

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 30 SEPTEMBER 2014

TABLE OF CONTENTS**PAGE**

CONDENSED CONSOLIDATED BALANCE SHEET.....	1-2
CONDENSED CONSOLIDATED STATEMENT OF INCOME.....	3
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME..	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	7-36
NOTE 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP	7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	7-10
NOTE 3 INTEREST IN JOINT OPERATIONS	11-12
NOTE 4 CHANGES IN OPERATIONAL SEASON	12
NOTE 5 DIVIDENDS PAID	12
NOTE 6 SEGMENTAL INFORMATION	13-18
NOTE 7 CASH AND CASH EQUIVALENTS	18
NOTE 8 FINANCIAL INVESTMENTS	19-20
NOTE 9 FINANCIAL LIABILITIES	20-21
NOTE 10 TRADE RECEIVABLES AND PAYABLES	22
NOTE 11 INVENTORIES	23
NOTE 12 CONSTRUCTION CONTRACTS	23
NOTE 13 INVESTMENT PROPERTIES	24
NOTE 14 PROPERTY PLANT AND EQUIPMENTS	24
NOTE 15 COMMITMENTS AND CONTINGENCIES	24-25
NOTE 16 DEFERRED INCOME	26
NOTE 17 EARNINGS PER SHARE	26
NOTE 18 RELATED PARTY BALANCES AND TRANSACTIONS	26
NOTE 19 SHARE CAPITAL	27
NOTE 20 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	27-28
NOTE 21 TAXATION ON INCOME	28-31
NOTE 22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	31-34
NOTE 23 FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK	34-36
NOTE 24 SUBSEQUENT EVENTS	36

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2014

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

ASSETS	Notes	30 September 2014	31 December 2013
Current Assets		3,259,529	3,175,750
Cash and cash equivalents	7	1,273,414	1,272,136
Financial investments	8	483,591	481,656
Trade receivables	10	788,789	797,562
Other receivables			
Other receivables from related parties		204	43
Other receivables from third parties		675	693
Inventories	11	357,752	344,406
Prepaid expenses		102,677	112,214
Costs and estimated earnings in excess of billings on uncompleted contracts	12	106,012	108,938
Other current assets		77,314	56,906
		<u>3,190,428</u>	<u>3,174,554</u>
Assets held for sale and discontinued operations	20	69,101	1,196
Non-Current Assets		5,079,019	5,295,681
Financial investments	8	1,025,160	998,458
Trade receivables	10	20,115	13,517
Investment properties	13	2,225,975	2,346,532
Property, plant and equipments	14	1,723,314	1,832,530
Intangible assets			
Goodwill		55,168	64,092
Other intangible assets		22,447	31,973
Deferred tax assets	21	24	450
Prepaid expenses		1,448	1,779
Other non-current assets		5,368	6,350
TOTAL ASSETS		<u>8,338,548</u>	<u>8,471,431</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2014

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

LIABILITIES	Notes	30 September 2014	31 December 2013
Current Liabilities		1,378,597	1,367,770
Short-term borrowings	9	6,662	35,776
Current portion of long-term borrowings	9	49,188	66,162
Trade payables	10	517,029	533,729
Payables to employees		25,144	30,307
Other payables			
Payables to related parties		2,081	1,198
Payables to third parties		36,328	28,791
Billings in excess of costs and estimated earnings on uncompleted contracts	12	229,631	171,337
Deferred income	16	324,667	340,722
Taxation on income	21	38,971	54,503
Provisions			
Provisions for employee benefits		14,872	19,937
Other provisions		50,809	40,793
Other current liabilities		45,190	44,515
		<u>1,340,572</u>	<u>1,367,770</u>
Liabilities directly associated with the assets held for sale		38,025	-
Non-Current Liabilities		1,412,079	1,442,592
Long-term borrowings	9	331,234	280,474
Trade payables	10	74	5,503
Other payables		28,949	30,127
Deferred income	16	642,659	711,411
Provisions for employee benefits		15,094	15,707
Deferred tax liabilities	21	394,069	399,370
EQUITY		5,547,872	5,661,069
Equity Attributable to Equity Holders of the Parent		5,477,760	5,597,343
Share capital	19	2,230,412	2,040,352
Revaluation surplus		215,569	232,143
Currency translation difference		(542,908)	(206,697)
Other reserves		1,986	1,986
Legal reserves and accumulated profit		3,572,701	3,529,559
Non-Controlling Interests		70,112	63,726
TOTAL LIABILITIES AND EQUITY		<u>8,338,548</u>	<u>8,471,431</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

