

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 31 MARCH 2011

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2011**

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

ASSETS	Notes	31 March 2011	31 December 2010
Current Assets		2,423,432	2,400,551
Cash and cash equivalents	5	699,840	599,079
Financial investments	6	627,711	722,228
Trade receivables	8	558,991	569,847
Other receivables		1,113	960
Inventories		240,659	199,571
Costs and estimated earnings in excess of billings on uncompleted contracts	9	6,986	9,912
Other current assets		72,896	59,317
Group's share in current assets of joint ventures	3	209,676	234,166
		<u>2,417,872</u>	<u>2,395,080</u>
Assets held for sale		5,560	5,471
Non-current Assets		4,961,563	4,714,137
Trade receivables	8	26,098	34,775
Financial investments	6	791,320	648,652
Investment properties	10	2,018,300	1,918,673
Property, plant and equipment		1,918,303	1,908,502
- Group		1,857,575	1,847,044
- Group's share in joint ventures	3	60,728	61,458
Intangible assets		30,180	29,933
Goodwill		119,419	115,269
Deferred tax assets	15	10,562	14,289
Other non-current assets		38,165	36,393
Group's share in non-current assets of joint ventures	3	9,216	7,651
		<u>7,384,995</u>	<u>7,114,688</u>
TOTAL ASSETS		7,384,995	7,114,688

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

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

LIABILITIES	Notes	31 March 2011	31 December 2010
Current Liabilities		1,092,932	1,102,436
Financial borrowings		231,073	220,218
- Bank loans	7	228,305	217,517
- Obligations under finance leases	7	2,768	2,701
Trade payables	8	384,824	376,494
Other payables		116,773	109,814
Billings in excess of costs and estimated earnings on uncompleted contracts	9	6,338	10,105
Taxation on income	15	25,925	28,875
Provisions		11,582	14,703
Provisions for employee benefits		24,455	27,418
Other current liabilities		66,926	65,853
Group's share in current liabilities of joint ventures	3	225,036	248,956
Non-current Liabilities		1,607,285	1,598,348
Financial borrowings		373,528	376,796
- Bank loans	7	316,779	321,626
- Obligations under finance leases	7	56,749	55,170
Trade payables	8	7,045	6,627
Other payables		18,177	17,092
Provisions for employee benefits		15,403	14,992
Deferred tax liabilities	15	301,031	290,430
Other non-current liabilities	13	892,101	892,096
Group's share in non-current liabilities of joint ventures	3	-	315
EQUITY			
Equity attributable to Equity Holders of the Parent		4,426,577	4,172,270
Share capital	14	1,476,498	1,476,498
Revaluation surplus		139,600	138,694
Currency translation difference		(6,904)	(119,230)
Other reserves		1,614	1,519
Legal reserves and accumulated profit		2,815,769	2,674,789
Non-controlling interests		258,201	241,634
TOTAL LIABILITIES AND EQUITY		7,384,995	7,114,688

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 31 MARCH 2011

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

	Notes	1 January- 31 March 2011	1 January- 31 March 2010
Continuing operations			
Revenue	4	1,154,960	1,082,796
Cost of revenues (-)	4	(971,032)	(886,196)
GROSS PROFIT		183,928	196,600
Marketing, selling and distribution expenses (-)	4	(13,720)	(14,054)
Administrative expenses (-)	4	(25,541)	(25,718)
Other operating income	4	6,139	13,751
Other operating expenses (-)	4	(6,041)	(6,429)
PROFIT FROM OPERATIONS		144,765	164,150
Financial income	4	47,198	36,522
Financial expenses (-)	4	(27,987)	(44,369)
PROFIT BEFORE TAX		163,976	156,303
Current tax expense	15	(22,033)	(19,015)
Deferred tax expense	15	640	(9,701)
NET PROFIT FOR THE YEAR		142,583	127,587
Attributable to:			
Non-controlling interest		2,289	5,387
Equity holders of the parent		140,294	122,200
		142,583	127,587
Earnings per share			
- ordinary share certificate (full cent)	16	0.064	0.056
Weighted average number of shares		220,000,000,000	220,000,000,000

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2011**

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

	Notes	1 January- 31 March 2011	1 January- 31 March 2010
NET PROFIT FOR THE YEAR		<u>142,583</u>	<u>127,587</u>
Other Comprehensive Income / (Expense):			
Changes in unrealized gain on available-for sale investments		-	998
Realised loss on available-for-sale investments transferred to income statement		-	(514)
Gain on cash flow hedge		119	206
Revaluation of buildings		596	-
Changes in currency translation difference		127,719	16,721
OTHER COMPREHENSIVE INCOME BEFORE TAX		<u>128,434</u>	<u>17,411</u>
Deferred tax expense of other comprehensive income	15	(143)	(138)
OTHER COMPREHENSIVE INCOME, NET OF TAX		<u>128,291</u>	<u>17,273</u>
TOTAL COMPREHENSIVE INCOME		<u>270,874</u>	<u>144,860</u>
Attributable to:			
Non-controlling interest		16,567	12,374
Equity holders of the parent		254,307	132,486
		<u>270,874</u>	<u>144,860</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2011

