

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

**CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 JUNE 2014**

## REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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), its subsidiaries and joint operations (together the “Group”) as of 30 June 2014 and the related condensed consolidated statements of income, changes in equity and cash flows for the six month interim period then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standards (“IFRS”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

İstanbul, 8 August 2014

*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 2014**

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

| <b>ASSETS</b>  | <b>Notes</b> | <b>30 June<br/>2014</b> | <b>31 December<br/>2013</b> |
|--|--------------|-------------------------|-----------------------------|
| <b>Current Assets</b>  |              | <b>3.406.599</b>        | <b>3.175.750</b>            |
| Cash and cash equivalents  | 7            | 1.257.795               | 1.272.136                   |
| Financial investments  | 8            | 605.571                 | 481.656                     |
| Trade receivables  | 10           | 863.507                 | 797.562                     |
| Other receivables  |              |                         |                             |
| Other receivables from related parties   |              | 167                     | 43                          |
| Other receivables from third parties   |              | 728                     | 693                         |
| Inventories  | 11           | 411.784                 | 344.406                     |
| Prepaid expenses   |              | 128.185                 | 112.214                     |
| Costs and estimated earnings in excess of billings<br>on uncompleted contracts | 12           | 80.201                  | 108.938                     |
| Other current assets   |              | 57.458                  | 56.906                      |
|  |              | <u>3.405.396</u>        | <u>3.174.554</u>            |
| Assets held for sale and discontinued operations                               | 20           | 1.203                   | 1.196                       |
| <b>Non-Current Assets</b>  |              | <b>5.351.272</b>        | <b>5.295.681</b>            |
| Financial investments  | 8            | 986.731                 | 998.458                     |
| Trade receivables  | 10           | 15.865                  | 13.517                      |
| Investment properties  | 13           | 2.438.855               | 2.346.532                   |
| Property, plant and equipments   | 14           | 1.808.687               | 1.832.530                   |
| Intangible assets  |              |                         |                             |
| Goodwill   |              | 64.002                  | 64.092                      |
| Other intangible assets  |              | 28.502                  | 31.973                      |
| Deferred tax assets  | 21           | 411                     | 450                         |
| Prepaid expenses   |              | 1.990                   | 1.779                       |
| Other non-current assets   |              | 6.229                   | 6.350                       |
| <b>TOTAL ASSETS</b>  |              | <b><u>8.757.871</u></b> | <b><u>8.471.431</u></b>     |

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

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

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2014**

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

| <b>LIABILITIES</b>   | <b>Notes</b> | <b>30 June<br/>2014</b> | <b>31 December<br/>2013</b> |
|--|--------------|-------------------------|-----------------------------|
| <b>Current Liabilities</b>   |              | <b>1.430.631</b>        | <b>1.367.770</b>            |
| Short-term borrowings  | 9            | 35.476                  | 35.776                      |
| Current portion of long-term borrowings  | 9            | 67.531                  | 66.162                      |
| Trade payables   | 10           | 557.708                 | 533.729                     |
| Payables to employees  |              | 29.074                  | 30.307                      |
| Other payables   |              |                         |                             |
| Payables to related parties  |              | 1.377                   | 1.198                       |
| Payables to third parties  |              | 32.890                  | 28.791                      |
| Billings in excess of costs and estimated earnings<br>on uncompleted contracts | 12           | 219.855                 | 171.337                     |
| Deferred income  | 16           | 325.161                 | 340.722                     |
| Taxation on income   | 21           | 39.548                  | 54.503                      |
| Provisions   |              |                         |                             |
| Provisions for employee benefits   |              | 15.293                  | 19.937                      |
| Other provisions   |              | 43.735                  | 40.793                      |
| Other current liabilities  |              | 62.983                  | 44.515                      |
| <b>Non-Current Liabilities</b>   |              | <b>1.493.811</b>        | <b>1.442.592</b>            |
| Long-term borrowings   | 9            | 364.048                 | 280.474                     |
| Trade payables   | 10           | 5.508                   | 5.503                       |
| Other payables   |              | 30.531                  | 30.127                      |
| Deferred income  | 16           | 665.028                 | 711.411                     |
| Provisions for employee benefits   |              | 17.639                  | 15.707                      |
| Deferred tax liabilities   | 21           | 411.057                 | 399.370                     |
| <b>EQUITY</b>  |              | <b>5.833.429</b>        | <b>5.661.069</b>            |
| <b>Equity Attributable to Equity Holders of the Parent</b>                     |              | <b>5.768.884</b>        | <b>5.597.343</b>            |
| Share capital  | 19           | 2.230.412               | 2.040.352                   |
| Revaluation surplus  |              | 230.472                 | 232.143                     |
| Currency translation difference  |              | (251.802)               | (206.697)                   |
| Other reserves   |              | 1.986                   | 1.986                       |
| Legal reserves and accumulated profit  |              | 3.557.816               | 3.529.559                   |
| <b>Non-Controlling Interests</b>   |              | <b>64.545</b>           | <b>63.726</b>               |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |              | <b>8.757.871</b>        | <b>8.471.431</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 2014

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

|   |       | 1 January -<br>30 June<br>2014 | 1 April -<br>30 June<br>2014 | Reclassified (Note 2.3)<br>1 January -<br>30 June<br>2013 | 1 April -<br>30 June<br>2013 |
|---|-------|--------------------------------|------------------------------|---|------------------------------|
|   | Notes |                                |                              |   |                              |
| <b>CONTINUING OPERATIONS</b>  |       |                                |                              |   |                              |
| Revenue   | 6     | 2.968.905                      | 1.494.695                    | 3.281.844   | 1.711.961                    |
| Cost of revenues (-)  | 6     | (2.499.247)                    | (1.261.128)                  | (2.700.015)   | (1.377.807)                  |
| <b>GROSS PROFIT</b>   |       | <b>469.658</b>                 | <b>233.567</b>               | <b>581.829</b>  | <b>334.154</b>               |
| Marketing, selling and distribution expenses (-)                          | 6     | (19.099)                       | (10.665)                     | (17.179)  | (9.347)                      |
| Administrative expenses (-)   | 6     | (61.517)                       | (34.358)                     | (70.678)  | (38.402)                     |
| Other operating income  | 6     | 14.759                         | 2.851                        | 19.534  | 15.095                       |
| Other operating expenses (-)  | 6     | (41.592)                       | (18.995)                     | (23.570)  | (12.965)                     |
| <b>PROFIT FROM OPERATIONS</b>   |       | <b>362.209</b>                 | <b>172.400</b>               | <b>489.936</b>  | <b>288.535</b>               |
| Investment income   | 6     | 120.481                        | 65.195                       | 60.856  | (27)                         |
| Investment expenses (-)   | 6     | (6.970)                        | 2.589                        | (88.771)  | (40.730)                     |
| <b>OPERATING PROFIT</b>   |       |                                |                              |   |                              |
| <b>BEFORE FINANCE EXPENSES</b>  |       | <b>475.720</b>                 | <b>240.184</b>               | <b>462.021</b>  | <b>247.778</b>               |
| Financial income  | 6     | 15.609                         | (4.223)                      | 11.102  | 3.673                        |
| Financial expenses (-)  | 6     | (17.635)                       | 8.770                        | (18.504)  | (11.035)                     |
| <b>PROFIT BEFORE TAX</b>  |       | <b>473.694</b>                 | <b>244.731</b>               | <b>454.619</b>  | <b>240.416</b>               |
| Current tax expense (-)   | 21    | (81.300)                       | (37.031)                     | (90.699)  | (51.531)                     |
| Deferred tax expense  | 21    | (16.471)                       | (5.109)                      | (16.971)  | (9.730)                      |
| <b>NET PROFIT FOR THE PERIOD</b>  |       | <b>375.923</b>                 | <b>202.591</b>               | <b>346.949</b>  | <b>179.155</b>               |
| <b>Attributable to:</b>   |       |                                |                              |   |                              |
| Non-controlling interest  |       | 20.565                         | 9.286                        | 13.576  | 6.300                        |
| Equity holders of the parent  |       | 355.358                        | 193.305                      | 333.373   | 172.855                      |
|   |       | <b>375.923</b>                 | <b>202.591</b>               | <b>346.949</b>  | <b>179.155</b>               |
| <b>Earning per share from continuing operations</b>                       |       |                                |                              |   |                              |
| - ordinary share certificate (full cent)                                  | 5     | 0,10                           | 0,05                         | 0,09  | 0,05                         |
| <b>Weighted average number of shares (1 cent weighted average shares)</b> |       |                                |                              |   |                              |
|   |       | 360.000.000.000                | 360.000.000.000              | 360.000.000.000   | 360.000.000.000              |