		1 January - 30 September	1 July - 30 September	<i>Reclassified (Note 2.3)</i>	
	Notes	2014	2014	1 January - 30 September	1 July - 30 September
				2013	2013
CONTINUING OPERATIONS					
Revenue	6	4,368,542	1,436,502	4,888,171	1,649,134
Cost of revenues (-)	6	(3,651,870)	(1,183,519)	(4,036,308)	(1,370,410)
GROSS PROFIT		716,672	252,983	851,863	278,724
Marketing, selling and distribution expenses (-)	6	(24,879)	(9,134)	(21,550)	(8,237)
Administrative expenses (-)	6	(90,993)	(31,238)	(96,503)	(28,793)
Other operating income	6	20,617	6,690	35,462	16,155
Other operating expenses (-)	6	(39,772)	1,048	(35,442)	(13,271)
PROFIT FROM OPERATIONS		581,645	220,349	733,830	244,578
Investment income	6	175,277	54,805	82,967	22,141
Investment expenses (-)	6	(77,643)	(70,941)	(116,739)	(27,969)
OPERATING PROFIT BEFORE FINANCE EXPENSES		679,279	204,213	700,058	238,750
Financial income	6	29,580	13,971	9,852	(870)
Financial expenses (-)	6	(35,687)	(18,753)	(21,926)	(7,214)
PROFIT BEFORE TAX		673,172	199,431	687,984	230,666
Current tax expense (-)	21	(106,051)	(25,269)	(138,454)	(47,868)
Deferred tax expense	21	(30,220)	(13,337)	(27,221)	(10,006)
PROFIT FOR THE PERIOD		536,901	160,825	522,309	172,792
DISCONTINUED OPERATIONS					
Profit the year from discontinued operations, net of tax		(1,111)	(958)	(2,685)	(117)
NET PROFIT FOR THE PERIOD		535,790	159,867	519,624	172,675
Attributable to:					
Non-controlling interest		32,311	11,746	20,816	7,240
Equity holders of the parent		503,479	148,121	498,808	165,435
		535,790	159,867	519,624	172,675
Earning per share from continuing operations					
- ordinary share certificate (full cent)	5	0.14	0.04	0.14	0.05
Weighted average number of shares (1 cent weighted average shares)					
		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 SEPTEMBER 2014

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

	1 January - 30 September 2014	1 July - 30 September 2014	<i>Reclassified (Note 2.3)</i>	
			1 January - 30 September 2013	1 July - 30 September 2013
NET PROFIT FOR THE PERIOD	535,790	159,867	519,624	172,675
Other Comprehensive Income / (Expense):				
Items that will not be reclassified subsequently to profit or loss	(17,203)	(17,438)	(720)	118
Loss on remeasurement of defined benefit plans	-	-	-	-
<i>Changes in revaluation fund of property</i>	<i>(17,203)</i>	<i>(17,438)</i>	<i>(720)</i>	<i>118</i>
Losses during the period	(17,334)	(17,334)	-	-
Tax effect	1,549	-	-	-
Currency translation difference of revaluation fund	(1,418)	(1,653)	(720)	118
Items that may be reclassified subsequently to profit or loss	(341,280)	(294,387)	(80,228)	47,237
Changes in currency translation difference	(341,280)	(294,387)	(80,240)	47,237
<i>Changes in cash flow hedge</i>	<i>-</i>	<i>-</i>	<i>12</i>	<i>-</i>
Gain arising during the period	-	-	15	-
Tax effect	-	-	(3)	-
OTHER COMPREHENSIVE (LOSS) / INCOME	(358,483)	(311,825)	(80,948)	47,355
TOTAL COMPREHENSIVE INCOME	177,307	(151,958)	438,676	220,030
Attributable to:				
Non-controlling interest	24,344	5,567	12,250	7,839
Equity holders of the parent	152,963	(157,525)	426,426	212,191
	177,307	(151,958)	438,676	220,030

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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
Balance at 1 January 2013		1,829,192	186,592	(129,870)	1,974	3,211,553	5,099,441	260,062	5,359,503
Total other comprehensive income		-	(720)	(71,674)	12	-	(72,382)	(8,566)	(80,948)
Profit for the period		-	-	-	-	498,808	498,808	20,816	519,624
Total comprehensive income		-	(720)	(71,674)	12	498,808	426,426	12,250	438,676
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(2,311)	-	-	2,311	-	-	-
Share capital increase		211,160	-	-	-	(211,160)	-	-	-
Dividends paid	5	-	-	-	-	(135,244)	(135,244)	(12,708)	(147,952)
Effect of acquisition of non-controlling interest		-	-	-	-	3,150	3,150	(197,099)	(193,949)
Balance at 30 September 2013	19	2,040,352	183,561	(201,544)	1,986	3,369,418	5,393,773	62,505	5,456,278
Balance at 1 January 2014		2,040,352	232,143	(206,697)	1,986	3,529,559	5,597,343	63,726	5,661,069
Total other comprehensive income		-	(14,305)	(336,211)	-	-	(350,516)	(7,967)	(358,483)
Profit for the period		-	-	-	-	503,479	503,479	32,311	535,790
Total comprehensive income		-	(14,305)	(336,211)	-	503,479	152,963	24,344	177,307
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(2,269)	-	-	2,269	-	-	-
Share capital increase	19	190,060	-	-	-	(190,060)	-	-	-
Dividends paid	5	-	-	-	-	(272,546)	(272,546)	(17,958)	(290,504)
Balance at 30 September 2014	19	2,230,412	215,569	(542,908)	1,986	3,572,701	5,477,760	70,112	5,547,872

