profit from operations</b>                         | <b>168.806</b>           | <b>164.239</b>   | <b>22.491</b>           | <b>131.870</b>   | <b>3.454</b> | <b>490.860</b>   |
| Investment income                                     | 50.450                   | -                | 30                      | -                | -            | 50.480           |
| Investment expenses (-)                               | (72.068)                 | -                | -                       | -                | -            | (72.068)         |
| <b>PROFIT BEFORE TAX</b>                              | <b>147.188</b>           | <b>164.239</b>   | <b>22.521</b>           | <b>131.870</b>   | <b>3.454</b> | <b>469.272</b>   |
| Financial income                                      | 15.230                   | 1.913            | 1.884                   | 4.644            | (3.101)      | 20.570           |
| Financial expenses (-)                                | (22.196)                 | (2.090)          | (7.947)                 | (5.961)          | 2.971        | (35.223)         |
| <b>Profit before tax</b>                              | <b>140.222</b>           | <b>164.062</b>   | <b>16.458</b>           | <b>130.553</b>   | <b>3.324</b> | <b>454.619</b>   |
| Current tax expense (-)                               | (33.801)                 | (29.478)         | (5.554)                 | (21.866)         | -            | (90.699)         |
| Deferred tax income/ (expense)                        | (4.136)                  | (3.533)          | 2.770                   | (12.072)         | -            | (16.971)         |
| <b>Profit for the year from continuing operations</b> | <b>102.285</b>           | <b>131.051</b>   | <b>13.674</b>           | <b>96.615</b>    | <b>3.324</b> | <b>346.949</b>   |
|   | 30 June 2013             |                  |                         |                  |              |                  |
|   | Construction contracts   | Real estate      | Trade and manufacturing | Energy           |              | Consolidated     |
| Segment assets  | 3.481.467                | 2.376.021        | 380.495                 | 1.678.576        |              | 7.916.559        |
| Unallocated assets                                    |                          |                  |                         |                  |              | 1.027            |
| <b>Total assets</b>                                   | <b>3.481.467</b>         | <b>2.376.021</b> | <b>380.495</b>          | <b>1.678.576</b> |              | <b>7.917.586</b> |
| Segment liabilities                                   | 855.618                  | 427.558          | 227.412                 | 1.156.919        |              | 2.667.507        |
| Unallocated liabilities                               |                          |                  |                         |                  |              | 1.435            |
| <b>Total liabilities</b>                              | <b>855.618</b>           | <b>427.558</b>   | <b>227.412</b>          | <b>1.156.919</b> |              | <b>2.668.942</b> |
|   | 1 January - 30 June 2013 |                  |                         |                  |              |                  |
| <b>Other segment information</b>                      | Construction contracts   | Real estate      | Trade and manufacturing | Energy           |              | Consolidated     |
| <b>Capital expenditures</b>                           |                          |                  |                         |                  |              |                  |
| Property, plant and equipment & Investment Property   | 37.740                   | 58.082           | 1.994                   | 2.311            |              | 100.127          |
| Intangible assets                                     | 1.085                    | 38               | 13                      | 316              |              | 1.452            |
| <b>Total capital expenditures</b>                     | <b>38.825</b>            | <b>58.120</b>    | <b>2.007</b>            | <b>2.627</b>     |              | <b>101.579</b>   |
| Depreciation expense                                  | 21.610                   | 3.031            | 2.015                   | 25.357           |              | 52.013           |
| Amortization expense                                  | 982                      | 32               | 134                     | 52               |              | 1.200            |

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

|   | 1 April - 30 June 2013 |               |                         |               |              | Consolidated   |
|---|------------------------|---------------|-------------------------|---------------|--------------|----------------|
|   | Construction contracts | Real estate   | Trade and manufacturing | Energy        | Eliminations |                |
| Revenue   | 580.582                | 116.377       | 175.164                 | 839.838       | -            | 1.711.961      |
| Inter-segment revenue                                 | 37.063                 | 364           | 1.891                   | 8.130         | (47.448)     | -              |
| Cost of revenue                                       | (430.985)              | (25.619)      | (142.745)               | (778.458)     | -            | (1.377.807)    |
| Inter-segment cost of revenue                         | (38.620)               | -             | (1.891)                 | (7.697)       | 48.208       | -              |
| <b>Gross profit</b>                                   | <b>148.040</b>         | <b>91.122</b> | <b>32.419</b>           | <b>61.813</b> | <b>760</b>   | <b>334.154</b> |
| Marketing, selling and distribution expenses          | (1.509)                | (1.820)       | (6.000)                 | (16)          | -            | (9.345)        |
| Administrative expenses                               | (25.106)               | (4.767)       | (5.236)                 | (3.723)       | 430          | (38.402)       |
| Other operating income                                | 1.416                  | 2.224         | 3.666                   | 7.850         | -            | 15.156         |
| Other operating expenses                              | (9.406)                | (500)         | (3.408)                 | 396           | (29)         | (12.947)       |
| <b>Profit from operations</b>                         | <b>113.435</b>         | <b>86.259</b> | <b>21.441</b>           | <b>66.320</b> | <b>1.161</b> | <b>288.616</b> |
| Investment income                                     | 14.734                 | -             | 30                      | -             | -            | 14.764         |
| Investment expenses (-)                               | (49.069)               | -             | -                       | -             | -            | (49.069)       |
| <b>PROFIT BEFORE TAX</b>                              | <b>79.100</b>          | <b>86.259</b> | <b>21.471</b>           | <b>66.320</b> | <b>1.161</b> | <b>254.311</b> |
| Financial income                                      | (11.372)               | (624)         | (773)                   | 3.099         | (1.512)      | (11.182)       |
| Financial expenses (-)                                | 5.952                  | (304)         | (6.387)                 | (3.342)       | 1.368        | (2.713)        |
| <b>Profit before tax</b>                              | <b>73.680</b>          | <b>85.331</b> | <b>14.311</b>           | <b>66.077</b> | <b>1.017</b> | <b>240.416</b> |
| Current tax expense (-)                               | (21.216)               | (14.056)      | (4.196)                 | (12.063)      | -            | (51.531)       |
| Deferred tax income/ (expense)                        | 1.331                  | (4.906)       | 1.525                   | (7.680)       | -            | (9.730)        |
| <b>Profit for the year from continuing operations</b> | <b>53.795</b>          | <b>66.369</b> | <b>11.640</b>           | <b>46.334</b> | <b>1.017</b> | <b>179.155</b> |

|   | 1 April - 30 June 2013 |               |                         |              | Consolidated  |
|---|------------------------|---------------|-------------------------|--------------|---------------|
|   | Construction contracts | Real estate   | Trade and manufacturing | Energy       |               |
| <b>Other segment information</b>                    |                        |               |                         |              |               |
| <u>Capital expenditures</u>                         |                        |               |                         |              |               |
| Property, plant and equipment & Investment Property | 20.530                 | 38.542        | 1.194                   | 2.223        | 62.489        |
| Intangible assets                                   | 391                    | 20            | 13                      | 147          | 571           |
| <b>Total capital expenditures</b>                   | <b>20.921</b>          | <b>38.562</b> | <b>1.207</b>            | <b>2.370</b> | <b>63.060</b> |
| Depreciation expense                                | 12.342                 | 1.364         | 1.004                   | 12.743       | 27.453        |
| Amortization expense                                | 255                    | 17            | 62                      | 26           | 360           |