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

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2014**

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

|   | 1 January -<br>30 June<br>2014 | 1 April -<br>30 June<br>2014 | <i>Reclassified (Note 2.3)</i><br>1 January -<br>30 June<br>2013 | 1 April -<br>30 June<br>2013 |
|---|--------------------------------|------------------------------|--|------------------------------|
| <b>NET PROFIT FOR THE PERIOD</b>  | <b>375.923</b>                 | <b>202.591</b>               | <b>346.949</b>   | <b>179.155</b>               |
| <b>Other Comprehensive Income / (Expense):</b>                            |                                |                              |  |                              |
| <b>Items that will not be reclassified subsequently to profit or loss</b> | <b>235</b>                     | <b>1.066</b>                 | <b>(838)</b>   | <b>(639)</b>                 |
| Loss on remeasurement of defined benefit plans                            | -                              | -                            | -  | -                            |
| <i>Changes in revaluation fund of property</i>                            | <i>235</i>                     | <i>1.066</i>                 | <i>(838)</i>   | <i>(639)</i>                 |
| Gain arising during the period  | -                              | -                            | -  | -                            |
| Currency translation difference of revaluation fund                       | 235                            | 1.066                        | (838)  | (639)                        |
| <b>Items that may be reclassified subsequently to profit or loss</b>      | <b>(46.893)</b>                | <b>76.745</b>                | <b>(127.465)</b>   | <b>(61.436)</b>              |
| Changes in currency translation difference                                | (46.893)                       | 76.745                       | (127.477)  | (61.437)                     |
| <i>Changes in cash flow hedge</i>   | <i>-</i>                       | <i>-</i>                     | <i>12</i>  | <i>1</i>                     |
| Gain arising during the period  | -                              | -                            | 15   | 2                            |
| Tax effect  | -                              | -                            | (3)  | (1)                          |
| <b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>                                | <b>(46.658)</b>                | <b>77.811</b>                | <b>(128.303)</b>   | <b>(62.075)</b>              |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | <b>329.265</b>                 | <b>280.402</b>               | <b>218.646</b>   | <b>117.080</b>               |
| <b>Attributable to:</b>   |                                |                              |  |                              |
| Non-controlling interest  | 18.777                         | 7.743                        | 4.411  | 1.891                        |
| Equity holders of the parent  | 310.488                        | 272.659                      | 214.235  | 115.189                      |
|   | <b>329.265</b>                 | <b>280.402</b>               | <b>218.646</b>   | <b>117.080</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 2014

(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 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  |           | 211.160          | -                   | -                               | -              | (211.160)                             | -                | -                         | -                |
| Dividends paid  | 5         | -                | -                   | -                               | -              | (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> |
| <b>Balance at 1 January 2014</b>  |           | <b>2.040.352</b> | <b>232.143</b>      | <b>(206.697)</b>                | <b>1.986</b>   | <b>3.529.559</b>                      | <b>5.597.343</b> | <b>63.726</b>             | <b>5.661.069</b> |
| Total other comprehensive income  |           | -                | 235                 | (45.105)                        | -              | -                                     | (44.870)         | (1.788)                   | (46.658)         |
| Profit for the period   |           | -                | -                   | -                               | -              | 355.358                               | 355.358          | 20.565                    | 375.923          |
| Total comprehensive income  |           | -                | 235                 | (45.105)                        | -              | 355.358                               | 310.488          | 18.777                    | 329.265          |
| Transfer of depreciation difference (net of deferred tax) of revaluation effect |           | -                | (1.906)             | -                               | -              | 1.906                                 | -                | -                         | -                |
| Share capital increase  | 19        | 190.060          | -                   | -                               | -              | (190.060)                             | -                | -                         | -                |
| Dividends paid  | 5         | -                | -                   | -                               | -              | (138.947)                             | (138.947)        | (17.958)                  | (156.905)        |
| <b>Balance at 30 June 2014</b>  | <b>19</b> | <b>2.230.412</b> | <b>230.472</b>      | <b>(251.802)</b>                | <b>1.986</b>   | <b>3.557.816</b>                      | <b>5.768.884</b> | <b>64.545</b>             | <b>5.833.429</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 2014

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

|  |              | 1 January -<br>30 June<br>2014 | 1 January -<br>30 June<br>2013 |
|--|--------------|--------------------------------|--------------------------------|
| <b>Cash flows from operating activities</b>  | <b>Notes</b> |                                |                                |
| Profit for the period  |              | 375.923                        | 346.949                        |
| Adjustments to reconcile net income  |              |                                |                                |
| to net cash used in operating activities:  |              |                                |                                |
| - Depreciation and amortization of non-current assets  | 6            | 51.723                         | 53.213                         |
| - Provision for employment termination benefits  |              | 2.337                          | 2.558                          |
| - Allowance for doubtful receivables   |              | 1.980                          | 2.714                          |
| - Provision for litigations  |              | 5.223                          | 4.531                          |
| - Adjustments to deferred income from electricity sale   |              | (46.358)                       | (38.128)                       |
| - Loss from fair value of forward transactions   |              | (265)                          | 2.089                          |
| - Interest expense   |              | 2.573                          | 5.911                          |
| - Interest income  |              | (21.254)                       | (30.065)                       |
| - Dividend income  |              | (3.926)                        | (6.112)                        |
| - Provision for inventory impairment, net  |              | 272                            | 1.044                          |
| - Gain on sale or disposal of property, plant and equipment, net                                     | 14           | (1.536)                        | (923)                          |
| - Valuation of investment securities   |              | (28.470)                       | 57.744                         |
| - Tax expense  |              | 97.771                         | 107.670                        |
|  |              | <u>435.993</u>                 | <u>509.195</u>                 |
| Movements in working capital   |              |                                |                                |
| Decrease in trade and other receivables  |              | (69.907)                       | 156.961                        |
| Decrease in cost and estimated earnings in<br>excess of billings on uncompleted contracts            |              | 28.737                         | 8.305                          |
| Increase in inventory  |              | (67.649)                       | (91.414)                       |
| Increase in other current assets<br>and other non current assets                                     |              | (16.653)                       | 41.550                         |
| Decrease in trade and other payables   |              | 23.984                         | (50.974)                       |
| Increase/(decrease) in billings in excess of cost and estimated<br>earnings on uncompleted contracts |              | 48.518                         | 39.765                         |
| Increase in provision for liabilities and other liabilities  |              | (75)                           | (62.305)                       |
|  |              | <u>(53.045)</u>                | <u>41.888</u>                  |
| Income taxes paid  | 21           | (96.255)                       | (82.496)                       |
| Employee termination benefits paid   |              | (454)                          | (2.190)                        |
| <b>Net cash generated from operating activities</b>  |              | <b><u>286.239</u></b>          | <b><u>466.397</u></b>          |
| <b>Cash flows from investing activities</b>  |              |                                |                                |
| Financial investments  |              | (83.721)                       | 137.972                        |
| Proceeds on disposal or sale of property, plant and equipment  | 14           | 6.970                          | 7.708                          |
| Purchases of property, plant and equipment, intangible assets<br>and investment properties           | 6            | (124.547)                      | (101.579)                      |
| Interest received  |              | 21.001                         | 29.821                         |
| Acquisition of non-controlling interest  |              | -                              | (193.949)                      |
| Dividend income  |              | 3.926                          | 6.112                          |
| <b>Net cash used in investing activities</b>   |              | <b><u>(176.371)</u></b>        | <b><u>(113.915)</u></b>        |
| <b>Cash flows from financing activities</b>  |              |                                |                                |
| Short-term borrowings, net   |              | (479)                          | 22.337                         |
| Addition to long-term borrowings   |              | 70.774                         | 19.604                         |
| Repayments of long-term borrowings   |              | (32.268)                       | (138.836)                      |
| Interest paid  |              | (2.555)                        | (5.007)                        |
| Dividend paid to non-controlling interests   |              | (17.958)                       | (312)                          |
| Dividend paid  |              | (138.947)                      | (135.244)                      |
| <b>Net cash used in financing activities</b>   |              | <b><u>(121.433)</u></b>        | <b><u>(237.458)</u></b>        |
| Translation reserve  |              | (2.777)                        | (31.006)                       |
| <b>Net increase in cash and cash equivalents</b>   |              | <b><u>(14.342)</u></b>         | <b><u>84.018</u></b>           |
| Cash and cash equivalents at beginning of the period   | 7            | 1.271.137                      | 1.013.878                      |
| <b>Cash and cash equivalents at end of the period</b>  | <b>7</b>     | <b><u>1.256.795</u></b>        | <b><u>1.097.896</u></b>        |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

(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 2014, 12.59% 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 Borsa İstanbul (BİST).

As of 30 June 2014, the average numbers of white and blue-collar personnel are respectively 5.349 and 19.991 (31 December 2013 – 5.299 and 21.435).

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, Georgia 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, and Equatorial Guinea in Africa; Saudi Arabia, Oman, Iraq and Afghanistan in Asia, Dominican Republic and Papua New Guinea.
- iv. *Europe*: engaged in construction and trading activities in Romania, Netherlands, Switzerland, Germany, and 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 2013 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, lands, 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 2014. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 8 August 2014. 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 2014

(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 2014 and 31 December 2013 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

The assets and liabilities of the subsidiaries whose functional currency is other than U.S. Dollars are translated into U.S. Dollars at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the 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 2014

(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 2014, 31 December 2013 and 30 June 2013 for one U.S. Dollars can be summarized as below:

|   | 30 June 2014 | 31 December 2013 | 30 June 2013 |
|---|--------------|------------------|--------------|
| U.S. Dollars /TL – as of balance sheet date | 2,1234       | 2,1343           | 1,9248       |
| U.S. Dollars /TL –period average            | 2,1629       | 1,9032           | 1,8089       |

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

Foreign exchange difference losses from investment activities at an amount of USD 16.719 presented in "Financial expenses" in the condensed consolidated statement of income for the period ended 30 June 2013, is now presented in "Investment expenses".