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

	Notes	1 January - 30 September 2014	1 January - 30 September 2013
Cash flows from operating activities			
Profit for the period		535,790	519,624
Adjustments to reconcile net income to net cash used in operating activities:			
- Depreciation and amortization of non-current assets	6	72,457	80,181
- Provision for employment termination benefits		1,946	2,441
- Allowance for doubtful receivables		1,008	3,489
- Provision for litigations		8,287	6,630
- Adjustments to deferred income from electricity sale		(66,713)	(55,822)
- Loss from fair value of forward transactions		3,766	(614)
- Interest expense		2,919	7,144
- Interest income		(49,821)	(48,035)
- Dividend income		(5,188)	(7,769)
- Provision for inventory impairment, net		(230)	(1,745)
- Gain on sale or disposal of property, plant and equipment, net	14	(3,428)	(784)
- Valuation of investment securities		(55,304)	70,048
- Tax expense		136,271	165,609
		<u>581,760</u>	<u>740,397</u>
Movements in working capital			
Decrease in trade and other receivables		2,748	139,809
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts		2,926	(33,268)
Increase in inventory		(13,116)	(81,141)
Increase in other current assets and other non current assets		(57,675)	8,683
Decrease in trade and other payables		(22,130)	(12,544)
Increase/(decrease) in billings in excess of cost and estimated earnings on uncompleted contracts		58,293	(33,212)
Increase in provision for liabilities and other liabilities		(22,042)	(23,770)
		<u>(50,996)</u>	<u>(35,443)</u>
Income taxes paid	21	(121,583)	(120,639)
Taxes paid of discontinued operations		(696)	-
Employee termination benefits paid		(976)	(1,140)
Net cash generated from operating activities		<u>407,509</u>	<u>583,175</u>
Cash flows from investing activities			
Financial investments		26,665	15,768
Proceeds on disposal or sale of property, plant and equipment	14	16,385	13,600
Purchases of property, plant and equipment, intangible assets and investment properties	6	(161,592)	(182,787)
Interest received		49,420	47,788
Acquisition of non-controlling interest		-	(193,949)
Dividend income		5,188	7,769
Net cash used in investing activities		<u>(63,934)</u>	<u>(291,811)</u>
Cash flows from financing activities			
Short-term borrowings, net		1,097	8,480
Addition to long-term borrowings		75,147	30,645
Repayments of long-term borrowings		(42,268)	(147,834)
Interest paid		(2,214)	(5,666)
Dividend paid to non-controlling interests		(17,958)	(12,708)
Dividend paid		(272,546)	(135,244)
Net cash used in financing activities		<u>(258,742)</u>	<u>(262,327)</u>
Translation reserve		(83,555)	7,800
Net increase in cash and cash equivalents		<u>1,278</u>	<u>36,837</u>
Cash and cash equivalents at beginning of the period	7	1,271,136	1,013,878
Cash and cash equivalents at end of the period	7	<u>1,272,414</u>	<u>1,050,715</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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 September 2014, the average numbers of white and blue-collar personnel are respectively 5.238 and 19.274 (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 Afganistan 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 September 2014. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 7 November 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 SEPTEMBER 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 September 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 SEPTEMBER 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 September 2014, 31 December 2013 and 30 September 2013 for one U.S. Dollars can be summarized as below:

	<u>30 September 2014</u>	<u>31 December 2013</u>	<u>30 September 2013</u>
U.S. Dollars /TL – as of balance sheet date	2.2789	2.1343	2.0342
U.S. Dollars /TL –period average	2.1618	1.9032	1.8626

2.3 Reclassifications made to previously issued consolidated financial statements

- As the Group has classified Pimas's operations to the discontinued operations, the statement of income for the period ended 30 September 2013 and segmental information note is reclassified in accordance with IFRS 5 Non – Current Assets Held For Sale and Discontinued Operations. The reclassification does not have any impact on prior period equity and net income.
- Foreign exchange difference gains from investment activities at amount of USD 7.851 presented in "Financial income" in the consolidated statement of income for the period ended 30 September 2013, is now presented in "Investment income".
- Foreign exchange difference losses from investment activities at amount of USD 28.706 presented in "Financial expenses" in the consolidated statement of income for the period ended 30 September 2013, is now presented in "Investment expenses".
- Gain on sales of property, plant and equipment at amount of USD 1.130 presented in "Other operating income" in the consolidated statement of income for the period ended 30 September 2013, is now presented in "Investment income".
- Loss from sales of property, plant and equipment at amount of USD 345 presented in "Other operating expense" in the consolidated statement of income for the period ended 30 September 2013, is now presented in "Investment expense".

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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

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.

(b) New and Revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IFRS 10, 11, IAS 27	<i>Investment Entities¹</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRIC 21	<i>Levies¹</i>

¹ 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 September 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 September 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 SEPTEMBER 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 September 2014	31 December 2013
ASSETS		
Current Assets		
Cash and cash equivalents	81,183	45,945
Trade receivables	1,941	30,614
Other receivables	94	85
Inventories	8,355	8,901
Costs and estimated earnings in excess of billings on uncompleted contracts	266	6,285
Other current assets	16,377	14,549
Group's share in current assets of joint operations	108,216	106,379
Property, plant and equipment		
Cost	86,780	119,804
Accumulated depreciation	(58,760)	(83,437)
Group's share in joint operations in property, plant and equipment	28,020	36,367
Other non-current assets	600	906
Group's share in non-current assets of joint operations	600	906
LIABILITIES		
Current Liabilities		
Trade payables	35,559	47,626
Billings in excess of costs and estimated earnings on uncompleted contracts	137,394	109,217
Taxation on income	5	1,037
Provisions	3,691	3,729
Provisions for employee benefits	6,135	5,913
Other current liabilities	13,854	612
Group's share in current liabilities of joint operations	196,638	168,134

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014	30 September 2013
Revenue	191,998	414,949
Cost of revenue	(197,466)	(386,616)
General administrative expenses	-	(488)
Other operating income	874	1,432
Other operating expenses	(83)	(138)
Financial income	199	1,644
Financial expenses	(2,581)	(670)
Taxation charge	(3,289)	(17,245)
Net (loss) / profit	(10,348)	12,868

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.