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

|   | 1 January - 30 June 2012        |                  |                         |                  |              | Consolidated     |
|---|---------------------------------|------------------|-------------------------|------------------|--------------|------------------|
|   | Construction contracts          | Real estate      | Trade and manufacturing | Energy           | Eliminations |                  |
| Revenue   | 474.266                         | 212.863          | 221.667                 | 1.562.992        | -            | 2.471.788        |
| Inter-segment revenue                                 | 43.975                          | 487              | 5.260                   | 10.374           | (60.096)     | -                |
| Cost of revenue                                       | (384.507)                       | (59.005)         | (191.074)               | (1.463.836)      | -            | (2.098.422)      |
| Inter-segment cost of revenue                         | (51.562)                        | -                | (2.314)                 | (10.465)         | 64.341       | -                |
| <b>Gross profit</b>                                   | <b>82.172</b>                   | <b>154.345</b>   | <b>33.539</b>           | <b>99.065</b>    | <b>4.245</b> | <b>373.366</b>   |
| Marketing, selling and distribution expenses          | (3.681)                         | (3.640)          | (10.522)                | (438)            | -            | (18.281)         |
| Administrative expenses                               | (33.938)                        | (18.191)         | (7.908)                 | (5.395)          | 487          | (64.945)         |
| Other operating income                                | 11.109                          | 433              | 1.339                   | 2.241            | (2.091)      | 13.031           |
| Other operating expenses                              | (10.911)                        | (523)            | (10.662)                | (702)            | -            | (22.798)         |
| <b>Profit from operations</b>                         | <b>44.751</b>                   | <b>132.424</b>   | <b>5.786</b>            | <b>94.771</b>    | <b>2.641</b> | <b>280.373</b>   |
| Investment income                                     | 67.807                          | -                | 36                      | -                | -            | 67.843           |
| Investment expenses (-)                               | (5.692)                         | -                | -                       | -                | -            | (5.692)          |
| <b>PROFIT BEFORE TAX</b>                              | <b>106.866</b>                  | <b>132.424</b>   | <b>5.822</b>            | <b>94.771</b>    | <b>2.641</b> | <b>342.524</b>   |
| Financial income                                      | 15.867                          | 7.577            | 12.207                  | 4.072            | (5.981)      | 33.742           |
| Financial expenses (-)                                | (26.210)                        | (4.282)          | (5.845)                 | (9.884)          | 5.929        | (40.292)         |
| <b>Profit before tax</b>                              | <b>96.523</b>                   | <b>135.719</b>   | <b>12.184</b>           | <b>88.959</b>    | <b>2.589</b> | <b>335.974</b>   |
| Current tax expense (-)                               | (9.144)                         | (27.129)         | (2.698)                 | (11.956)         | -            | (50.927)         |
| Deferred tax income/ (expense)                        | (956)                           | 509              | 827                     | (7.934)          | -            | (7.554)          |
| <b>Profit for the year from continuing operations</b> | <b>86.423</b>                   | <b>109.099</b>   | <b>10.313</b>           | <b>69.069</b>    | <b>2.589</b> | <b>277.493</b>   |
|   | <b>31 December 2012</b>         |                  |                         |                  |              |                  |
|   | Construction contracts          | Real estate      | Trade and manufacturing | Energy           |              | Consolidated     |
| Segment assets  | 3.556.743                       | 2.390.683        | 393.521                 | 1.896.272        |              | 8.237.219        |
| Unallocated assets                                    |                                 |                  |                         |                  |              | 287              |
| <b>Total assets</b>                                   | <b>3.556.743</b>                | <b>2.390.683</b> | <b>393.521</b>          | <b>1.896.272</b> |              | <b>8.237.506</b> |
| Segment liabilities                                   | 765.934                         | 438.234          | 248.542                 | 1.423.836        |              | 2.876.546        |
| Unallocated liabilities                               |                                 |                  |                         |                  |              | 1.457            |
| <b>Total liabilities</b>                              | <b>765.934</b>                  | <b>438.234</b>   | <b>248.542</b>          | <b>1.423.836</b> |              | <b>2.878.003</b> |
|   | <b>1 January - 30 June 2012</b> |                  |                         |                  |              |                  |
|   | Construction contracts          | Real estate      | Trade and manufacturing | Energy           |              | Consolidated     |
| <b>Other segment information</b>                      |                                 |                  |                         |                  |              |                  |
| <b>Capital expenditures</b>                           |                                 |                  |                         |                  |              |                  |
| Property, plant and equipment & Investment Property   | 30.265                          | 31.622           | 3.037                   | 5.650            |              | 70.574           |
| Intangible assets                                     | 135                             | 24               | 477                     | 335              |              | 971              |
| <b>Total capital expenditures</b>                     | <b>30.400</b>                   | <b>31.646</b>    | <b>3.514</b>            | <b>5.985</b>     |              | <b>71.545</b>    |
| Depreciation expense                                  | 20.152                          | 3.096            | 2.495                   | 27.113           |              | 52.856           |
| Amortization expense                                  | 595                             | 25               | 149                     | 80               |              | 849              |