Net gain on disposal of property, plant and equipment at an amount of USD 923 presented in "Other operating income" and "Other operating expenses" in the condensed consolidated statement of income for the period ended 30 June 2013, is now presented in "Investment income" and "Investment expenses".

### 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 2013.

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

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

##### **IFRS 9 *Financial Instruments***

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

##### **Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures***

On November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

The Group has adopted IFRS 9 and the related consequential amendments to other IFRSs at 31 December 2010.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

(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 applied with no material effect on the consolidated financial statements

|                                   |   |
|-----------------------------------|---|
| Amendments to IFRS 10, 11, IAS 27 | <i>Investment Entities<sup>1</sup></i>  |
| 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.

#### **Amendments to IFRS 10, 11, IAS 27 *Investment Entities***

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

#### **Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities***

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

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

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

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

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

#### **IFRIC 21 *Levies***

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

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

None.

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

For the period ended 30 June 2014, the Group continued using judgements applied during the year ended 31 December 2013.

### 2.7 Key sources of estimation uncertainty

For the period ended 30 June 2014, the Group continued using estimations applied during the year ended 31 December 2013.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

(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>2014 | 31 December<br>2013 |
|--|-----------------|---------------------|
| <b>ASSETS</b>  |                 |                     |
| <b>Current Assets</b>  |                 |                     |
| Cash and cash equivalents  | 51.230          | 45.945              |
| Trade receivables  | 25.707          | 30.614              |
| Other receivables  | 101             | 85                  |
| Inventories  | 7.454           | 8.901               |
| Costs and estimated earnings in excess of billings on<br>uncompleted contracts | 164             | 6.285               |
| Other current assets   | 14.188          | 14.549              |
| <b>Group's share in current assets of joint operations</b>                     | <b>98.844</b>   | <b>106.379</b>      |
| <b>Non-Current Assets</b>  |                 |                     |
| Cost   | 116.988         | 119.804             |
| Accumulated depreciation   | (83.574)        | (83.437)            |
| <b>Group's share in joint operations in property,<br/>plant and equipment</b>  | <b>33.414</b>   | <b>36.367</b>       |
| Other non-current assets   | 601             | 906                 |
| <b>Group's share in non-current assets of joint operations</b>                 | <b>601</b>      | <b>906</b>          |
| <b>LIABILITIES</b>   |                 |                     |
| <b>Current Liabilities</b>   |                 |                     |
| Trade payables   | 35.866          | 47.626              |
| Billings in excess of costs and estimated earnings on<br>uncompleted contracts | 144.645         | 109.217             |
| Taxation on income   | 5               | 1.037               |
| Provisions   | 2.604           | 3.729               |
| Provisions for employee benefits   | 5.898           | 5.913               |
| Other current liabilities  | 14.464          | 612                 |
| <b>Group's share in current liabilities of joint operations</b>                | <b>203.482</b>  | <b>168.134</b>      |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

(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>2014 | 30 June<br>2013 |
|----------------------------|-----------------|-----------------|
| Revenue                    | 112.769         | 279.753         |
| Cost of revenue            | (132.818)       | (266.559)       |
| Other operating income     | 185             | 1.278           |
| Other operating expenses   | (84)            | (136)           |
| Financial income           | 144             | 1.205           |
| Financial expenses         | (2.594)         | (1.008)         |
| Taxation charge            | (2.511)         | (13.985)        |
| <b>Net (loss) / profit</b> | <b>(24.909)</b> | <b>548</b>      |

#### 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. DIVIDENDS PAID

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

### 6. SEGMENTAL INFORMATION

#### a) Business segments

| 1 January - 30 June 2014                              |                        |                |                         |                |              |                |
|---|------------------------|----------------|-------------------------|----------------|--------------|----------------|
|   | Construction contracts | Rental         | Trade and manufacturing | Energy         | Eliminations | Consolidated   |
| Revenues  | 936.889                | 242.847        | 182.224                 | 1.606.945      | -            | 2.968.905      |
| Inter-segment revenues                                | 138.390                | -              | 9.490                   | 10.304         | (158.184)    | -              |
| Cost of revenues                                      | (799.453)              | (64.314)       | (149.188)               | (1.486.292)    | -            | (2.499.247)    |
| Inter-segment cost of revenues                        | (147.363)              | -              | (4.010)                 | (10.348)       | 161.721      | -              |
| <b>Gross profit</b>                                   | <b>128.463</b>         | <b>178.533</b> | <b>38.516</b>           | <b>120.609</b> | <b>3.537</b> | <b>469.658</b> |
| Marketing selling and distribution expenses           | (6.712)                | (2.861)        | (9.524)                 | (2)            | -            | (19.099)       |
| Administrative expenses                               | (36.743)               | (9.376)        | (10.660)                | (5.052)        | 314          | (61.517)       |
| Other operating income                                | 10.107                 | 1.567          | 2.107                   | 978            | -            | 14.759         |
| Other operating expenses (-)                          | (28.979)               | (4.139)        | (3.164)                 | (5.383)        | 73           | (41.592)       |
| <b>Profit from operations</b>                         | <b>66.136</b>          | <b>163.724</b> | <b>17.275</b>           | <b>111.150</b> | <b>3.924</b> | <b>362.209</b> |
| Investment income                                     | 119.559                | 890            | 9                       | 23             | -            | 120.481        |
| Investment expenses (-)                               | (6.699)                | -              | (271)                   | -              | -            | (6.970)        |
| <b>Profit from operations</b>                         | <b>112.846</b>         | <b>164.614</b> | <b>17.013</b>           | <b>111.173</b> | <b>3.924</b> | <b>475.720</b> |
| <b>Before Financial Income/(Expenses)</b>             | <b>178.996</b>         | <b>164.614</b> | <b>17.013</b>           | <b>111.173</b> | <b>3.924</b> | <b>475.720</b> |
| Financial income                                      | 12.644                 | 4.247          | 1.536                   | 805            | (3.623)      | 15.609         |
| Financial expenses (-)                                | (9.237)                | (5.388)        | (5.100)                 | (1.422)        | 3.512        | (17.635)       |
| <b>Profit before tax</b>                              | <b>182.403</b>         | <b>163.473</b> | <b>13.449</b>           | <b>110.556</b> | <b>3.813</b> | <b>473.694</b> |
| Taxation charge current (-)                           | (28.817)               | (30.782)       | (4.002)                 | (17.699)       | -            | (81.300)       |
| Deferred taxation income/ (expenses)                  | (3.690)                | (3.411)        | 915                     | (10.285)       | -            | (16.471)       |
| <b>Profit for the year from continuing operations</b> | <b>149.896</b>         | <b>129.280</b> | <b>10.362</b>           | <b>82.572</b>  | <b>3.813</b> | <b>375.923</b> |

| 30 June 2014             |                        |                  |                         |                  |                  |
|--------------------------|------------------------|------------------|-------------------------|------------------|------------------|
|                          | Construction contracts | Rental           | Trade and manufacturing | Energy           | Consolidated     |
| Segment assets           | 3.808.014              | 2.731.583        | 409.691                 | 1.808.206        | 8.757.494        |
| Unallocated assets       |                        |                  |                         |                  | 377              |
| <b>Total assets</b>      | <b>3.808.014</b>       | <b>2.731.583</b> | <b>409.691</b>          | <b>1.808.206</b> | <b>8.757.871</b> |
| Segment liabilities      | 1.018.504              | 621.820          | 218.350                 | 1.064.390        | 2.923.064        |
| Unallocated liabilities  |                        |                  |                         |                  | 1.378            |
| <b>Total liabilities</b> | <b>1.018.504</b>       | <b>621.820</b>   | <b>218.350</b>          | <b>1.064.390</b> | <b>2.924.442</b> |

| 1 January - 30 June 2014                            |                        |               |                         |            |                |
|---|------------------------|---------------|-------------------------|------------|----------------|
|   | Construction contracts | Rental        | Trade and manufacturing | Energy     | Consolidated   |
| <b>Other segment information</b>                    |                        |               |                         |            |                |
| <u>Capital expenditures</u>                         |                        |               |                         |            |                |
| Property, plant and equipment & investment property | 33.360                 | 88.417        | 717                     | 588        | 123.082        |
| Intangible assets                                   | 1.220                  | 198           | 7                       | 40         | 1.465          |
| <b>Total capital expenditures</b>                   | <b>34.580</b>          | <b>88.615</b> | <b>724</b>              | <b>628</b> | <b>124.547</b> |
| Depreciation expense                                | 19.945                 | 2.385         | 2.134                   | 25.347     | 49.811         |
| Amortisation  | 1.573                  | 190           | 101                     | 48         | 1.912          |



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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