Basing on the power vested in the Board of Directors of Enka Insaat by the General Assembly in its Extraordinary Meeting held on 19 June 2014, it is resolved to distribute, as of the date of August 15th, 2014, a total of TL 288.000 from the amount that remains after deduction of the relevant reserves as required, pursuant to the provisions of the Turkish Code of Commerce and the Articles of Association, dividend advances at a rate of 8,00% gross and 6,80% net per share.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

6. SEGMENTAL INFORMATION

a) Business segments

	1 January - 30 September 2014					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	1,426,029	369,317	223,907	2,349,289	-	4,368,542
Inter-segment revenues	194,946	-	6,288	14,291	(215,525)	-
Cost of revenues	(1,180,075)	(95,425)	(176,838)	(2,199,532)	-	(3,651,870)
Inter-segment cost of revenues	(198,821)	-	(6,288)	(14,291)	219,400	-
Gross profit	242,079	273,892	47,069	149,757	3,875	716,672
Marketing, selling and distribution expenses	(11,070)	(4,383)	(9,424)	(2)	-	(24,879)
Administrative expenses	(57,483)	(13,180)	(12,615)	(7,715)	-	(90,993)
Other operating income	15,691	2,213	1,392	1,321	-	20,617
Other operating expenses (-)	(26,359)	(4,382)	(3,394)	(5,637)	-	(39,772)
Profit from operations	162,858	254,160	23,028	137,724	3,875	581,645
Investment income	173,356	1,880	-	41	-	175,277
Investment expenses (-)	(77,214)	100	(529)	-	-	(77,643)
Profit from operations Before Financial Income/(Expenses)	259,000	256,140	22,499	137,765	3,875	679,279
Financial income	20,580	10,406	1,530	2,760	(5,696)	29,580
Financial expenses (-)	(20,554)	(14,765)	(4,887)	(1,282)	5,801	(35,687)
Profit before tax	259,026	251,781	19,142	139,243	3,980	673,172
Taxation charge current (-)	(41,064)	(41,833)	(4,561)	(18,593)	-	(106,051)
Deferred taxation income/ (expenses)	(3,317)	(7,713)	520	(19,710)	-	(30,220)
Profit for the year from continuing operations	214,645	202,235	15,101	100,940	3,980	536,901

	30 September 2014				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	3,645,621	2,493,161	356,984	1,842,366	8,338,132
Unallocated assets					416
Total assets	3,645,621	2,493,161	356,984	1,842,366	8,338,548
Segment liabilities	956,609	561,934	190,478	1,079,571	2,788,592
Unallocated liabilities					2,084
Total liabilities	956,609	561,934	190,478	1,079,571	2,790,676

	1 January - 30 September 2014				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	39,464	118,473	836	1,370	160,143
Intangible assets	1,190	193	7	59	1,449
Total capital expenditures	40,654	118,666	843	1,429	161,592
Depreciation expense	26,748	3,054	2,354	38,240	70,396
Amortisation	1,673	189	127	72	2,061

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 July - 30 September 2014					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	489,140	126,470	78,548	742,344	-	1,436,502
Inter-segment revenues	56,556	-	(3,202)	3,987	(57,341)	-
Cost of revenues	(380,622)	(31,111)	(58,546)	(713,240)	-	(1,183,519)
Inter-segment cost of revenues	(51,458)	-	(2,278)	(3,943)	57,679	-
Gross profit	113,616	95,359	14,522	29,148	338	252,983
Marketing, selling and distribution expenses	(4,358)	(1,522)	(3,254)	-	-	(9,134)
Administrative expenses	(20,740)	(3,804)	(3,717)	(2,663)	(314)	(31,238)
Other operating income	5,583	646	118	343	-	6,690
Other operating expenses (-)	2,620	(243)	(1,002)	(254)	(73)	1,048
Profit from operations	96,721	90,436	6,667	26,574	(49)	220,349
Investment income	53,797	990	-	18	-	54,805
Investment expenses (-)	(70,515)	100	(526)	-	-	(70,941)
Profit from operations Before Financial Income/(Expenses)	80,003	91,526	6,141	26,592	(49)	204,213
Financial income	7,936	6,159	(6)	1,955	(2,073)	13,971
Financial expenses (-)	(11,317)	(9,377)	(488)	140	2,289	(18,753)
Profit before tax	76,622	88,308	5,647	28,687	167	199,431
Taxation charge current (-)	(12,247)	(11,051)	(1,077)	(894)	-	(25,269)
Deferred taxation income/ (expenses)	373	(4,302)	17	(9,425)	-	(13,337)
Profit for the year from continuing operations	64,748	72,955	4,587	18,368	167	160,825

	1 July - 30 September 2014				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	6,104	30,056	119	782	37,061
Intangible assets	(30)	(5)	-	19	(16)
Total capital expenditures	6,074	30,051	119	801	37,045
Depreciation expense	6,803	669	220	12,893	20,585
Amortisation	100	(1)	26	24	149

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2013					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	1,710,154	354,566	282,861	2,540,590	-	4,888,171
Inter-segment revenues	126,038	486	4,329	15,351	(146,204)	-
Cost of revenues	(1,358,864)	(85,331)	(229,885)	(2,362,228)	-	(4,036,308)
Inter-segment cost of revenues	(131,364)	-	(4,329)	(15,351)	151,044	-
Gross profit	345,964	269,721	52,976	178,362	4,840	851,863
Marketing, selling and distribution expenses	(5,663)	(5,273)	(10,568)	(46)	-	(21,550)
Administrative expenses	(58,886)	(15,499)	(12,516)	(10,088)	486	(96,503)
Other operating income	14,867	3,525	9,520	7,686	(136)	35,462
Other operating expenses (-)	(28,155)	(1,693)	(4,820)	(870)	96	(35,442)
Profit from operations	268,127	250,781	34,592	175,044	5,286	733,830
Investment income	77,539	542	979	3,907	-	82,967
Investment expenses (-)	(113,692)	(2,445)	(380)	(222)	-	(116,739)
Profit from operations Before Financial Income/(Expenses)	231,974	248,878	35,191	178,729	5,286	700,058
Financial income	7,884	1,457	1,525	4,256	(5,270)	9,852
Financial expenses (-)	(8,742)	(1,792)	(10,414)	(6,213)	5,235	(21,926)
Profit before tax	231,116	248,543	26,302	176,772	5,251	687,984
Taxation charge current (-)	(51,320)	(46,985)	(7,078)	(33,071)	-	(138,454)
Deferred taxation income/ (expenses)	(9,875)	(2,710)	2,532	(17,168)	-	(27,221)
Profit for the year from continuing operations	169,921	198,848	21,756	126,533	5,251	522,309