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

|   | 1 April - 30 June 2012 |               |                         |               |              | Consolidated   |
|---|------------------------|---------------|-------------------------|---------------|--------------|----------------|
|   | Construction contracts | Real estate   | Trade and manufacturing | Energy        | Eliminations |                |
| Revenue   | 291.158                | 107.028       | 128.913                 | 822.660       | -            | 1.349.759      |
| Inter-segment revenue                                 | 19.852                 | 190           | 3.338                   | 4.160         | (27.540)     | -              |
| Cost of revenue                                       | (230.342)              | (25.094)      | (110.988)               | (789.007)     | -            | (1.155.431)    |
| Inter-segment cost of revenue                         | (23.411)               | -             | (1.642)                 | (4.216)       | 29.269       | -              |
| <b>Gross profit</b>                                   | <b>57.257</b>          | <b>82.124</b> | <b>19.621</b>           | <b>33.597</b> | <b>1.729</b> | <b>194.328</b> |
| Marketing, selling and distribution expenses          | (1.922)                | (2.540)       | (6.095)                 | (438)         | -            | (10.995)       |
| Administrative expenses                               | (19.284)               | (15.676)      | (4.419)                 | (3.137)       | 190          | (42.326)       |
| Other operating income                                | 6.606                  | 144           | 209                     | 1.988         | (1.573)      | 7.374          |
| Other operating expenses                              | (5.236)                | (274)         | (4.231)                 | (613)         | -            | (10.354)       |
| <b>Profit from operations</b>                         | <b>37.421</b>          | <b>63.778</b> | <b>5.085</b>            | <b>31.397</b> | <b>346</b>   | <b>138.027</b> |
| Investment income                                     | 23.642                 | -             | 36                      | -             | -            | 23.678         |
| Investment expenses (-)                               | 1.510                  | -             | -                       | -             | -            | 1.510          |
| <b>PROFIT BEFORE TAX</b>                              | <b>62.573</b>          | <b>63.778</b> | <b>5.121</b>            | <b>31.397</b> | <b>346</b>   | <b>163.215</b> |
| Financial income                                      | (13.385)               | 1.591         | (2.872)                 | 534           | (1.446)      | (15.578)       |
| Financial expenses (-)                                | (16.618)               | 154           | (3.059)                 | (3.888)       | 1.424        | (21.987)       |
| <b>Profit before tax</b>                              | <b>32.570</b>          | <b>65.523</b> | <b>(810)</b>            | <b>28.043</b> | <b>324</b>   | <b>125.650</b> |
| Current tax expense (-)                               | (5.921)                | (2.064)       | (485)                   | (2.095)       | -            | (10.565)       |
| Deferred tax income/ (expense)                        | 170                    | (13.809)      | (287)                   | (11.336)      | -            | (25.262)       |
| <b>Profit for the year from continuing operations</b> | <b>26.819</b>          | <b>49.650</b> | <b>(1.582)</b>          | <b>14.612</b> | <b>324</b>   | <b>89.823</b>  |

|   | 1 April - 30 June 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 | 21.715                 | 11.262        | 1.818                   | 5.509        | 40.304        |
| Intangible assets                                   | 104                    | -             | 186                     | 217          | 507           |
| <b>Total capital expenditures</b>                   | <b>21.819</b>          | <b>11.262</b> | <b>2.004</b>            | <b>5.726</b> | <b>40.811</b> |
| Depreciation expense                                | 8.266                  | 2.511         | 1.278                   | 13.536       | 25.591        |
| Amortization expense                                | 237                    | 13            | 87                      | 40           | 377           |

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**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 30 June 2013, revenue amounting to USD 1.746.358 (30 June 2012: USD 1.506.906) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 30 June 2013, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 1.549.149 (30 June 2012: USD 1.378.787) 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- 30 June 2013 |           |                                |         |              |              |              |
|-------------------------|-----------|--------------------------------|---------|--------------|--------------|--------------|
|                         | Turkey    | Russian Federation, Kazakhstan | Europe  | Iraq & Other | Eliminations | Consolidated |
| Revenue                 | 2.244.452 | 420.585                        | 110.283 | 506.524      | -            | 3.281.844    |
| Inter-segment revenue   | 39.487    | 49.075                         | -       | -            | (88.562)     | -            |
| Capital expenditures    | 30.627    | 60.915                         | 2.284   | 7.754        | -            | 101.580      |

| 30 June 2013     |           |                                |         |              |              |              |
|------------------|-----------|--------------------------------|---------|--------------|--------------|--------------|
|                  | Turkey    | Russian Federation, Kazakhstan | Europe  | Iraq & Other | Eliminations | Consolidated |
| Segmental assets | 4.539.181 | 2.786.064                      | 314.655 | 276.659      | -            | 7.916.559    |

| 1 April - 30 June 2013 |           |                                |        |              |              |              |
|------------------------|-----------|--------------------------------|--------|--------------|--------------|--------------|
|                        | Turkey    | Russian Federation, Kazakhstan | Europe | Iraq & Other | Eliminations | Consolidated |
| Revenue                | 1.133.906 | 250.247                        | 57.984 | 269.824      | -            | 1.711.961    |
| Inter-segment revenue  | 18.735    | 28.713                         | -      | -            | (47.448)     | -            |
| Capital expenditures   | 19.393    | 40.399                         | 1.304  | 1.964        | -            | 63.060       |



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6. SEGMENTAL INFORMATION (cont'd)

a) Geographical segments (cont'd)

| 1 January- 30 June 2012 |           |                                |        |              |              |              |
|-------------------------|-----------|--------------------------------|--------|--------------|--------------|--------------|
|                         | Turkey    | Russian Federation, Kazakhstan | Europe | Iraq & Other | Eliminations | Consolidated |
| Revenue                 | 1.915.286 | 321.654                        | 88.963 | 145.885      | -            | 2.471.788    |
| Inter-segment revenue   | 38.713    | 21.383                         | -      | -            | (60.096)     | -            |
| Capital expenditures    | 22.817    | 35.466                         | 7.195  | 6.067        | -            | 71.545       |

| 31 December 2012 |           |                                |         |              |              |              |
|------------------|-----------|--------------------------------|---------|--------------|--------------|--------------|
|                  | Turkey    | Russian Federation, Kazakhstan | Europe  | Iraq & Other | Eliminations | Consolidated |
| Segmental assets | 4.420.403 | 2.766.515                      | 749.757 | 300.544      | -            | 8.237.219    |

| 1 April - 30 June 2012 |           |                                |        |              |              |              |
|------------------------|-----------|--------------------------------|--------|--------------|--------------|--------------|
|                        | Turkey    | Russian Federation, Kazakhstan | Europe | Iraq & Other | Eliminations | Consolidated |
| Revenue                | 1.032.574 | 177.305                        | 54.910 | 84.970       | -            | 1.349.759    |
| Inter-segment revenue  | 17.530    | 10.010                         | -      | -            | (27.540)     | -            |
| Capital expenditures   | 16.001    | 13.767                         | 7.020  | 4.023        | -            | 40.811       |

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**7. CASH AND CASH EQUIVALENTS**

|   | 30 June<br>2013  | 31 December<br>2012 |
|---|------------------|---------------------|
| Cash on hand  | 2.294            | 1.987               |
| Cash in bank  |                  |                     |
| Demand deposits   | 622.954          | 615.614             |
| Time deposits   | 461.822          | 392.150             |
| Other   | 11.826           | 5.127               |
|   | <u>1.098.896</u> | <u>1.014.878</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>1.097.896</u> | <u>1.013.878</u>    |