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

|   | 1 April - 30 June 2014 |               |                         |               |                           |
|---|------------------------|---------------|-------------------------|---------------|---------------------------|
|   | Construction contracts | Rental        | Trade and manufacturing | Energy        | Eliminations Consolidated |
| Revenues  | 498.836                | 122.665       | 104.446                 | 768.748       | - 1.494.695               |
| Inter-segment revenues                                | 64.963                 | -             | 6.319                   | 4.126         | (75.408) -                |
| Cost of revenues                                      | (417.705)              | (32.937)      | (86.175)                | (724.311)     | - (1.261.128)             |
| Inter-segment cost of revenues                        | (69.645)               | -             | (3.391)                 | (4.143)       | 77.179 -                  |
| <b>Gross profit</b>                                   | <b>76.449</b>          | <b>89.728</b> | <b>21.199</b>           | <b>44.420</b> | <b>1.771 233.567</b>      |
| Marketing, selling and distribution expenses          | (3.730)                | (1.236)       | (5.697)                 | (2)           | - (10.665)                |
| Administrative expenses                               | (20.771)               | (5.060)       | (6.105)                 | (2.534)       | 112 (34.358)              |
| Other operating income                                | 1.307                  | 335           | 901                     | 273           | 35 2.851                  |
| Other operating expenses (-)                          | (14.284)               | (3.765)       | (609)                   | (375)         | 38 (18.995)               |
| <b>Profit from operations</b>                         | <b>38.971</b>          | <b>80.002</b> | <b>9.689</b>            | <b>41.782</b> | <b>1.956 172.400</b>      |
| Investment income                                     | 64.301                 | 885           | 9                       | -             | - 65.195                  |
| Investment expenses (-)                               | 2.851                  | 9             | (271)                   | -             | - 2.589                   |
| <b>Profit from operations</b>                         |                        |               |                         |               |                           |
| <b>Before Financial Income/(Expenses)</b>             | <b>106.123</b>         | <b>80.896</b> | <b>9.427</b>            | <b>41.782</b> | <b>1.956 240.184</b>      |
| Financial income                                      | 3.270                  | (2.111)       | (2.712)                 | (671)         | (1.999) (4.223)           |
| Financial expenses (-)                                | (2.430)                | 8.229         | 1.384                   | (444)         | 2.031 8.770               |
| <b>Profit before tax</b>                              | <b>106.963</b>         | <b>87.014</b> | <b>8.099</b>            | <b>40.667</b> | <b>1.988 244.731</b>      |
| Taxation charge current (-)                           | (13.866)               | (17.259)      | (1.915)                 | (3.991)       | - (37.031)                |
| Deferred taxation income/ (expenses)                  | 620                    | 765           | 335                     | (6.829)       | - (5.109)                 |
| <b>Profit for the year from continuing operations</b> | <b>93.717</b>          | <b>70.520</b> | <b>6.519</b>            | <b>29.847</b> | <b>1.988 202.591</b>      |

|   | 1 April - 30 June 2014 |               |                         |            |               |
|---|------------------------|---------------|-------------------------|------------|---------------|
|   | Construction contracts | Real estate   | Trade and manufacturing | Energy     | Consolidated  |
| <b>Other segment information</b>                    |                        |               |                         |            |               |
| <u>Capital expenditures</u>                         |                        |               |                         |            |               |
| Property, plant and equipment & investment property | 6.681                  | 35.398        | 411                     | 381        | 42.871        |
| Intangible assets                                   | 230                    | 144           | (14)                    | 18         | 378           |
| <b>Total capital expenditures</b>                   | <b>6.911</b>           | <b>35.542</b> | <b>397</b>              | <b>399</b> | <b>43.249</b> |
| Depreciation expense                                | 9.197                  | 1.202         | 1.026                   | 12.741     | 24.166        |
| Amortisation  | 364                    | 152           | 40                      | 24         | 580           |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

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

|   | 1 January - 30 June 2013 |                |                         |                |              | Consolidated   |
|---|--------------------------|----------------|-------------------------|----------------|--------------|----------------|
|   | Construction contracts   | Rental         | Trade and manufacturing | Energy         | Eliminations |                |
| Revenues  | 1.048.827                | 229.692        | 256.967                 | 1.746.358      | -            | 3.281.844      |
| Inter-segment revenues                                | 73.598                   | 364            | 2.536                   | 12.064         | (88.562)     | -              |
| Cost of revenues                                      | (817.884)                | (54.401)       | (211.502)               | (1.616.228)    | -            | (2.700.015)    |
| Inter-segment cost of revenues                        | (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)        | (10.884)                | (42)           | -            | (17.179)       |
| Administrative expenses                               | (43.392)                 | (10.269)       | (11.367)                | (6.149)        | 499          | (70.678)       |
| Other operating income                                | 3.371                    | 3.451          | 4.862                   | 7.850          | -            | 19.534         |
| Other operating expenses (-)                          | (16.634)                 | (999)          | (5.585)                 | (352)          | -            | (23.570)       |
| <b>Profit from operations</b>                         | <b>167.902</b>           | <b>164.219</b> | <b>22.491</b>           | <b>131.870</b> | <b>3.454</b> | <b>489.936</b> |
| Investment income                                     | 57.369                   | 972            | 657                     | 1.858          | -            | 60.856         |
| Investment expenses (-)                               | (87.269)                 | (265)          | (1.139)                 | (98)           | -            | (88.771)       |
| <b>Profit from operations</b>                         |                          |                |                         |                |              |                |
| <b>Before Financial Income/(Expenses)</b>             | <b>138.002</b>           | <b>164.926</b> | <b>22.009</b>           | <b>133.630</b> | <b>3.454</b> | <b>462.021</b> |
| Financial income                                      | 9.217                    | 944            | 1.257                   | 2.785          | (3.101)      | 11.102         |
| Financial expenses (-)                                | (11.590)                 | (689)          | (3.333)                 | (5.863)        | 2.971        | (18.504)       |
| <b>Profit before tax</b>                              | <b>135.629</b>           | <b>165.181</b> | <b>19.933</b>           | <b>130.552</b> | <b>3.324</b> | <b>454.619</b> |
| Taxation charge current (-)                           | (33.801)                 | (29.478)       | (5.554)                 | (21.866)       | -            | (90.699)       |
| Deferred taxation income/ (expenses)                  | (4.136)                  | (3.533)        | 2.770                   | (12.072)       | -            | (16.971)       |
| <b>Profit for the year from continuing operations</b> | <b>97.692</b>            | <b>132.170</b> | <b>17.149</b>           | <b>96.614</b>  | <b>3.324</b> | <b>346.949</b> |

|                          | 31 December 2013       |                  |                         |                  | Consolidated     |
|--------------------------|------------------------|------------------|-------------------------|------------------|------------------|
|                          | Construction contracts | Rental           | Trade and manufacturing | Energy           |                  |
| Segment assets           | 3.640.206              | 2.590.708        | 364.131                 | 1.874.909        | 8.469.954        |
| Unallocated assets       |                        |                  |                         |                  | 1.477            |
| <b>Total assets</b>      | <b>3.640.206</b>       | <b>2.590.708</b> | <b>364.131</b>          | <b>1.874.909</b> | <b>8.471.431</b> |
| Segment liabilities      | 976.393                | 570.386          | 178.790                 | 1.083.597        | 2.809.166        |
| Unallocated liabilities  |                        |                  |                         |                  | 1.196            |
| <b>Total liabilities</b> | <b>976.393</b>         | <b>570.386</b>   | <b>178.790</b>          | <b>1.083.597</b> | <b>2.810.362</b> |

|   | 1 January - 30 June 2013 |               |                         |              | Consolidated   |
|---|--------------------------|---------------|-------------------------|--------------|----------------|
|   | Construction contracts   | Rental        | Trade and manufacturing | Energy       |                |
| <b>Other segment information</b>                    |                          |               |                         |              |                |
| <u>Capital expenditures</u>                         |                          |               |                         |              |                |
| 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         |
| Amortisation  | 982                      | 32            | 134                     | 52           | 1.200          |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

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

|  | 1 April - 30 June 2013    |               |                            |               |              |                |
|--|---------------------------|---------------|----------------------------|---------------|--------------|----------------|
|  | Construction<br>contracts | Rental        | Trade and<br>manufacturing | Energy        | Eliminations | Consolidated   |
| Revenues   | 580.582                   | 116.377       | 175.164                    | 839.838       | -            | 1.711.961      |
| Inter-segment revenues   | 37.063                    | 364           | 1.891                      | 8.130         | (47.448)     | -              |
| Cost of revenues   | (430.985)                 | (25.619)      | (142.745)                  | (778.458)     | -            | (1.377.807)    |
| Inter-segment cost of revenues                                       | (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<br>distribution expenses                      | (1.509)                   | (1.820)       | (6.002)                    | (16)          | -            | (9.347)        |
| Administrative expenses  | (25.107)                  | (4.767)       | (5.235)                    | (3.723)       | 430          | (38.402)       |
| Other operating income   | 1.343                     | 2.236         | 3.666                      | 7.850         | -            | 15.095         |
| Other operating expenses (-)   | (9.404)                   | (517)         | (3.411)                    | 396           | (29)         | (12.965)       |
| <b>Profit from operations</b>  | <b>113.363</b>            | <b>86.254</b> | <b>21.437</b>              | <b>66.320</b> | <b>1.161</b> | <b>288.535</b> |
| Investment income  | (990)                     | (1.157)       | 262                        | 1.858         | -            | (27)           |
| Investment expenses (-)  | (40.982)                  | (167)         | 15                         | 404           | -            | (40.730)       |
| <b>Profit from operations<br/>Before Financial Income/(Expenses)</b> | <b>71.391</b>             | <b>84.930</b> | <b>21.714</b>              | <b>68.582</b> | <b>1.161</b> | <b>247.778</b> |
| Financial income   | 4.431                     | 521           | (1.004)                    | 1.237         | (1.512)      | 3.673          |
| Financial expenses (-)   | (6.728)                   | (152)         | (1.777)                    | (3.746)       | 1.368        | (11.035)       |
| <b>Profit before tax</b>   | <b>69.094</b>             | <b>85.299</b> | <b>18.933</b>              | <b>66.073</b> | <b>1.017</b> | <b>240.416</b> |
| Taxation charge current (-)  | (21.216)                  | (14.056)      | (4.196)                    | (12.063)      | -            | (51.531)       |
| Deferred taxation income/ (expenses)                                 | 1.330                     | (4.906)       | 1.526                      | (7.680)       | -            | (9.730)        |
| <b>Profit for the year from<br/>continuing operations</b>            | <b>49.208</b>             | <b>66.337</b> | <b>16.263</b>              | <b>46.330</b> | <b>1.017</b> | <b>179.155</b> |

  

|   | 1 April - 30 June 2013    |               |                            |              |               |
|---|---------------------------|---------------|----------------------------|--------------|---------------|
|   | Construction<br>contracts | Real estate   | Trade and<br>manufacturing | Energy       | Consolidated  |
| <b>Other segment information</b>                      |                           |               |                            |              |               |
| <u>Capital expenditures</u>                           |                           |               |                            |              |               |
| Property, plant and equipment<br>&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           |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

### 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 2014, revenue amounting to USD 1.606.945 (30 June 2013: USD 1.746.358) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 30 June 2014, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 1.408.598 (30 June 2013: USD 1.549.149) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAS) which exceeds 10% of consolidated cost of revenue.