	31 December 2013				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	3,640,206	2,590,708	364,131	1,874,909	8,469,954
Unallocated assets					1,477
Total assets	3,640,206	2,590,708	364,131	1,874,909	8,471,431
Segment liabilities	976,393	570,386	178,790	1,083,597	2,809,166
Unallocated liabilities					1,196
Total liabilities	976,393	570,386	178,790	1,083,597	2,810,362

	1 January - 30 September 2013				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	69,245	103,279	2,345	5,605	180,474
Intangible assets	1,889	37	45	342	2,313
Total capital expenditures	71,134	103,316	2,390	5,947	182,787
Depreciation expense	32,681	4,574	3,252	38,237	78,744
Amortisation	1,102	56	202	77	1,437

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 July - 30 September 2013					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	661,327	124,874	68,701	794,232	-	1,649,134
Inter-segment revenues	52,440	122	1,793	3,287	(57,642)	-
Cost of revenues	(540,980)	(30,930)	(52,500)	(746,000)	-	(1,370,410)
Inter-segment cost of revenues	(54,014)	-	(1,793)	(3,720)	59,527	-
Gross profit	118,773	94,066	16,201	47,799	1,885	278,724
Marketing, selling and distribution expenses	(3,029)	(1,654)	(3,550)	(4)	-	(8,237)
Administrative expenses	(15,495)	(5,230)	(4,116)	(3,939)	(13)	(28,793)
Other operating income	11,497	74	4,884	(164)	(136)	16,155
Other operating expenses (-)	(11,520)	(694)	(634)	(519)	96	(13,271)
Profit from operations	100,226	86,562	12,785	43,173	1,832	244,578
Investment income	20,170	(430)	352	2,049	-	22,141
Investment expenses (-)	(26,423)	(1,061)	(361)	(124)	-	(27,969)
Profit from operations Before Financial Income/(Expenses)	93,973	85,071	12,776	45,098	1,832	238,750
Financial income	(1,332)	513	647	1,471	(2,169)	(870)
Financial expenses (-)	(1,747)	(1,103)	(6,278)	(350)	2,264	(7,214)
Profit before tax	90,894	84,481	7,145	46,219	1,927	230,666
Taxation charge current (-)	(17,519)	(17,507)	(1,637)	(11,205)	-	(47,868)
Deferred taxation income/(expenses)	(5,739)	823	6	(5,096)	-	(10,006)
Profit for the year from continuing operations	67,636	67,797	5,514	29,918	1,927	172,792

	1 July - 30 September 2013				Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	
Other segment information					
Capital expenditures					
Property, plant and equipment & Investment Property	31,505	45,197	351	3,294	80,347
Intangible assets	803	-	32	26	861
Total capital expenditures	32,308	45,197	383	3,320	81,208
Depreciation expense	11,071	1,543	1,237	12,880	26,731
Amortization expense	120	24	68	25	237

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2014, revenue amounting to USD 2.349.289 (30 September 2013: USD 2.540.590) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 30 September 2014, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 2.067.481 (30 September 2013: USD 2.261.216) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) which exceeds 10% of consolidated cost of revenue.

b) Geographical segments

	1 January - 30 September 2014					
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	3,200,811	622,153	12,415	533,163	-	4,368,542
Inter-segment sales	53,713	161,812	-	-	(215,525)	-
Capital expenditures	31,325	123,181	175	6,911	-	161,592

	30 September 2014					
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Segmental assets	4,480,589	2,858,331	518,552	480,660	-	8,338,132

	1 July - 30 September 2014					
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	1,023,344	224,784	10,043	178,331	-	1,436,502
Inter-segment sales	8,527	48,814	-	-	(57,341)	-
Capital expenditures	4,737	32,624	123	(439)	-	37,045

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	3,266,232	634,222	155,506	832,211	-	4,888,171
Inter-segment sales	56,170	90,034	-	-	(146,204)	-
Capital expenditures	51,659	107,687	8,157	15,284	-	182,787

31 December 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Segmental assets	4,490,514	2,976,350	570,050	433,040	-	8,469,954

1 July - 30 September 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	1,064,587	213,637	45,223	325,687	-	1,649,134
Inter-segment sales	16,683	40,959	-	-	(57,642)	-
Capital expenditures	21,033	46,772	5,873	7,530	-	81,208

7. CASH AND CASH EQUIVALENTS

	30 September 2014	31 December 2013
Cash on hand	3,049	2,111
Cash in bank		
Demand deposits	885,300	801,951
Time Deposits	382,969	464,173
Other	2,096	3,901
	<u>1,273,414</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>1,272,414</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 SEPTEMBER 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 September 2014 and 31 December 2013 are detailed below:

	30 September	31 December
Financial assets at fair value through profit or loss	2014	2013
Private sector bonds		
- International markets	645	3,669
- Domestic market	2,110	
Foreign Government bonds		
- International markets	212,816	234,442
Equity securities		
- International markets	188,527	176,417
- Domestic market	1,199	923
Turkish Government bonds		
- Domestic market	12,414	16,744
Mutual funds		
- International markets	60,447	47,388
- Domestic market	5,433	2,073
	<u>483,591</u>	<u>481,656</u>