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

|  | 30 June<br>2013 | 31 December<br>2012 |
|--|-----------------|---------------------|
| <i>Weighted Average Interest Rates</i> |                 |                     |
| USD                                    | 1,31%           | 1,35%               |
| Russian Ruble                          | 7,62%           | 4,60%               |
| EUR                                    | 1,31%           | 1,34%               |
| TL                                     | 6,37%           | 8,72%               |
| Japanese Yen                           | 1,43%           | 1,63%               |
| Chinese Yuan                           | 2,85%           | 2,85%               |

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

|                                       | 30 June<br>2013 | 31 December<br>2012 |
|---------------------------------------|-----------------|---------------------|
| USD - Weighted Average Interest Rates | 5,55%           | 5,55%               |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

#### 8. FINANCIAL INVESTMENTS

##### Short-term financial investments

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 30 June 2013 and 31 December 2012 are detailed below:

|  | 30 June<br>2013 | 31 December<br>2012 |
|--|-----------------|---------------------|
| <b>Financial assets at fair value through profit or loss</b> |                 |                     |
| Private sector bonds   |                 |                     |
| - International markets                                      | 68.098          | 78.453              |
| - Domestic market  | 5.161           | -                   |
| Foreign Government bonds                                     |                 |                     |
| - International markets                                      | 348.088         | 390.829             |
| Equity securities  |                 |                     |
| - International markets                                      | 151.048         | 166.323             |
| - Domestic market  | 1.182           | 1.646               |
| Turkish Government bonds                                     |                 |                     |
| - Domestic market  | 18.931          | -                   |
| Mutual funds   |                 |                     |
| - International markets                                      | 45.678          | 52.941              |
| - Domestic market  | 7.196           | 32.060              |
|  | 645.382         | 722.252             |

##### Long-term financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 30 June 2013 and 31 December 2012 are detailed below:

|  | 30 June<br>2013 | 31 December<br>2012 |
|--|-----------------|---------------------|
| <b>Financial assets at fair value through profit or loss</b> |                 |                     |
| Private sector bonds   |                 |                     |
| - International markets                                      | 767.315         | 762.526             |
| Foreign Government bonds                                     |                 |                     |
| - International markets                                      | 30.181          | 155.326             |
| Turkish Government bonds                                     |                 |                     |
| - Domestic market  | -               | 6.426               |
| - International markets                                      | 53.533          | 45.361              |
| Equity securities  | 449             | 446                 |
|  | 851.478         | 970.085             |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

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

|  | <u>30 June 2013</u> | <u>31 December 2012</u> |
|--|---------------------|-------------------------|
| Private Sector Bonds - International markets     | 31 December 2049    | 31 December 2049        |
| Foreign Government Bonds - International markets | 07 March 2022       | 29 March 2049           |
| Turkish Government Bonds                         |                     |                         |
| - Domestic market                                | 21 July 2021        | 15 January 2020         |
| - International markets                          | 14 January 2041     | 14 January 2041         |

#### 9. FINANCIAL LIABILITIES

##### Short-term borrowings:

|                             | <u>30 June 2013</u> |                  |                      |                   |
|-----------------------------|---------------------|------------------|----------------------|-------------------|
|                             | Interest rate       | Currency<br>Type | Original<br>Currency | USD<br>Equivalent |
| Short-term bank borrowings  | 2,67%               | EUR              | 17.222               | 22.491            |
|                             | 3,46%               | USD              | 14.266               | 14.266            |
|                             | -                   | TL               | 534                  | 277               |
|                             | -                   | JPY              | 586.665              | 5.914             |
| Total short-term borrowings |                     |                  |                      | <u>42.948</u>     |

##### Long-term borrowings:

|   | <u>30 June 2013</u> |                  |                      |                   |
|---|---------------------|------------------|----------------------|-------------------|
|   | Interest rate       | Currency<br>Type | Original<br>Currency | USD<br>Equivalent |
| Hermes loan                                   | 0,89%               | EUR              | 18.810               | 24.566            |
| Other long-term bank borrowings               | 4,83%               | USD              | 8.722                | 8.722             |
|   | 3,67%               | EUR              | 10.908               | 14.245            |
|   | 2,76%               | JPY              | 8.471.763            | 85.388            |
|   | 13,26%              | TL               | 3.112                | 1.615             |
| Finance lease obligations                     |                     |                  |                      | 85.036            |
|   |                     |                  |                      | <u>219.572</u>    |
| Less: Current portion of long-term borrowings |                     |                  |                      | (67.309)          |
| Total long-term borrowings                    |                     |                  |                      | <u>152.263</u>    |

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

9. FINANCIAL LIABILITIES (cont'd)

Short-term borrowings:

|                             | 31 December 2012 |          |          |               |
|-----------------------------|------------------|----------|----------|---------------|
|                             | Interest rate    | Currency | Original | USD           |
|                             |                  | Type     | Currency | Equivalent    |
| Short-term bank borrowings  | 4,16%            | EUR      | 7.159    | 9.445         |
|                             | 5,25%            | USD      | 9.494    | 9.494         |
|                             | 8,30%            | TL       | 1.046    | 789           |
|                             | 9,00%            | RBL      | 10.000   | 325           |
| Total short-term borrowings |                  |          |          | <u>20.053</u> |

Long-term borrowings:

|   | 31 December 2012 |          |           |                |
|---|------------------|----------|-----------|----------------|
|   | Interest rate    | Currency | Original  | USD            |
|   |                  | Type     | Currency  | Equivalent     |
| Eximbank loans                                | 2,29%            | USD      | 54.985    | 54.985         |
| OPIC loan                                     | 7,75%            | USD      | 36.563    | 36.563         |
| Hermes loan                                   | 1,19%            | USD      | 1.511     | 1.511          |
| OND loan                                      | 1,28%            | USD      | 5.745     | 5.745          |
| Hermes loan                                   | 0,54%            | EUR      | 24.731    | 32.628         |
| Other long-term bank borrowings               | 5,16%            | USD      | 9.014     | 9.014          |
|   | 3,93%            | EUR      | 14.270    | 18.826         |
|   | 2,31%            | JPY      | 9.150.657 | 106.033        |
|   | 13,31%           | TL       | 3.468     | 1.945          |
| Finance lease obligations                     |                  |          |           | 89.249         |
|   |                  |          |           | <u>356.499</u> |
| Less: Current portion of long-term borrowings |                  |          |           | (137.458)      |
| Total long-term borrowings                    |                  |          |           | <u>219.041</u> |