#### b) Geographical segments

| 1 January - 30 June 2014 |           |                                   |        |              |              |              |
|--------------------------|-----------|-----------------------------------|--------|--------------|--------------|--------------|
|                          | Turkey    | Russian Federation,<br>Kazakhstan | Europe | Iraq & Other | Eliminations | Consolidated |
| Net sales                | 2.214.332 | 397.369                           | 2.372  | 354.832      | -            | 2.968.905    |
| Inter-segment sales      | 45.186    | 112.998                           | -      | -            | (158.184)    | -            |
| Capital expenditures     | 26.588    | 90.557                            | 52     | 7.350        | -            | 124.547      |

| 30 June 2014     |           |                                   |         |              |              |              |
|------------------|-----------|-----------------------------------|---------|--------------|--------------|--------------|
|                  | Turkey    | Russian Federation,<br>Kazakhstan | Europe  | Iraq & Other | Eliminations | Consolidated |
| Segmental assets | 4.629.525 | 3.085.702                         | 555.101 | 487.166      | -            | 8.757.494    |

| 1 April - 30 June 2014 |           |                                   |        |              |              |              |
|------------------------|-----------|-----------------------------------|--------|--------------|--------------|--------------|
|                        | Turkey    | Russian Federation,<br>Kazakhstan | Europe | Iraq & Other | Eliminations | Consolidated |
| Net sales              | 1.097.750 | 209.258                           | 2.072  | 185.616      | -            | 1.494.696    |
| Inter-segment sales    | 18.762    | 56.646                            | -      | -            | (75.408)     | -            |
| Capital expenditures   | 5.642     | 36.024                            | 52     | 1.531        | -            | 43.249       |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

#### b) Geographical segments (cont'd)

| 1 January - 30 June 2013 |           |                                   |         |              |              |              |
|--------------------------|-----------|-----------------------------------|---------|--------------|--------------|--------------|
|                          | Turkey    | Russian Federation,<br>Kazakhstan | Europe  | Iraq & Other | Eliminations | Consolidated |
| Net sales                | 2.244.452 | 420.585                           | 110.283 | 506.524      | -            | 3.281.844    |
| Inter-segment sales      | 39.487    | 49.075                            | -       | -            | (88.562)     | -            |
| Capital expenditures     | 30.626    | 60.915                            | 2.284   | 7.754        | -            | 101.579      |

| 31 December 2013 |           |                                   |         |              |              |              |
|------------------|-----------|-----------------------------------|---------|--------------|--------------|--------------|
|                  | Turkey    | Russian Federation,<br>Kazakhstan | Europe  | Iraq & Other | Eliminations | Consolidated |
| Segmental assets | 4.490.514 | 2.976.350                         | 570.050 | 433.040      | -            | 8.469.954    |

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

### 7. CASH AND CASH EQUIVALENTS

|   | 30 June<br>2014  | 31 December<br>2013 |
|---|------------------|---------------------|
| Cash on hand  | 2.859            | 2.111               |
| Cash in bank  |                  |                     |
| Demand deposits   | 869.080          | 801.951             |
| Time Deposits   | 381.772          | 464.173             |
| Other   | 4.084            | 3.901               |
|   | <u>1.257.795</u> | <u>1.272.136</u>    |
| Less: restricted time deposits with maturity over three months and less than one year | (1.000)          | (1.000)             |
| Cash and cash equivalents at consolidated statement of cash flows                     | <u>1.256.795</u> | <u>1.271.136</u>    |

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2014**

(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 2014 and 31 December 2013 are detailed below:

|  | 30 June<br>2014 | 31 December<br>2013 |
|--|-----------------|---------------------|
| <b>Financial assets at fair value through profit or loss</b> |                 |                     |
| Private sector bonds   |                 |                     |
| - International markets                                      | 627             | 3.669               |
| - Domestic market  | 2.203           |                     |
| Foreign Government bonds                                     |                 |                     |
| - International markets                                      | 330.803         | 234.442             |
| Equity securities  |                 |                     |
| - International markets                                      | 178.122         | 176.417             |
| - Domestic market  | 1.241           | 923                 |
| Turkish Government bonds                                     |                 |                     |
| - Domestic market  | 16.709          | 16.744              |
| Mutual funds   |                 |                     |
| - International markets                                      | 70.988          | 47.388              |
| - Domestic market  | 4.878           | 2.073               |
|  | <b>605.571</b>  | <b>481.656</b>      |

**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 2014 and 31 December 2013 are detailed below:

|  | 30 June<br>2014 | 31 December<br>2013 |
|--|-----------------|---------------------|
| <b>Financial assets at fair value through profit or loss</b> |                 |                     |
| Private sector bonds   |                 |                     |
| - International markets                                      | 894.714         | 851.658             |
| - Domestic market  |                 |                     |
| Foreign Government bonds                                     |                 |                     |
| - International markets                                      | 17.439          | 73.669              |
| Turkish Government bonds                                     |                 |                     |
| - Domestic market  | 4.910           | 13.607              |
| - International markets                                      | 69.317          | 59.004              |
| Equity securities  | 351             | 520                 |
|  | <b>986.731</b>  | <b>998.458</b>      |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

#### Long-term financial investments (cont'd)

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

|  | 30 June 2014     | 31 December 2013 |
|--|------------------|------------------|
| Private Sector Bonds - International markets     | 31 December 2049 | 31 December 2049 |
| Foreign Government Bonds - International markets | 7 March 2022     | 7 March 2022     |
| Turkish Government Bonds                         |                  |                  |
| - Domestic market                                | 24 February 2016 | 7 October 2015   |
| - International markets                          | 14 January 2041  | 14 January 2041  |

### 9. FINANCIAL LIABILITIES

|   | 30 June 2014                      |                  |                      |                   |
|---|-----------------------------------|------------------|----------------------|-------------------|
| Short-term borrowings:                        | Weighted Average<br>Interest rate | Currency<br>Type | Original<br>Currency | USD<br>Equivalent |
| Short-term bank borrowings                    | 3,18%                             | EUR              | 12.701               | 17.297            |
|   | 2,90%                             | USD              | 12.191               | 12.191            |
|   | 0,00%                             | TL               | 5.936                | 2.795             |
|   | 9,00%                             | RBL              | 107.352              | 3.193             |
| Total short-term borrowings                   |                                   |                  |                      | <u>35.476</u>     |
| Long-term borrowings:                         |                                   |                  |                      |                   |
| Hermes loan                                   | 0,95%                             | EUR              | 11.530               | 15.703            |
| Other long-term bank borrowings               | 3,62%                             | USD              | 3.274                | 3.274             |
|   | 1,86%                             | EUR              | 3.701                | 5.041             |
|   | 2,20%                             | JPY              | 12.438.579           | 122.429           |
| Finance lease obligations                     |                                   |                  |                      | 285.132           |
|   |                                   |                  |                      | <u>431.579</u>    |
| Less: Current portion of long-term borrowings |                                   |                  |                      | (67.531)          |
| Total long-term borrowings                    |                                   |                  |                      | <u>364.048</u>    |

|   | 30 June 2014                      |                  |                      |                   |
|---|-----------------------------------|------------------|----------------------|-------------------|
|   | Weighted Average<br>Interest rate | Currency<br>Type | Original<br>Currency | USD<br>Equivalent |
| Current portion of long-term<br>finance lease obligations |                                   |                  |                      |                   |
|   | 3,00%                             | RBL              | 241.791              | 7.189             |
|   |                                   |                  |                      | <u>7.189</u>      |
| Long-term   | 3,00%                             | RBL              | 9.347.527            | 277.943           |
|   |                                   |                  |                      | <u>277.943</u>    |
|   |                                   |                  |                      | <u>285.132</u>    |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