Long-term financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 30 September 2014 and 31 December 2013 are detailed below:

	30 September	31 December
Financial assets at fair value through profit or loss	2014	2013
Private sector bonds		
- International markets	936,443	851,658
- Domestic market		
Foreign Government bonds		
- International markets	16,570	73,669
Turkish Government bonds		
- Domestic market	16,189	13,607
- International markets	55,598	59,004
Equity securities	360	520
	<u>1,025,160</u>	<u>998,458</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

	<u>30 September 2014</u>	<u>31 December 2013</u>
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 July 2024	7 October 2015
- International markets	14 January 2041	14 January 2041

9. FINANCIAL LIABILITIES

	<u>30 September 2014</u>			
	<u>Weighted Average</u>	<u>Currency</u>	<u>Original</u>	<u>USD</u>
	<u>Interest rate</u>	<u>Type</u>	<u>Currency</u>	<u>Equivalent</u>
Short-term borrowings:				
Short-term bank borrowings	3.00%	USD	6,021	6,021
	0.00%	TL	1,462	641
Total short-term borrowings				<u><u>6,662</u></u>
Long-term borrowings:				
Hermes loan	0.95%	EUR	11,024	13,987
Other long-term bank borrowings	2.02%	USD	500	500
	1.45%	EUR	1,726	2,190
	2.19%	JPY	12,117,723	110,601
Finance lease obligations				253,144
				<u>380,422</u>
Less: Current portion of long-term borrowings				(49,188)
Total long-term borrowings				<u><u>331,234</u></u>

	<u>30 September 2014</u>			
	<u>Weighted Average</u>	<u>Currency</u>	<u>Original</u>	<u>USD</u>
	<u>Interest rate</u>	<u>Type</u>	<u>Currency</u>	<u>Equivalent</u>
Current portion of long-term finance lease obligations				
	3.00%	RBL	307,660	7,811
				<u>7,811</u>
Long-term	3.00%	RBL	9,662,768	245,333
				<u>245,333</u>
				<u><u>253,144</u></u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

9. FINANCIAL LIABILITIES (cont'd)

	31 December 2013			
	Weighted Average Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term borrowings:				
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				35,776
Long-term borrowings:				
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
				<u>346,636</u>
Less: Current portion of long-term borrowings				(66,162)
Total long-term borrowings				280,474

	31 December 2013			
	Weighted Average Interest rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	2.36%	USD	277	277
	3.00%	RUB	238,988	7,180
				<u>7,457</u>
Long-term	3.00%	RUB	7,690,317	233,488
				<u>233,488</u>
				<u>240,945</u>

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

	30 September 2014	31 December 2013
Less than 1 year	41,377	58,705
1 - 2 years	37,327	19,645
2 - 3 years	32,829	15,207
3 - 4 years	15,745	12,134
Less : Current portion of long-term borrowings	(41,377)	(58,705)
	<u>85,901</u>	<u>46,986</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

10. TRADE RECEIVABLES AND PAYABLES

	30 September 2014	31 December 2013
<u>Short-term trade receivables</u>		
Trade receivables	400,193	357,324
Discount on trade receivables (-)	(66)	(175)
Contract receivables	377,141	387,398
Notes and cheques receivables	12,942	55,617
Discount on notes and cheques receivables (-)	(408)	(1,255)
Retention receivables (*)	17,934	23,089
	<u>807,736</u>	<u>821,998</u>
Less: Allowance for doubtful receivables	(18,947)	(24,436)
	<u>788,789</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 September 2014	31 December 2013
<u>Long-term trade receivables</u>		
Notes and cheques receivables	1,852	4,210
Discount on notes and cheques receivables (-)	(73)	(144)
Trade receivables	12,733	9,591
Discount on trade receivables (-)	(70)	(140)
Other trade receivables	5,673	-
	<u>20,115</u>	<u>13,517</u>

	30 September 2014	31 December 2013
<u>Short-term trade payables</u>		
Trade payables	516,662	527,983
Discount on trade payables (-)	(8)	(8)
Notes Payable	122	5,569
Discount on notes payable (-)	(1)	(19)
Other trade payables	254	204
	<u>517,029</u>	<u>533,729</u>

	30 September 2014	31 December 2013
<u>Long term trade payables</u>		
Trade payables	74	5,503
	<u>74</u>	<u>5,503</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

11. INVENTORIES

	30 September 2014	31 December 2013
Raw materials and spare parts	152,719	164,344
Work in progress	83,736	68,558
Trade goods (machinery and others)	76,310	63,332
Finished goods	23,152	10,835
Goods in transit	7,858	19,724
Construction materials	14,451	18,317
Allowance for impairment on inventory (*)	(474)	(704)
	<u>357,752</u>	<u>344,406</u>

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

12. CONSTRUCTION CONTRACTS

	30 September 2014	31 December 2013
Costs incurred on uncompleted contracts	2,256,593	1,904,214
Recognized profit less recognized losses to date	127,259	88,102
	<u>2,383,852</u>	<u>1,992,316</u>
Less: progress billing	(2,507,471)	(2,054,715)
	<u>(123,619)</u>	<u>(62,399)</u>

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

	30 September 2014	31 December 2013
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	106,012	108,938
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(229,631)	(171,337)
	<u>(123,619)</u>	<u>(62,399)</u>

As of 30 September 2014, the amount of advances received of subsidiaries and companies shares in joint operations is USD 191.269 (31 December 2013: USD 209.083).