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

|  | 30 June 2013  | 31 December 2012 |
|--|---------------|------------------|
| Less than 1 year                               | 64.998        | 134.768          |
| 1 - 2 years                                    | 37.781        | 91.743           |
| 2 - 3 years                                    | 16.056        | 19.457           |
| 3 - 4 years                                    | 10.924        | 12.114           |
| More than 4 years                              | 4.777         | 9.168            |
| Less : Current portion of long-term borrowings | (64.998)      | (134.768)        |
|  | <u>69.538</u> | <u>132.482</u>   |

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

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**10. TRADE RECEIVABLES AND PAYABLES**

|   | 30 June<br>2013 | 31 December<br>2012 |
|---|-----------------|---------------------|
| <b>Short-term trade receivables</b>           |                 |                     |
| Trade receivables                             | 389.718         | 536.643             |
| Discount on trade receivables (-)             | (192)           | (142)               |
| Contract receivables                          | 273.746         | 281.172             |
| Notes and cheques receivables                 | 70.132          | 73.253              |
| Discount on notes and cheques receivables (-) | (1.377)         | (1.159)             |
| Retention receivables (*)                     | 20.492          | 13.609              |
|   | <u>752.519</u>  | <u>903.376</u>      |
| Less: Allowance for doubtful receivables      | (25.069)        | (24.656)            |
|   | <u>727.450</u>  | <u>878.720</u>      |

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

|   | 30 June<br>2013 | 31 December<br>2012 |
|---|-----------------|---------------------|
| <b>Long-term trade receivables</b>            |                 |                     |
| Notes and cheques receivables                 | 4.875           | 5.172               |
| Discount on notes and cheques receivables (-) | (140)           | (34)                |
| Trade receivables                             | 9.344           | 9.201               |
| Discount on trade receivables (-)             | (135)           | (33)                |
| Retention receivables (*)                     | -               | 7.612               |
|   | <u>13.944</u>   | <u>21.918</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.

|                                  | 30 June<br>2013 | 31 December<br>2012 |
|----------------------------------|-----------------|---------------------|
| <b>Short-term trade payables</b> |                 |                     |
| Trade payables                   | 565.005         | 613.448             |
| Discount on trade payables (-)   | (10)            | (14)                |
| Notes payable                    | 5.414           | 8.038               |
| Discount on notes payable (-)    | (24)            | (33)                |
| Other trade payables             | 251             | 117                 |
|                                  | <u>570.636</u>  | <u>621.556</u>      |

|                                 | 30 June<br>2013 | 31 December<br>2012 |
|---------------------------------|-----------------|---------------------|
| <b>Long term trade payables</b> |                 |                     |
| Trade payables                  | 5.224           | 5.277               |
|                                 | <u>5.224</u>    | <u>5.277</u>        |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

#### 11. INVENTORIES

|   | 30 June<br>2013 | 31 December<br>2012 |
|---|-----------------|---------------------|
| Raw materials and spare parts             | 201.662         | 162.615             |
| Trade goods (machinery and others)        | 77.830          | 85.272              |
| Finished goods                            | 25.254          | 22.263              |
| Goods in transit                          | 46.775          | 29.781              |
| Work in progress                          | 49.395          | 12.645              |
| Construction materials                    | 30.548          | 27.474              |
| Allowance for impairment on inventory (*) | (3.502)         | (2.458)             |
|   | <u>427.962</u>  | <u>337.592</u>      |

(\*) As of 30 June 2013 and 31 December 2012, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 30 June 2013, there is no pledge on inventories (31 December 2012: None).

#### 12. CONSTRUCTION CONTRACTS

|   | 30 June<br>2013  | 31 December<br>2012 |
|---|------------------|---------------------|
| Costs incurred on uncompleted contracts | 1.636.145        | 1.945.441           |
| Estimated earnings                      | 137.415          | 319.918             |
|   | <u>1.773.560</u> | <u>2.265.359</u>    |
| Less: Billings to date                  | (1.935.079)      | (2.378.807)         |
|   | <u>(161.519)</u> | <u>(113.448)</u>    |

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

|   | 30 June<br>2013  | 31 December<br>2012 |
|---|------------------|---------------------|
| Costs and estimated earnings in excess of billings on uncompleted contracts (net) | 60.267           | 68.573              |
| Billings in excess of costs and estimated earnings on uncompleted contracts (net) | (221.786)        | (182.021)           |
|   | <u>(161.519)</u> | <u>(113.448)</u>    |

As of 30 June 2013, the amount of advances received of subsidiaries and companies shares in joint operations is USD 197.290 (31 December 2012: USD 226.692).

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

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**13. INVESTMENT PROPERTIES**

As of 30 June 2013 and 2012, movement of investment properties is as follows:

|  | <u>2013</u>             | <u>2012</u>             |
|--|-------------------------|-------------------------|
| Opening balance as at 1 January  | 2.133.921               | 1.942.767               |
| Currency translation difference  | (109.353)               | (26.094)                |
| Transfers from property, plant and equipment<br>and construction in progress | 2.312                   | -                       |
| Additions  | 54.921                  | 26.761                  |
| Change in present value of lease obligations                                 | -                       | 9.787                   |
| Closing balance as at 30 June  | <u><u>2.081.801</u></u> | <u><u>1.953.221</u></u> |

**14. PROPERTY PLANT AND EQUIPMENT**

During the period ended 30 June 2013 the Group purchased property plant and equipment amounting to USD 45.207 (30 June 2012: 43.813). In addition during the period ended 30 June 2013 net book value of USD 6.785 (30 June 2012: 7.413) property plant and equipment sold for USD 7.708 (30 June 2012: 8.105).

**15. COMMITMENTS AND CONTINGENCIES**

**Operating lease commitments – Group as lessee**

Future minimum lease payments under non-cancellable operating leases of the Group as of 30 June 2013 and 31 December 2012 are as follows:

|   | <u>30 June<br/>2013</u> | <u>31 December<br/>2012</u> |
|---|-------------------------|-----------------------------|
| Within one year                             | 351                     | 378                         |
| After one year but not more than five years | 1.470                   | 1.584                       |
| More than 5 years                           | 6.255                   | 6.737                       |
|   | <u><u>8.076</u></u>     | <u><u>8.699</u></u>         |

**Operating lease commitments – Group as lessor**

The minimum future rental income of the Group under non-cancelable operating leases at 30 June 2013 and 31 December 2012 are as follows:

|   | <u>30 June<br/>2013</u> | <u>31 December<br/>2012</u> |
|---|-------------------------|-----------------------------|
| Within one year                             | 359.893                 | 318.129                     |
| After one year but not more than five years | 705.101                 | 608.987                     |
| More than 5 years                           | 272.180                 | 245.050                     |
|   | <u><u>1.337.174</u></u> | <u><u>1.172.166</u></u>     |



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

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

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

**Litigations**

In relation to the legal case regarding the construction project of the Group in Russia, due to losses incurred and due to receivable claims which have not been invoiced yet, the final decision has been made and the Group has been entitled to receive USD 42.333 excluding VAT. Of this amount USD 29.383 have been collected during the period.