|   | 31 December 2013                  |                  |                      |                   |
|---|-----------------------------------|------------------|----------------------|-------------------|
|   | Weighted Average<br>Interest rate | Currency<br>Type | Original<br>Currency | USD<br>Equivalent |
| <b>Short-term borrowings:</b>                 |                                   |                  |                      |                   |
| Short-term bank borrowings                    | 3,18%                             | EUR              | 12.876               | 17.716            |
|   | 3,78%                             | USD              | 12.405               | 12.405            |
|   | 13,20%                            | TL               | 12.069               | 5.655             |
| Total short-term borrowings                   |                                   |                  |                      | <b>35.776</b>     |
| <b>Long-term borrowings:</b>                  |                                   |                  |                      |                   |
| Hermes loan                                   | 0,93%                             | EUR              | 14.327               | 19.712            |
| Other long-term bank borrowings               | 4,59%                             | USD              | 6.087                | 6.087             |
|   | 1,80%                             | EUR              | 5.088                | 7.000             |
|   | 2,26%                             | JPY              | 7.633.377            | 72.246            |
|   | 13,34%                            | TL               | 1.379                | 646               |
| Finance lease obligations                     |                                   |                  |                      | 240.945           |
|   |                                   |                  |                      | <b>346.636</b>    |
| Less: Current portion of long-term borrowings |                                   |                  |                      | (66.162)          |
| Total long-term borrowings                    |                                   |                  |                      | <b>280.474</b>    |

|   | 31 December 2013                  |                  |                      |                   |
|---|-----------------------------------|------------------|----------------------|-------------------|
|   | Weighted Average<br>Interest rate | Currency<br>Type | Original<br>Currency | USD<br>Equivalent |
| Current portion of long-term<br>finance lease obligations | 2,36%                             | USD              | 277                  | 277               |
|   | 3,00%                             | RUB              | 238.988              | 7.180             |
|   |                                   |                  |                      | <b>7.457</b>      |
| Long-term   | 3,00%                             | RUB              | 7.690.317            | 233.488           |
|   |                                   |                  |                      | <b>233.488</b>    |
|   |                                   |                  |                      | <b>240.945</b>    |

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

|  | 30 June 2014  | 31 December 2013 |
|--|---------------|------------------|
| Less than 1 year                               | 60.342        | 58.705           |
| 1 - 2 years                                    | 19.907        | 19.645           |
| 2 - 3 years                                    | 34.620        | 15.207           |
| 3 - 4 years                                    | 31.578        | 12.134           |
| Less : Current portion of long-term borrowings | (60.342)      | (58.705)         |
|  | <b>86.105</b> | <b>46.986</b>    |



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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

### 10. TRADE RECEIVABLES AND PAYABLES

|   | 30 June<br>2014 | 31 December<br>2013 |
|---|-----------------|---------------------|
| <b>Short-term trade receivables</b>           |                 |                     |
| Trade receivables                             | 368.174         | 357.324             |
| Discount on trade receivables (-)             | (188)           | (175)               |
| Contract receivables                          | 446.084         | 387.398             |
| Notes and cheques receivables                 | 52.419          | 55.617              |
| Discount on notes and cheques receivables (-) | (1.158)         | (1.255)             |
| Retention receivables (*)                     | 21.165          | 23.089              |
|   | <u>886.496</u>  | <u>821.998</u>      |
| Less: Allowance for doubtful receivables      | (22.989)        | (24.436)            |
|   | <u>863.507</u>  | <u>797.562</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.

(\*) 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>2014 | 31 December<br>2013 |
|---|-----------------|---------------------|
| <b>Long-term trade receivables</b>            |                 |                     |
| Notes and cheques receivables                 | 2.929           | 4.210               |
| Discount on notes and cheques receivables (-) | (130)           | (144)               |
| Trade receivables                             | 13.193          | 9.591               |
| Discount on trade receivables (-)             | (127)           | (140)               |
|   | <u>15.865</u>   | <u>13.517</u>       |

|                                  | 30 June<br>2014 | 31 December<br>2013 |
|----------------------------------|-----------------|---------------------|
| <b>Short-term trade payables</b> |                 |                     |
| Trade payables                   | 550.501         | 527.983             |
| Discount on trade payables (-)   | (10)            | (8)                 |
| Notes Payable                    | 6.849           | 5.569               |
| Discount on notes payable (-)    | (23)            | (19)                |
| Other trade payables             | 391             | 204                 |
|                                  | <u>557.708</u>  | <u>533.729</u>      |

|                                 | 30 June<br>2014 | 31 December<br>2013 |
|---------------------------------|-----------------|---------------------|
| <b>Long term trade payables</b> |                 |                     |
| Trade payables                  | 5.508           | 5.503               |
|                                 | <u>5.508</u>    | <u>5.503</u>        |

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts are expressed in thousands of U.S. Dollars ("USD") unless otherwise stated.)

**11. INVENTORIES**

|   | 30 June<br>2014 | 31 December<br>2013 |
|---|-----------------|---------------------|
| Raw materials and spare parts             | 187.109         | 164.344             |
| Work in progress                          | 90.029          | 68.558              |
| Trade goods (machinery and others)        | 100.005         | 63.332              |
| Finished goods                            | 16.962          | 10.835              |
| Goods in transit                          | 4.250           | 19.724              |
| Construction materials                    | 14.407          | 18.317              |
| Allowance for impairment on inventory (*) | (978)           | (704)               |
|   | <u>411.784</u>  | <u>344.406</u>      |

(\*) As of 30 June 2014 and 31 December 2013, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 30 June 2014, there is no pledge on inventories (31 December 2013: None).

**12. CONSTRUCTION CONTRACTS**

|  | 30 June<br>2014  | 31 December<br>2013 |
|--|------------------|---------------------|
| Costs incurred on uncompleted contracts          | 2.036.836        | 1.904.214           |
| Recognized profit less recognized losses to date | 96.741           | 88.102              |
|  | <u>2.133.577</u> | <u>1.992.316</u>    |
| Less: progress billing                           | (2.273.231)      | (2.054.715)         |
|  | <u>(139.654)</u> | <u>(62.399)</u>     |

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

|   | 30 June<br>2014  | 31 December<br>2013 |
|---|------------------|---------------------|
| Costs and estimated earnings in excess of billings on uncompleted contracts (net) | 80.201           | 108.938             |
| Billings in excess of costs and estimated earnings on uncompleted contracts (net) | (219.855)        | (171.337)           |
|   | <u>(139.654)</u> | <u>(62.399)</u>     |

As of 30 June 2014, the amount of advances received of subsidiaries and companies shares in joint operations is USD 168.626 (31 December 2013: USD 209.083).

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts are expressed in thousands of U.S. Dollars ("USD") unless otherwise stated.)

**13. INVESTMENT PROPERTIES**

As of 30 June 2014 and 2013, movement of investment properties is as follows:

|  | 1 January -<br>30 June 2014 | 1 January -<br>30 June 2013 |
|--|-----------------------------|-----------------------------|
| Opening balance                              | 2.346.532                   | 2.133.921                   |
| Currency translation difference              | (44.212)                    | (109.353)                   |
| Transfers from fixed assets                  | -                           | 2.312                       |
| Additions                                    | 87.593                      | 54.921                      |
| Change in present value of lease obligations | 48.942                      | -                           |
| Closing balance                              | <u>2.438.855</u>            | <u>2.081.801</u>            |

**14. PROPERTY PLANT AND EQUIPMENT**

During the period ended 30 June 2014 the Group purchased property plant and equipment amounting to USD 35.489 (30 June 2013: USD 45.207). In addition during the period ended 30 June 2014 net book value of USD 5.434 (30 June 2013: USD 6.785) property plant and equipment sold for USD 6.970 (30 June 2013: USD 7.708).

**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 2014 and 31 December 2013 are as follows:

|                 | 30 June<br>2014 | 31 December<br>2013 |
|-----------------|-----------------|---------------------|
| Within one year | 138             | 142                 |
|                 | <u>138</u>      | <u>142</u>          |

**Operating lease commitments – Group as lessor**

The minimum future rental income of the Group under non-cancelable operating leases at 30 June 2014 and 31 December 2013 are as follows:

|   | 30 June<br>2014  | 31 December<br>2013 |
|---|------------------|---------------------|
| Within one year                             | 383.605          | 348.185             |
| After one year but not more than five years | 813.175          | 598.070             |
| More than 5 years                           | 348.176          | 269.861             |
|   | <u>1.544.956</u> | <u>1.216.116</u>    |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

#### Litigations

During the period ended 30 June 2014, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2013 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 2014 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 2013 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 2014 and 31 December 2013 is as follows;

| Letters of guarantee, guarantee notes given,<br>mortgage and pledges  | 30 June 2014         |                   | 31 December 2013     |                   |
|---|----------------------|-------------------|----------------------|-------------------|
|   | Original<br>Currency | USD<br>Equivalent | Original<br>Currency | USD<br>Equivalent |
| A. Total amount of guarantees provided by<br>the Company on behalf of itself  |                      | 817.945           |                      | 870.475           |
| -USD  | 684.789              | 684.789           | 689.048              | 689.048           |
| -EUR  | 31.688               | 43.157            | 64.918               | 89.318            |
| -TL   | 21.875               | 10.302            | 29.052               | 13.612            |
| -Others (*)   |                      | 79.698            |                      | 78.497            |
| B. Total amount for guarantees provided on behalf of<br>subsidiaries accounted under full consolidation method          |                      | 389.459           |                      | 383.945           |
| -USD  | 4.185                | 4.185             | 4.185                | 4.185             |
| -EUR  | 51.023               | 69.489            | 55.298               | 76.083            |
| -TL   | 1.738                | 818               | 1.738                | 814               |
| -Others (*)   |                      | 314.967           |                      | 302.863           |
| C. Provided on behalf of third parties in order to<br>maintain operating activities<br>(to secure third party payables) |                      | -                 |                      | -                 |
| D. Other guarantees given   |                      | -                 |                      | -                 |
| i. Total amount of guarantees given on<br>behalf of 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            |                      | -                 |                      | -                 |
| -USD  |                      | -                 |                      | -                 |
| iii. Total amount of guarantees provided on behalf of<br>third parties which are not in the scope of C                  |                      | -                 |                      | -                 |
|   |                      | <u>1.207.404</u>  |                      | <u>1.254.420</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 2014 the portion of other guarantess given to shareholders' equity is 0% (31 December 2013: 0%).