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

13. INVESTMENT PROPERTIES

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

	1 January - 30 September 2014	1 January - 30 September 2013
Opening balance	2,346,532	2,133,921
Currency translation difference	(278,834)	(97,534)
Transfers from fixed assets	-	2,338
Additions	117,014	96,393
Change in present value of lease obligations	41,263	-
Closing balance	<u>2,225,975</u>	<u>2,135,118</u>

14. PROPERTY PLANT AND EQUIPMENT

During the period ended 30 September 2014 the Group purchased property plant and equipment amounting to USD 43.129 (30 September 2013: USD 84.081). In addition during the period ended 30 September 2014 net book value of USD 12.957 (30 September 2013: USD 12.816) property plant and equipment sold for USD 16.385 (30 September 2013: USD 13.600).

15. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group as of 30 September 2014 and 31 December 2013 are as follows:

	30 September 2014	31 December 2013
Within one year	118	142
	<u>118</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 September 2014 and 31 December 2013 are as follows:

	30 September 2014	31 December 2013
Within one year	446,004	348,185
After one year but not more than five years	1,002,651	598,070
More than 5 years	548,894	269,861
	<u>1,997,549</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 SEPTEMBER 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 September 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 September 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 September 2014 and 31 December 2013 is as follows;

	30 September 2014		31 December 2013	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
Letters of guarantee, guarantee notes given, mortgage and pledges				
A. Total amount of guarantees provided by the Company on behalf of itself		895,835		870,475
-USD	722,660	722,660	689,048	689,048
-EUR	67,902	86,153	64,918	89,318
-TL	22,443	9,848	29,052	13,612
-Others (*)		77,174		78,497
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		361,006		383,945
-USD	4,185	4,185	4,185	4,185
-EUR	51,023	64,737	55,298	76,083
-TL	1,438	631	1,738	814
-Others (*)		291,453		302,863
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		-		-
i. Total amount of guarantees given on behalf of the parent company		-		-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C		-		-
-USD		-		-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>1,256,841</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 September 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 SEPTEMBER 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 September 2014 and 30 September 2013.

	1 January - 30 September 2014	1 January - 30 September 2013
Earning per share		
- ordinary share certificate (full cent)	0.14	0.14
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	360,000,000,000	360,000,000,000
- founder shares		

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 SEPTEMBER 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 September 2014 and 31 December 2013 is as follows:

	30 September 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
	<u>100%</u>	<u>2,230,412</u>	<u>100%</u>	<u>2,040,352</u>

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 September 2014 and 31 December 2013 is as follows:

	30 September 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
	<u>360,000,000,000</u>	<u>3,600,000</u>	<u>320,000,000,000</u>	<u>3,200,000</u>

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of 30 September 2014, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama in consideration of its doubtful receivables amounting to USD 69.101 (31 December 2013: USD 1.196). USD 1.127 from Enka Pazarlama's lands and buildings taken on behalf of doubtful receivables, and the remaining amount USD 67.974 consists of all assets of Pimas, as of 15 October 2014 the Group's shares in Pimas has been sold out.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

As of 1 January 2014 and 30 September 2014, discontinued operating results are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Revenue	58,088	21,223	66,097	23,290
Cost of revenues (-)	(48,938)	(18,042)	(52,907)	(18,790)
GROSS PROFIT	9,150	3,181	13,190	4,500
Marketing, selling and distribution expenses (-)	(4,856)	(1,503)	(5,260)	(1,394)
Administrative expenses (-)	(2,408)	(646)	(3,900)	(932)
Other operating income	1,366	535	2,284	2,057
Other operating expenses (-)	(1,648)	(875)	(3,370)	(1,970)
PROFIT FROM OPERATIONS	1,604	692	2,944	2,261
Investment income	9	-	30	-
Investment expenses (-)	(269)	-	-	-
OPERATING PROFIT BEFORE FINANCE EXPENSES	1,344	692	2,974	2,261
Financial income	-	-	163	(218)
Financial expenses (-)	(2,393)	(1,693)	(5,887)	(2,095)
PROFIT BEFORE TAX	(1,049)	(1,001)	(2,750)	(52)
Current tax expense (-)	(730)	(212)	(210)	(96)
Deferred tax expense	668	255	275	31
PROFIT FOR THE PERIOD	(1,111)	(958)	(2,685)	(117)

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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

21. TAXATION ON INCOME (cont'd)

Tax legislation in Turkey (cont'd)

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.

Tax legislations in other countries

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

	30 September 2014	31 December 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	106,051	138,663
Taxes paid	(121,583)	(120,639)
Balance at 30 September	<u>38,971</u>	<u>56,439</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

	30 September 2014	31 December 2013
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(424,763)	(444,616)
GE Inventory in the context of "PSA" (*)	(40,463)	(31,085)
Adjustments on financial instruments and derivatives	(11,571)	(11,362)
	<u>(476,797)</u>	<u>(487,063)</u>
Gross deferred income tax liabilities		
Adjustment of revenue levelization	126,991	140,201
Allowance for retirement pay liability	2,199	2,463
Allowance for doubtful receivables	1,148	2,603
Allowance for inventories	683	(60)
Others	(48,269)	(57,064)
	<u>82,752</u>	<u>88,143</u>
Gross deferred income tax assets		
Net deferred tax liability	<u>(394,045)</u>	<u>(398,920)</u>

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

Reflected as:

	30 September 2014	31 December 2013
Deferred tax assets	24	450
Deferred tax liabilities	(394,069)	(399,370)
Net deferred liabilities	<u>(394,045)</u>	<u>(398,920)</u>