Other than explained above, during the period ended 30 June 2013, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2012 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 June 2013 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 2012 consolidated financial statements.

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 30 June 2013 and 31 December 2012 is as follows;

|   | 30 June 2013         |                   | 31 December 2012     |                   |
|---|----------------------|-------------------|----------------------|-------------------|
|   | Original<br>Currency | USD<br>Equivalent | Original<br>Currency | USD<br>Equivalent |
| <b>Letters of guarantee, guarantee notes given,<br/>mortgage and pledges</b>  |                      |                   |                      |                   |
| A. Total amount of guarantees provided by<br>the Company on behalf of itself  |                      | 3.087.871         |                      | 3.148.784         |
| -USD  | 2.768.815            | 2.768.815         | 2.834.614            | 2.834.614         |
| -EUR  | 82.833               | 108.176           | 102.744              | 135.545           |
| -TL   | 25.673               | 13.338            | 20.273               | 11.373            |
| -Others (*)   |                      | 197.542           |                      | 167.252           |
| B. Total amount for guarantees provided on behalf of<br>subsidiaries accounted under full consolidation method          |                      | 430.411           |                      | 480.188           |
| -USD  | 4.435                | 4.435             | 4.435                | 4.435             |
| -EUR  | 78.522               | 102.547           | 78.814               | 103.976           |
| -TL   | 1.738                | 903               | 1.738                | 975               |
| -Others (*)   |                      | 322.526           |                      | 370.802           |
| 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>3.518.682</u>  |                      | <u>3.629.372</u>  |

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

As of 30 June 2013 the portion of other guarantess given to shareholders' equity is 0,01% (31 December 2012: 0,01%).

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

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#### 16. DEFERRED INCOME

Short term deferred income is composed of advances taken and deferred rental revenue.

Long term deferred income is composed of 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 12 April 2013; regarding the distribution of the year 2012 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0,08 gross / 0,068 net (as being 8% gross, 6.80% net of the issued share capital) in total TL 224.000 (2012: TL 210.000); further it has been resolved to distribute TL 19.317 (2012: TL 18.105) as cash dividend to founder shares and the distribution is completed on 8 May 2013.

#### 18. RELATED PARTY BALANCES AND TRANSACTIONS

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

#### 19. SHARE CAPITAL

The shareholders of the Group and their percentage of ownership as of 30 June 2013 and 31 December 2012 is as follows:

|   | 30 June 2013            |                  | 31 December 2012        |                  |
|---|-------------------------|------------------|-------------------------|------------------|
|   | Percentage of ownership | Amount           | Percentage of ownership | Amount           |
| Tara Holding A.Ş.                               | 49,27%                  | 1.005.281        | 49,27%                  | 901.242          |
| Tara and Gülçelik families                      | 28,07%                  | 572.727          | 27,99%                  | 511.991          |
| Publicly traded                                 | 12,35%                  | 251.984          | 12,42%                  | 227.186          |
| Enka Spor Eğitim ve Sosyal Yardım Vakfı         | 5,94%                   | 121.197          | 5,95%                   | 108.837          |
| Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti. | 4,37%                   | 89.163           | 4,37%                   | 79.936           |
|   | <u>100,00%</u>          | <u>2.040.352</u> | <u>100,00%</u>          | <u>1.829.192</u> |

Based on the Group's Ordinary General Assembly held on 12 April 2013; the share capital has been increased from TL 2.800.000 to TL 3.200.000; and TL 400.000 has been covered from the 1st Dividend at an amount of TL 243.500 and from the 2nd Dividend at an amount of TL 156.500.

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

The movement of the share capital (in numbers and in historical TL) of the Group during 30 June 2013 and 31 December 2012 is as follows:

|   | 30 June 2013           |                  | 31 December 2012       |                  |
|---|------------------------|------------------|------------------------|------------------|
|   | Number                 | TL               | Number                 | TL               |
| At 1 January,                                 | 280.000.000.000        | 2.800.000        | 250.000.000.000        | 2.500.000        |
| Bonus shares issued out of<br>general reserve | 40.000.000.000         | 400.000          | 30.000.000.000         | 300.000          |
|   | <u>320.000.000.000</u> | <u>3.200.000</u> | <u>280.000.000.000</u> | <u>2.800.000</u> |

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

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

As of 30 June 2013, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 3.631(31 December 2012: USD 3.916).

##### b) Discontinued operations

The Group sold the assets classified as held for sale of retail operations in Russia on 3 April 2012.

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

|  | 1 January- 3 April<br>2012 |
|--|----------------------------|
| Revenue  | 23.953                     |
| Cost of sales (-)                                | (13.598)                   |
| Marketing, selling and distribution expenses (-) | (6.939)                    |
| Administrative expenses (-)                      | (4.666)                    |
| Other operating income                           | 193                        |
| Other operating expenses (-)                     | (26)                       |
| Financial expenses (-)                           | (95)                       |
| Current tax expense (-)                          | (14)                       |
| Deferred tax income                              | 10                         |
| Net loss from discontinued operations            | <u>(1.182)</u>             |
| Gain on sale of discontinued operations          | 38.358                     |
| Tax effect of sale of discontinued operations    | (6.275)                    |
| Net profit                                       | <u>30.901</u>              |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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#### 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 2012: 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 2012 – 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.

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#### 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 30 June 2013 and 31 December 2012 effective corporation tax rate in other countries are as follows:

|             | 30 June<br>2013 | 31 December<br>2012 |
|-------------|-----------------|---------------------|
| Russia      | %20             | %20                 |
| Netherlands | %25             | %25                 |
| Kazakhstan  | %28 - %32       | %28 - %32           |
| Iraq        | %15 - %35       | %15 - %35           |
| Romania     | %16             | %16                 |
| Oman        | %12             | %12                 |
| Libya       | %20             | %20                 |
| Kosovo      | %10             | %10                 |

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

|                          | 2013          | 2012          |
|--------------------------|---------------|---------------|
| Balance at 1 January     | 38.415        | 28.275        |
| Current year tax expense | 90.699        | 57.206        |
| Taxes paid               | (82.496)      | (61.842)      |
| Balance at 30 June       | <u>46.618</u> | <u>23.639</u> |