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

#### 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. 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 2014 and 30 June 2013.

|  | <u>1 January -<br/>30 June 2014</u> | <u>1 January -<br/>30 June 2013</u> |
|--|-------------------------------------|-------------------------------------|
| Earning per share  |                                     |                                     |
| - ordinary share certificate (full cent)                                       | 0,10                                | 0,09                                |
| - founder shares (*)   | -                                   | -                                   |
| Weighted average number of share certificates<br>(nominal value of 1 YKr each) |                                     |                                     |
| - ordinary share certificate   | 360.000.000.000                     | 360.000.000.000                     |
| - founder shares   |                                     |                                     |

(\*) 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.

#### 18. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

#### 19. SHARE CAPITAL

The shareholders of the Group and their percentage of ownership as of 30 June 2014 and 31 December 2013 is as follows:

|   | 30 June 2014            |           | 31 December 2013        |           |
|---|-------------------------|-----------|-------------------------|-----------|
|   | Percentage of ownership | Amount    | Percentage of ownership | Amount    |
| Tara Holding A.Ş.                               | 49,27%                  | 1.098.924 | 49,27%                  | 1.005.282 |
| Tara and Gülçelik families                      | 27,89%                  | 622.062   | 28,07%                  | 572.727   |
| Publicly traded                                 | 12,59%                  | 280.809   | 12,34%                  | 251.983   |
| Enka Spor Eğitim ve Sosyal Yardım Vakfı         | 5,88%                   | 131.148   | 5,95%                   | 121.197   |
| Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti. | 4,37%                   | 97.469    | 4,37%                   | 89.163    |
|   | 100%                    | 2.230.412 | 100%                    | 2.040.352 |

Based on the Group's Ordinary General Assembly held on 27 March 2014; it has been resolved to increase the share capital from TL 3.200.000 to TL 3.600.000; and to cover TL 400.000 from the 1st Dividend at an amount of TL 94.000, from the 2nd Dividend at an amount of TL 270.000 and from the other sources at an amount of TL 36.000.

The movement of the share capital (in numbers and in historical TL) of the Group during 30 June 2014 and 31 December 2013 is as follows:

|  | 30 June 2014    |           | 31 December 2013 |           |
|--|-----------------|-----------|------------------|-----------|
|  | Number          | TL        | Number           | TL        |
| At 1 January,                              | 320.000.000.000 | 3.200.000 | 280.000.000.000  | 2.800.000 |
| Bonus shares issued out of general reserve | 40.000.000.000  | 400.000   | 40.000.000.000   | 400.000   |
|  | 360.000.000.000 | 3.600.000 | 320.000.000.000  | 3.200.000 |

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

As of 30 June 2014, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 1.203 (31 December 2013: USD 1.196).

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

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

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

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

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

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**21. TAXATION ON INCOME (cont'd)****Tax legislations in other countries**

As of 30 June 2014 and 31 December 2013 effective corporation tax rate in other countries are as follows:

|             | 30 June<br>2014 | 31 December<br>2013 |
|-------------|-----------------|---------------------|
| 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:

|                            | 2014     | 2013     |
|----------------------------|----------|----------|
| Balance at 1 January       | 54.503   | 38.415   |
| Current period tax expense | 81.300   | 90.699   |
| Taxes paid                 | (96.255) | (82.496) |
| Balance at 30 June         | 39.548   | 46.618   |

**Deferred tax assets and liabilities**

As of 30 June 2014 and 31 December 2013, the breakdown of temporary differences which give rise to deferred taxes is as follows:

|   | 30 June<br>2014 | 31 December<br>2013 |
|---|-----------------|---------------------|
| Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property | (442.211)       | (444.616)           |
| GE Inventory in the context of "PSA" (*)  | (35.416)        | (31.085)            |
| Adjustments on financial instruments and derivatives  | (12.999)        | (11.362)            |
| Gross deferred income tax liabilities   | (490.626)       | (487.063)           |
| Adjustment of revenue levelization  | 131.022         | 140.201             |
| Allowance for retirement pay liability  | 2.591           | 2.463               |
| Allowance for doubtful receivables  | 1.582           | 2.603               |
| Allowance for inventories   | 843             | (60)                |
| Others  | (56.058)        | (57.064)            |
| Gross deferred income tax assets  | 79.980          | 88.143              |
| Net deferred tax liability  | (410.646)       | (398.920)           |

(\*) 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).



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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

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

Reflected as:

|                          | 30 June<br>2014  | 31 December<br>2013 |
|--------------------------|------------------|---------------------|
| Deferred tax assets      | 411              | 450                 |
| Deferred tax liabilities | (411.057)        | (399.370)           |
| Net deferred liabilities | <u>(410.646)</u> | <u>(398.920)</u>    |

Movements of net deferred tax liability are as follows as of 30 June 2014 and 2013:

|  | 2014           | 2013           |
|--|----------------|----------------|
| Balance at 1 January                                       | 398.920        | 363.428        |
| Deferred income tax expense recognized in income statement | 16.471         | 16.971         |
| Deferred income tax expense recognized in equity           | -              | 3              |
| Currency translation difference                            | (4.745)        | (14.625)       |
| Balance at 30 June   | <u>410.646</u> | <u>365.777</u> |

As of 30 June 2014 and 30 June 2013, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

|  | 30 June 2014       |                                      |                            | 30 June 2013       |                                      |                            |
|--|--------------------|--------------------------------------|----------------------------|--------------------|--------------------------------------|----------------------------|
|  | 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 tax |
| Changes in fair value of<br>derivative assets  | -                  | -                                    | -                          | 15                 | (3)                                  | 12                         |
| Changes in currency<br>translation differences | (46.658)           | -                                    | (46.658)                   | (128.315)          | -                                    | (128.315)                  |
|  | <u>(46.658)</u>    | <u>-</u>                             | <u>(46.658)</u>            | <u>(128.300)</u>   | <u>(3)</u>                           | <u>(128.303)</u>           |

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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#### 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 2014 and 31 December 2013:

|  | <u>30 June 2014</u> | <u>31 December 2013</u> |
|--|---------------------|-------------------------|
| A. Assets denominated in foreign currency      | 1.411.339           | 1.315.774               |
| B. Liabilities denominated in foreign currency | (696.722)           | (687.574)               |
| Net foreign currency position (A+B)            | 714.617             | 628.200                 |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

|   | 30 June 2014   |                   |                |                   |                  |                |                         |
|---|----------------|-------------------|----------------|-------------------|------------------|----------------|-------------------------|
|   | TL             | USD<br>Equivalent | Euro           | USD<br>Equivalent | Other USD<br>(*) | USD (**)       | Total USD<br>Equivalent |
| Cash and cash equivalents                         | 53.202         | 25.055            | 181.565        | 247.273           | 260.358          | 76.703         | 609.389                 |
| Financial investments                             | 101.652        | 47.872            | 30.834         | 41.993            | 60.832           | 251.626        | 402.323                 |
| Trade and other receivables                       | 20.065         | 9.450             | 73.940         | 100.699           | 69.014           | 3.622          | 182.785                 |
| Other current assets                              | 55.462         | 26.120            | 11.717         | 15.958            | 21.787           | 1.468          | 65.333                  |
| <b>Current assets</b>                             | <b>230.381</b> | <b>108.497</b>    | <b>298.056</b> | <b>405.923</b>    | <b>411.991</b>   | <b>333.419</b> | <b>1.259.830</b>        |
| Financial investments                             | 10.425         | 4.910             | 43.187         | 58.817            | 64.030           | -              | 127.757                 |
| Trade and other receivables                       | -              | -                 | 2.248          | 3.061             | 3.715            | 6.442          | 13.218                  |
| Other non current assets                          | 2.812          | 1.324             | 279            | 381               | 5.120            | 3.709          | 10.534                  |
| <b>Non-current assets</b>                         | <b>13.237</b>  | <b>6.234</b>      | <b>45.714</b>  | <b>62.259</b>     | <b>72.865</b>    | <b>10.151</b>  | <b>151.509</b>          |
| <b>Total assets</b>                               | <b>243.618</b> | <b>114.731</b>    | <b>343.770</b> | <b>468.182</b>    | <b>484.856</b>   | <b>343.570</b> | <b>1.411.339</b>        |
| Short-term borrowings                             | 4.642          | 2.186             | 22.015         | 29.982            | 49.635           | 9.377          | 91.180                  |
| Trade and other payables                          | 104.987        | 49.443            | 74.548         | 101.527           | 98.579           | 7.227          | 256.776                 |
| Other current liabilities<br>and accrued expenses | 114.927        | 54.124            | 21.296         | 29.003            | 56.882           | 44.067         | 184.076                 |
| <b>Current liabilities</b>                        | <b>224.556</b> | <b>105.753</b>    | <b>117.859</b> | <b>160.512</b>    | <b>205.096</b>   | <b>60.671</b>  | <b>532.032</b>          |
| Trade and other payables                          | -              | -                 | 4.044          | 5.508             | -                | -              | 5.508                   |
| Long-term borrowings                              | -              | -                 | 6.033          | 8.216             | 145.043          | -              | 153.259                 |
| Other non-current liabilities                     | -              | -                 | 1.177          | 1.604             | -                | 4.319          | 5.923                   |
| <b>Non-current liabilities</b>                    | <b>-</b>       | <b>-</b>          | <b>11.254</b>  | <b>15.328</b>     | <b>145.043</b>   | <b>4.319</b>   | <b>164.690</b>          |
| <b>Total liabilities</b>                          | <b>224.556</b> | <b>105.753</b>    | <b>129.113</b> | <b>175.840</b>    | <b>350.139</b>   | <b>64.990</b>  | <b>696.722</b>          |
| <b>Net foreign currency position</b>              | <b>19.062</b>  | <b>8.978</b>      | <b>214.657</b> | <b>292.342</b>    | <b>134.717</b>   | <b>278.580</b> | <b>714.617</b>          |
| <b>Net notional amount<br/>of derivatives</b>     | <b>(9.861)</b> | <b>(4.644)</b>    | <b>39.000</b>  | <b>53.114</b>     | <b>-</b>         |                | <b>48.470</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.