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

	2014	2013
Balance at 1 January	398,920	363,428
Deferred income tax expense recognized in income statement	30,220	26,946
Deferred income tax expense recognized in equity	(1,549)	3
Currency translation difference	(35,095)	(12,138)
Balance at 30 September	<u>392,496</u>	<u>378,239</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

	30 September 2014			30 September 2013		
	Deferred tax			Deferred tax		
	Before Taxation	(expense)/ income	Netted-off deferred tax	Before Taxation	(expense)/ income	Netted-off deferred tax
Change in revaluation of buildings	(17,334)	1,549	(15,785)	-	-	-
Changes in fair value of derivative assets	-	-	-	15	(3)	12
Changes in currency translation differences	(342,698)	-	(342,698)	(80,960)	-	(80,960)
	<u>(360,032)</u>	<u>1,549</u>	<u>(358,483)</u>	<u>(80,945)</u>	<u>(3)</u>	<u>(80,948)</u>

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 September 2014 and 31 December 2013:

	30 September 2014	31 December 2013
A. Assets denominated in foreign currency	1,391,065	1,315,774
B. Liabilities denominated in foreign currency	(571,324)	(687,574)
Net foreign currency position (A+B)	819,741	628,200

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 Group's foreign currency position at 30 September 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 September 2014						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	20,071	8,807	183,083	232,296	256,739	92,525	590,367
Financial investments	93,565	41,057	38,762	49,181	58,616	260,306	409,160
Trade and other receivables	28,056	12,311	91,203	115,718	42,298	3,666	173,993
Other current assets	86,656	38,025	10,931	13,869	17,538	13,352	82,784
Current assets	228,348	100,200	323,979	411,064	375,191	369,849	1,256,304
Financial investments	36,893	16,189	23,660	30,020	60,721	-	106,930
Trade and other receivables	-	-	7,033	8,923	2,713	6,537	18,173
Other non current assets	3,051	1,339	165	209	3,336	4,774	9,658
Non-current assets	39,944	17,528	30,858	39,152	66,770	11,311	134,761
Total assets	268,292	117,728	354,837	450,216	441,961	381,160	1,391,065
Short-term borrowings	1,509	662	6,502	8,250	33,692	500	43,104
Trade and other payables	54,451	23,893	59,137	75,034	92,289	1,879	193,095
Other current liabilities and accrued expenses	107,159	47,022	19,916	25,269	63,331	42,818	178,440
Current liabilities	163,119	71,577	85,555	108,553	189,312	45,197	414,639
Trade and other payables	-	-	59	74	-	-	74
Long-term borrowings	-	-	5,517	7,000	146,056	-	153,056
Other non-current liabilities	-	-	15	19	-	3,536	3,555
Non-current liabilities	-	-	5,591	7,093	146,056	3,536	156,685
Total liabilities	163,119	71,577	91,146	115,646	335,368	48,733	571,324
Net foreign currency position	105,173	46,151	263,691	334,570	106,593	332,427	819,741
Net notional amount of derivatives	(2,508)	(1,101)	34,000	43,139	-		42,038

(*) 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 SEPTEMBER 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)

	31 December 2013						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	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
Current assets	135,980	63,712	283,612	390,221	400,652	319,695	1,174,280
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
Non-current assets	60,757	28,467	33,277	45,786	55,597	11,644	141,494
Total assets	196,737	92,179	316,889	436,007	456,249	331,339	1,315,774
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 and accrued expenses	151,467	70,968	18,131	24,946	69,637	34,331	199,882
Current liabilities	219,161	102,685	135,415	186,318	213,724	59,345	562,072
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
Non-current liabilities	84	39	14,037	19,313	101,921	4,229	125,502
Total liabilities	219,245	102,724	149,452	205,631	315,645	63,574	687,574
Net foreign currency position	(22,508)	(10,545)	167,437	230,376	140,604	267,765	628,200
Net notional amount of derivatives	1,642	769	24,851	34,192	-	-	34,961

(*) 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 SEPTEMBER 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 September 2014 and 31 December 2013:

	30 September 2014		31 December 2013	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	4,615	(4,615)	(1,055)	1,055
2- Portion hedged against TL risk (-)	(110)	110	77	(77)
3- TL net effect (1+2)	4,505	(4,505)	(978)	978
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	33,457	(33,457)	23,038	(23,038)
5- Portion hedged against Euro risk (-)	4,314	(4,314)	3,419	(3,419)
6- Euro net effect (4+5)	37,771	(37,771)	26,457	(26,457)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	10,659	(10,659)	14,060	(14,060)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	10,659	(10,659)	14,060	(14,060)
Total (3+6+9)	52,935	(52,935)	39,539	(39,539)

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 SEPTEMBER 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 September 2014:

	Level 1	Level 2	Level 3
Private sector bonds	939,198	-	-
Equity securities	190,086	-	-
Foreign government bonds	229,386	-	-
Turkish government bonds	84,201	-	-
Mutual funds	65,880	-	-
Financial assets at fair value through profit or loss	1,508,751	-	-
Derivative instruments	-	3,267	-
Financial liabilities at fair value through profit or loss	-	3,267	-

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-
Financial assets at fair value through profit or loss	1,480,114	-	-
Derivative instruments	-	599	-
Financial liabilities at fair value through profit or loss	-	599	-

24. SUBSEQUENT EVENTS

After the necessary approvals given by the relevant competition authorities both in Turkey and Russia, share sale transactions of 81.23% of the Group's affiliated company Pimaş has been finalized with the receipt of TL 57,673 from Deceuninck NV as of October 15, 2014.