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

**Deferred tax assets and liabilities**

As of 30 June 2013 and 31 December 2012, the breakdown of temporary differences which give rise to deferred taxes is as follows:

|   | 30 June<br>2013  | 31 December<br>2012 |
|---|------------------|---------------------|
| Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property | (495.093)        | (498.250)           |
| GE Inventory in the context of "PSA" (*)  | (27.242)         | (28.867)            |
| Adjustments on financial instruments and derivatives  | (6.350)          | (4.383)             |
| Gross deferred income tax liabilities   | <u>(528.685)</u> | <u>(531.500)</u>    |
| Adjustment of revenue levelization  | 148.438          | 155.988             |
| Allowance for doubtful receivables  | 2.989            | 2.862               |
| Allowance for retirement pay liability  | 2.492            | 2.517               |
| Allowance for inventories   | 4.385            | 513                 |
| Others  | 4.605            | 6.192               |
| Gross deferred income tax assets  | <u>162.909</u>   | <u>168.072</u>      |
| Net deferred tax liability  | <u>(365.776)</u> | <u>(363.428)</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 June<br>2013  | 31 December<br>2012 |
|------------------------------|------------------|---------------------|
| Deferred tax assets          | 23               | 84                  |
| Deferred tax liabilities     | (365.799)        | (363.512)           |
| Net deferred tax liabilities | <u>(365.776)</u> | <u>(363.428)</u>    |

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21. TAXATION ON INCOME (cont'd)

Deferred tax assets and liabilities (cont'd)

Movements of net deferred tax liability are as follows as of 30 June 2013 and 2012:

|  | <u>2013</u>    | <u>2012</u>    |
|--|----------------|----------------|
| Balance at 1 January                                       | 363.428        | 324.547        |
| Deferred income tax expense recognized in income statement | 16.971         | 3.140          |
| Deferred income tax expense recognized in equity           | 3              | 18             |
| Translation loss   | (14.625)       | (3.003)        |
| Total net deferred tax liabilities as of 30 June           | <u>365.777</u> | <u>324.702</u> |

As of 30 June 2013 and 30 June 2012, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

|   | <u>30 June 2013</u> |                                      |                            | <u>30 June 2012</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 |
| Changes in fair value of derivative assets  | 15                  | (3)                                  | 12                         | 88                  | (18)                                 | 70                            |
| Changes in currency translation differences | (128.315)           | -                                    | (128.315)                  | (39.455)            | -                                    | (39.455)                      |
|   | <u>(128.300)</u>    | <u>(3)</u>                           | <u>(128.303)</u>           | <u>(39.367)</u>     | <u>(18)</u>                          | <u>(39.385)</u>               |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

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

#### 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 Dollars which arises from the liabilities belonging to the companies in the consolidation scope, whose the functional currency is not U.S Dollars.

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 June 2013 and 31 December 2012:

|  | <u>30 June 2013</u> | <u>31 December 2012</u> |
|--|---------------------|-------------------------|
| A. Assets denominated in foreign currency      | 1.354.649           | 1.635.937               |
| B. Liabilities denominated in foreign currency | (717.815)           | (603.513)               |
| Net foreign currency position (A+B)            | 636.834             | 1.032.424               |



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

Foreign currency risk (cont'd)

The Group's foreign currency position at 30 June 2013 and 31 December 2012 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

|   | 30 June 2013   |                   |                |                   |                |                | Total USD<br>Equivalent |
|---|----------------|-------------------|----------------|-------------------|----------------|----------------|-------------------------|
|   | TL             | USD<br>Equivalent | Euro           | USD<br>Equivalent | Other USD (*)  | USD (**)       |                         |
| Cash and cash equivalents                         | 68.862         | 35.776            | 201.284        | 262.877           | 232.141        | 43.827         | 574.621                 |
| Financial investments                             | 78.663         | 40.868            | 29.200         | 38.135            | 57.764         | 233.417        | 370.184                 |
| Trade and other receivables                       | 22.618         | 11.751            | 50.727         | 66.250            | 51.098         | 38.074         | 167.173                 |
| Other current assets                              | 48.878         | 25.394            | 5.656          | 7.387             | 18.627         | 1.541          | 52.949                  |
| <b>Current assets</b>                             | <b>219.021</b> | <b>113.789</b>    | <b>286.867</b> | <b>374.649</b>    | <b>359.630</b> | <b>316.859</b> | <b>1.164.927</b>        |
| Financial investments                             | -              | -                 | 76.987         | 100.545           | 67.127         | -              | 167.672                 |
| Trade and other receivables                       | -              | -                 | 3.526          | 4.605             | 890            | 6.137          | 11.632                  |
| Other non current assets                          | 2.640          | 1.372             | 779            | 1.018             | 3.058          | 4.970          | 10.418                  |
| <b>Non-current assets</b>                         | <b>2.640</b>   | <b>1.372</b>      | <b>81.292</b>  | <b>106.168</b>    | <b>71.075</b>  | <b>11.107</b>  | <b>189.722</b>          |
| <b>Total assets</b>                               | <b>221.661</b> | <b>115.161</b>    | <b>368.159</b> | <b>480.817</b>    | <b>430.705</b> | <b>327.966</b> | <b>1.354.649</b>        |
| Short-term borrowings                             | 526            | 273               | 32.373         | 42.280            | 44.661         | 20.029         | 107.243                 |
| Trade and other payables                          | 39.361         | 20.449            | 150.836        | 196.992           | 136.176        | 6.314          | 359.931                 |
| Other current liabilities<br>and accrued expenses | 82.358         | 42.788            | 5.531          | 7.224             | 56.666         | 34.627         | 141.305                 |
| <b>Current liabilities</b>                        | <b>122.245</b> | <b>63.510</b>     | <b>188.740</b> | <b>246.496</b>    | <b>237.503</b> | <b>60.970</b>  | <b>608.479</b>          |
| Trade and other payables                          | -              | -                 | 4.000          | 5.224             | -              | -              | 5.224                   |
| Long-term borrowings                              | -              | -                 | 14.603         | 19.071            | 79.070         | 261            | 98.402                  |
| Other non-current liabilities                     | -              | -                 | 1.073          | 1.402             | 25             | 4.283          | 5.710                   |
| <b>Non-current liabilities</b>                    | <b>-</b>       | <b>-</b>          | <b>19.676</b>  | <b>25.697</b>     | <b>79.095</b>  | <b>4.544</b>   | <b>109.336</b>          |
| <b>Total liabilities</b>                          | <b>122.245</b> | <b>63.510</b>     | <b>208.416</b> | <b>272.193</b>    | <b>316.598</b> | <b>65.514</b>  | <b>717.815</b>          |
| <b>Net foreign currency position</b>              | <b>99.416</b>  | <b>51.651</b>     | <b>159.743</b> | <b>208.624</b>    | <b>114.107</b> | <b>262.452</b> | <b>636.834</b>          |
| Net notional amount<br>of derivatives             | 4.299          | 2.233             | 45.803         | 59.819            | -              | -              | 62.052                  |