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

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

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

|   | 31 December 2013 |                   |                |                   |                  |                | Total USD<br>Equivalent |
|---|------------------|-------------------|----------------|-------------------|------------------|----------------|-------------------------|
|   | TL               | USD<br>Equivalent | Euro           | USD<br>Equivalent | Other USD<br>(*) | USD (**)       |                         |
| Cash and cash equivalents                         | 20.905           | 9.795             | 113.257        | 155.830           | 274.639          | 90.291         | 530.555                 |
| Financial investments                             | 29.249           | 13.704            | 68.407         | 94.121            | 65.148           | 228.750        | 401.723                 |
| Trade and other receivables                       | 20.273           | 9.499             | 88.067         | 121.171           | 40.295           | 84             | 171.049                 |
| Other current assets                              | 65.553           | 30.714            | 13.881         | 19.099            | 20.570           | 570            | 70.953                  |
| <b>Current assets</b>                             | <b>135.980</b>   | <b>63.712</b>     | <b>283.612</b> | <b>390.221</b>    | <b>400.652</b>   | <b>319.695</b> | <b>1.174.280</b>        |
| Financial investments                             | 58.482           | 27.401            | 29.879         | 41.110            | 52.403           | -              | 120.914                 |
| Trade and other receivables                       | -                | -                 | 2.834          | 3.899             | 615              | 6.442          | 10.956                  |
| Other non current assets                          | 2.275            | 1.066             | 564            | 777               | 2.579            | 5.202          | 9.624                   |
| <b>Non-current assets</b>                         | <b>60.757</b>    | <b>28.467</b>     | <b>33.277</b>  | <b>45.786</b>     | <b>55.597</b>    | <b>11.644</b>  | <b>141.494</b>          |
| <b>Total assets</b>                               | <b>196.737</b>   | <b>92.179</b>     | <b>316.889</b> | <b>436.007</b>    | <b>456.249</b>   | <b>331.339</b> | <b>1.315.774</b>        |
| Short-term borrowings                             | 11.833           | 5.544             | 23.556         | 32.411            | 39.459           | 18.492         | 95.906                  |
| Trade and other payables                          | 55.861           | 26.173            | 93.728         | 128.961           | 104.628          | 6.522          | 266.284                 |
| Other current liabilities<br>and accrued expenses | 151.467          | 70.968            | 18.131         | 24.946            | 69.637           | 34.331         | 199.882                 |
| <b>Current liabilities</b>                        | <b>219.161</b>   | <b>102.685</b>    | <b>135.415</b> | <b>186.318</b>    | <b>213.724</b>   | <b>59.345</b>  | <b>562.072</b>          |
| Trade and other payables                          | -                | -                 | 4.000          | 5.503             | -                | -              | 5.503                   |
| Long-term borrowings                              | -                | -                 | 8.881          | 12.219            | 101.921          | -              | 114.140                 |
| Other non-current liabilities                     | 84               | 39                | 1.156          | 1.591             | -                | 4.229          | 5.859                   |
| <b>Non-current liabilities</b>                    | <b>84</b>        | <b>39</b>         | <b>14.037</b>  | <b>19.313</b>     | <b>101.921</b>   | <b>4.229</b>   | <b>125.502</b>          |
| <b>Total liabilities</b>                          | <b>219.245</b>   | <b>102.724</b>    | <b>149.452</b> | <b>205.631</b>    | <b>315.645</b>   | <b>63.574</b>  | <b>687.574</b>          |
| <b>Net foreign currency position</b>              | <b>(22.508)</b>  | <b>(10.545)</b>   | <b>167.437</b> | <b>230.376</b>    | <b>140.604</b>   | <b>267.765</b> | <b>628.200</b>          |
| <b>Net notional amount<br/>of derivatives</b>     | <b>1.642</b>     | <b>769</b>        | <b>24.851</b>  | <b>34.192</b>     | <b>-</b>         |                | <b>34.961</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.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

### 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 2014 and 31 December 2013:

|  | 30 June 2014                        |                                     | 31 December 2013                    |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Profit / (loss)                     |                                     | Profit / (loss)                     |                                     |
|  | Valuation of<br>foreign<br>currency | Valuation of<br>foreign<br>currency | Valuation of<br>foreign<br>currency | Valuation of<br>foreign<br>currency |
| <i>In the case of TL gaining 10% value<br/>against US Dollar</i>                       |                                     |                                     |                                     |                                     |
| 1- TL net asset / (liability)  | 898                                 | (898)                               | (1.055)                             | 1.055                               |
| 2- Portion hedged against TL risk (-)  | (464)                               | 464                                 | 77                                  | (77)                                |
| <b>3- TL net effect (1+2)</b>  | <b>434</b>                          | <b>(434)</b>                        | <b>(978)</b>                        | <b>978</b>                          |
| <i>In the case of Euro gaining 10% value<br/>against US Dollar</i>                     |                                     |                                     |                                     |                                     |
| 4- Euro net asset / (liability)  | 29.234                              | (29.234)                            | 23.038                              | (23.038)                            |
| 5- Portion hedged against Euro risk (-)  | 5.311                               | (5.311)                             | 3.419                               | (3.419)                             |
| <b>6- Euro net effect (4+5)</b>  | <b>34.545</b>                       | <b>(34.545)</b>                     | <b>26.457</b>                       | <b>(26.457)</b>                     |
| <i>In the case of other foreign currencies<br/>gaining 10% value against US Dollar</i> |                                     |                                     |                                     |                                     |
| 7- Other foreign currency net asset / (liability)                                      | 13.472                              | (13.472)                            | 14.060                              | (14.060)                            |
| 8- Portion hedged against<br>other foreign currency risk (-)                           | -                                   | -                                   | -                                   | -                                   |
| <b>9- Other foreign currency net effect (7+8)</b>                                      | <b>13.472</b>                       | <b>(13.472)</b>                     | <b>14.060</b>                       | <b>(14.060)</b>                     |
| <b>Total (3+6+9)</b>   | <b>48.451</b>                       | <b>(48.451)</b>                     | <b>39.539</b>                       | <b>(39.539)</b>                     |

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

#### Fair value of financial assets and liabilities

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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

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

#### *Financial assets*

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

#### *Financial liabilities*

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

#### *Fair value hierarchy*

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

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

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

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

#### 30 June 2014:

|   | Level 1          | Level 2      | Level 3 |
|---|------------------|--------------|---------|
| Private sector bonds  | 897.544          | -            | -       |
| Equity securities   | 179.714          | -            | -       |
| Foreign government bonds  | 348.242          | -            | -       |
| Turkish government bonds  | 90.936           | -            | -       |
| Mutual funds  | 75.866           | -            | -       |
| <b>Financial assets at fair value through profit or loss</b>      | <b>1.592.302</b> | -            | -       |
| Derivative instruments  | -                | (325)        | -       |
| <b>Financial liabilities at fair value through profit or loss</b> | -                | <b>(325)</b> | -       |

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2014**

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

**23. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR  
HEDGING FINANCIAL RISK (cont'd)*****Fair value hierarchy (cont'd)*****31 December 2013:**

|   | Level 1          | Level 2    | Level 3 |
|---|------------------|------------|---------|
| Private sector bonds  | 855.327          | -          | -       |
| Equity securities   | 177.860          | -          | -       |
| Foreign government bonds  | 308.111          | -          | -       |
| Turkish government bonds  | 89.355           | -          | -       |
| Mutual funds  | 49.461           | -          | -       |
| <b>Financial assets at fair value through<br/>profit or loss</b>      | <b>1.480.114</b> | -          | -       |
| Derivative instruments  | -                | 599        | -       |
| <b>Financial liabilities at fair value through<br/>profit or loss</b> | -                | <b>599</b> | -       |

**24. SUBSEQUENT EVENTS**

None.