(Amounts are expressed as 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 interest	Total equity
Balance at 1 January 2010		1,214,907	119,710	(80,633)	27,186	2,461,234	3,742,404	246,190	3,988,594
Total other comprehensive income		-	219	9,515	552	-	10,286	6,987	17,273
Profit for the year		-	-	-	-	122,200	122,200	5,387	127,587
Total comprehensive income		-	219	9,515	552	122,200	132,486	12,374	144,860
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(642)	-	-	642	-	-	-
Scope change		-	(1,302)	346	-	127	(829)	829	-
Balance at 31 March 2010	14	1,214,907	117,985	(70,772)	27,738	2,584,203	3,874,061	259,393	4,133,454
Balance at 1 January 2011		1,476,498	138,694	(119,230)	1,519	2,674,789	4,172,270	241,634	4,413,904
Total other comprehensive income		-	1,592	112,326	95	-	114,013	14,278	128,291
Profit for the year		-	-	-	-	140,294	140,294	2,289	142,583
Total comprehensive income		-	1,592	112,326	95	140,294	254,307	16,567	270,874
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(686)	-	-	686	-	-	-
Balance at 31 March 2011		1,476,498	139,600	(6,904)	1,614	2,815,769	4,426,577	258,201	4,684,778

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2011

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

		1 January - 31 March 2011	1 January - 31 March 2010
Cash flows from operating activities	Notes		
Profit before tax		163,976	156,303
- Depreciation and amortization of non-current assets	4	31,124	29,857
- Provision for employment termination benefits		744	1,300
- Allowance for doubtful receivables	8	911	689
- Revenue levelization adjustment		5	15,161
- Loss from fair value of forward transactions		3	353
- Interest expense		7,036	7,711
- Interest income		(11,947)	(10,081)
- Dividend income		(1,162)	(214)
- Provision for inventory impairment, net		33	(41)
- Gain on disposal of property, plant and equipment, net	11	(1,513)	(926)
- Interest accrual		236	522
		<u>189,446</u>	<u>200,634</u>
Movements in working capital			
Decrease/(increase) in trade and other receivables	8	18,717	(34,714)
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts	9	2,926	1,361
Decrease in Group's share in assets of joint venture	3	22,924	77,450
Increase in inventory		(41,121)	(87,147)
(Increase) / decrease in other current assets and other non current assets		(15,898)	49,193
Increase in trade and other payables		8,749	80,141
(Decrease)/Increase in billings in excess of cost and estimated earnings on uncompleted contracts	9	(3,767)	57,413
(Decrease) in Company's share in current and non current liabilities of joint ventures	3	(24,235)	(45,325)
Increase in provision for liabilities and other liabilities		3,033	3,215
		<u>(28,672)</u>	<u>101,587</u>
Income taxes paid	15	(24,983)	(21,523)
Employee termination benefits paid		(303)	(473)
Net cash generated from operating activities		<u>135,488</u>	<u>280,225</u>
Cash flows from investing activities			
Time deposits with maturities over three months		-	18,000
Financial investments		(48,152)	(28,525)
Proceeds from sale of property, plant and equipment	11	3,996	13,017
Purchases of property, plant and equipment, intangible assets investment properties	11	(24,502)	(14,781)
Interest received		11,475	9,560
Dividend income		1,162	214
Net cash used in investing activities		<u>(56,021)</u>	<u>(2,515)</u>
Cash flows from financing activities			
Payments of short-term borrowings		11,560	7,119
Addition to long-term borrowings		9,160	11,752
Payments of long-term borrowings		(23,563)	(58,390)
Interest paid		(2,997)	(2,653)
Net cash used in financing activities		<u>(5,840)</u>	<u>(42,172)</u>
Translation differences		27,134	(26,696)
Net increase in cash and cash equivalents		100,761	208,842
Cash and cash equivalents at beginning of the year	5	598,079	646,163
Cash and cash equivalents at end of the period	5	<u>698,840</u>	<u>855,005</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

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

As of June 28, 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 March 2011, 12,77% of the shares of Enka İnşaat and 15,95% of the shares of Pimaş Plastik Malzemeleri Anonim Şirketi (Pimaş), subsidiary of Enka İnşaat, are traded publicly in İstanbul Stock Exchange (ISE).

As of 31 March 2011, the average numbers of white and blue-collar personnel are respectively 3.175 and 8.905 (31 December 2010 – 3.208 and 11.598).