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

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

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

Foreign currency risk (cont'd)

|   | 31 December 2012 |                |                |                |                |                | Total USD<br>Equivalent |
|---|------------------|----------------|----------------|----------------|----------------|----------------|-------------------------|
|   | TL               | USD            |                | USD            |                | USD (**)       |                         |
|   |                  | Equivalent     | Euro           | Equivalent     | Other USD (*)  |                |                         |
| Cash and cash equivalents                         | 28.831           | 16.174         | 188.272        | 248.387        | 226.099        | 76.972         | 567.632                 |
| Financial investments                             | 93.081           | 52.216         | 27.711         | 36.559         | 77.024         | 323.871        | 489.670                 |
| Trade and other receivables                       | 14.394           | 8.075          | 74.865         | 98.769         | 76.479         | 7.430          | 190.753                 |
| Other current assets                              | 94.912           | 53.244         | 45.546         | 60.089         | 27.089         | 278            | 140.700                 |
| <b>Current assets</b>                             | <b>231.218</b>   | <b>129.709</b> | <b>336.394</b> | <b>443.804</b> | <b>406.691</b> | <b>408.551</b> | <b>1.388.755</b>        |
| Financial investments                             | 11.454           | 6.426          | 113.955        | 150.341        | 67.814         | -              | 224.581                 |
| Trade and other receivables                       | -                | -              | 3.932          | 5.188          | 1.014          | 6.002          | 12.204                  |
| Other non current assets                          | 2.967            | 1.665          | 897            | 1.183          | 2.585          | 4.964          | 10.397                  |
| <b>Non-current assets</b>                         | <b>14.421</b>    | <b>8.091</b>   | <b>118.784</b> | <b>156.712</b> | <b>71.413</b>  | <b>10.966</b>  | <b>247.182</b>          |
| <b>Total assets</b>                               | <b>245.639</b>   | <b>137.800</b> | <b>455.178</b> | <b>600.516</b> | <b>478.104</b> | <b>419.517</b> | <b>1.635.937</b>        |
| Short-term borrowings                             | 212              | 119            | 30.298         | 39.972         | 43.195         | 14.508         | 97.794                  |
| Trade and other payables                          | 33.334           | 18.700         | 48.905         | 64.520         | 124.284        | 11,067         | 218.571                 |
| Other current liabilities<br>and accrued expenses | 84.437           | 47.367         | 31.945         | 42.145         | 43.328         | 26.721         | 159.561                 |
| <b>Current liabilities</b>                        | <b>117.983</b>   | <b>66.186</b>  | <b>111.148</b> | <b>146.637</b> | <b>210.807</b> | <b>52.296</b>  | <b>475.926</b>          |
| Trade and other payables                          | -                | -              | 4.000          | 5.277          | -              | -              | 5.277                   |
| Long-term borrowings                              | -                | -              | 15.864         | 20.930         | 95.593         | 4.000          | 120.523                 |
| Other non-current liabilities                     | -                | -              | 782            | 1.032          | 526            | 229            | 1.787                   |
| <b>Non-current liabilities</b>                    | <b>-</b>         | <b>-</b>       | <b>20.646</b>  | <b>27.239</b>  | <b>96.119</b>  | <b>4.229</b>   | <b>127.587</b>          |
| <b>Total liabilities</b>                          | <b>117.983</b>   | <b>66.186</b>  | <b>131.794</b> | <b>173.876</b> | <b>306.926</b> | <b>56.525</b>  | <b>603.513</b>          |
| <b>Net foreign currency position</b>              | <b>127.656</b>   | <b>71.614</b>  | <b>323.384</b> | <b>426.640</b> | <b>171.178</b> | <b>362.992</b> | <b>1.032.424</b>        |
| <b>Net notional amount<br/>of derivatives</b>     | <b>-</b>         | <b>-</b>       | <b>78.550</b>  | <b>103.627</b> | <b>(1.064)</b> | <b>-</b>       | <b>102.563</b>          |

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

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

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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 30 June 2013 and 31 December 2012:

|  | 30 June 2013                  |                               | 31 December 2012              |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | Profit / (loss)               |                               | Profit / (loss)               |                               |
|  | Valuation of foreign currency | Valuation of foreign currency | Valuation of foreign currency | Valuation of foreign currency |
| <i>In the case of TL gaining 10% value against US Dollar</i>                       |                               |                               |                               |                               |
| 1- TL net asset / (liability)  | 5.165                         | (5.165)                       | 7.161                         | (7.161)                       |
| 2- Portion hedged against TL risk (-)  | 223                           | (223)                         | -                             | -                             |
| <b>3- TL net effect (1+2)</b>  | <b>5.388</b>                  | <b>(5.388)</b>                | <b>7.161</b>                  | <b>(7.161)</b>                |
| <i>In the case of Euro gaining 10% value against US Dollar</i>                     |                               |                               |                               |                               |
| 4- Euro net asset / (liability)  | 20.862                        | (20.862)                      | 42.664                        | (42.664)                      |
| 5- Portion hedged against Euro risk (-)  | 5.982                         | (5.982)                       | 10.363                        | (10.363)                      |
| <b>6- Euro net effect (1+2)</b>  | <b>26.844</b>                 | <b>(26.844)</b>               | <b>53.027</b>                 | <b>(53.027)</b>               |
| <i>In the case of other foreign currencies gaining 10% value against US Dollar</i> |                               |                               |                               |                               |
| 7- Other foreign currency net asset / (liability)                                  | 11.411                        | (11.411)                      | 17.118                        | (17.118)                      |
| 8- Portion hedged against other foreign currency risk (-)                          | -                             | -                             | (106)                         | 106                           |
| <b>9- Other foreign currency net effect (7+8)</b>                                  | <b>11.411</b>                 | <b>(11.411)</b>               | <b>17.012</b>                 | <b>(17.012)</b>               |
| <b>Total (3+6+9)</b>   | <b>43.643</b>                 | <b>(43.643)</b>               | <b>77.200</b>                 | <b>(77.200)</b>               |

23. SUBSEQUENT EVENTS

None.

24. OTHER MATTERS THAT MATERIALLY AFFECT THE FINANCIAL STATEMENTS AND THAT NEED TO BE CLARIFIED

The group purchased the remaining 44% of the shares of its 56% indirect subsidiary JSC Moskva Krasnye Holmy on January 21, 2013 and June 4, 2013 at a price of 6,16 Billion Russian Roubles (full). The effect of this transaction has been shown under "Effect of acquisition of noncontrolling interests" in consolidated statement of changes in equity.