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint ventures are hereinafter referred to as "the Group". Group operates in five major geographical areas, which are as follows:

- 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, Kazakhstan: Engaged in construction activities in Russia, Kazakhstan, Ukraine and Tajikistan, and also engaged in the investment and management of real estate properties, which are leased to tenants in Moscow, Russia, as well as run a network of hyperstores and shopping malls in Moscow.
- iii. Europe: Engaged in construction and trading activities in Romania, Germany, Albania, Netherlands, Switzerland, Bosnia and Herzegovina and Kosovo.
- iv. Other: Engaged in construction activities in Saudi Arabia, Oman, Afghanistan, Dominican Republic, Equatorial Guinea, Burundi, Libya, and Djibouti.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The Basis for Preparation of the Financial Statements and Significant Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard No:34, Interim financial reporting (IAS 34). This condensed interim financial information does not contain all the information required for the preparation of the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010 prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial investments and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 31 March 2011. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 12 May 2011. 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 and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board (CMB), (for publicly traded companies) and Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries where they are registered. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

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

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

2.1 Basis of presentation (cont'd)

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

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

Functional and presentation currency

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

Until 31 December 2005, the financial statements of the subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 31 March 2011 and 2010 are derived by indexing the additions occurred until 31 December 2004 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.

Within Turkey, official exchange rates of the Turkish Lira (TL) are determined by the Central Bank of Turkey (CBT) and are generally considered to be a reasonable approximation of market rates. Within the Russian Federation, official exchange rates are determined daily by the Central Bank of the Russian Federation (CBRF), which is also a reasonable approximation of market rates.

The period-end and average Turkish Lira (TL) rates for 31 March 2011, 31 December 2010 and 31 March 2010 for one U.S. Dollar can be summarized as below:

	31 March 2011	31 December 2010	31 March 2010
U.S. Dollars /TL – as of balance sheet date	1.5483	1.546	1.5215
U.S. Dollars /TL – period average	1.5706	1.499	1.5019

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

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

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

2.1 Basis of presentation (cont'd)

Comparative information and reclassification of prior year financial statements

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed. In the current year, the Group had made the reclassification below in order to confront current year's presentation:

As of 31 March 2010; "Marketing, selling and distribution expenses" and "general administrative expenses" related with rental income amounting to U.S. Dollars 4.457 and 8.915 respectively are classified to "Cost of revenues".

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint ventures and its subsidiaries as at 31 March 2011 and 31 December 2010. The financial statements of the joint ventures and the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All significant intra-group transactions and balances between Enka İnşaat and its consolidated subsidiaries and joint ventures are eliminated.

Minority interests represent the portion of income statement and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

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

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

2.2 Changes and Errors in Accounting Estimates

Changes in accounting policies or accounting errors are applied retroactively and the financial statements of the previous periods are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. There is no material change in accounting estimates of the Group in the current year.

2.3 Adoption of New and Revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are also set out in this section.

(a) New and Revised IFRSs affecting presentation and disclosure only

IAS 1, Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

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

None

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

IAS 24 (Revised 2009), "Related Party Disclosures"

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011.

IAS 32 (Amendments), "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements"

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

IFRS 1 (amendments), "First-time Adoption of IFRS - Additional Exemptions"

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

IFRIC 14 (Amendments), "Pre-payment of a Minimum Funding Requirement"

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

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

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

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

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

Annual Improvements, May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 6 main standards/interpretations as follow: IFRS 1, "First-time Adoption of International Financial Reporting Standards", IFRS 3, "Business Combinations," IFRS 7, "Financial Instruments: Disclosures", IAS 27, "Consolidated and Separate Financial Statements", IAS 34, "Interim Financial Reporting" and IFRIC 13, "Customer Loyalty Programmes". With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments is allowed.

The adoption of these amendments to the standards, revised standards and interpretations has not materially affected the Group's financial position and financial position.

d) New and Revised IFRSs in issue but not yet effective

IFRS 1 (amendments), "First-time Adoption of IFRS - Additional Exemptions"

On 20 December, IFRS 1 is amended to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs and to provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

These amendments are not relevant to the Group, as it is an existing IFRS preparer.

IFRS 7, "Financial Instruments: Disclosures"

In October 2010, IFRS 7, "Financial Instruments: Disclosures" is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IAS 12, "Income Taxes"

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the consolidated profit and loss statement and in the carrying value of assets and liabilities in the consolidated balance sheet, and in the disclosure of information in the notes to the consolidated financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the consolidated financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates. This may have a material effect on the consolidated financial statements.

The key assumptions concerning the future and other key resources of estimation at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- a) Determination of total estimated project costs, profitability and calculation of loss accruals under the scope of IAS 11 "Construction Contracts" (Note 9),
- b) Market valuations of investment properties under the scope of IAS 40 "Investment Property" and land and buildings under the scope of IAS 16 "Property, Plant and Equipment" (Note 11)
- c) Estimation of impairment losses on financial assets and trade receivables (Note 6 and 8).
- d) Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 15).
- e) The Group management has made significant assumptions for determining the economic lives of tangible and intangible assets with the guidance of experienced technical staff (Note 3 and 11).
- f) In accordance with the determined accounting policies, the Group reviews carrying amount of goodwill for impairment annually, or more frequently in cases where the circumstances indicate impairment. As of 31 March 2011, the Group tested impairment of carrying amount of goodwill by comparing the recoverable amount which is determined by value in use calculations. These calculations are based on projected before-tax cash flows based on financial budgets/forecasts approved by the Board of Directors. Expected growth rates are used to discount projected cash flows for periods greater than five years. Operating market growth rates, per capita gross domestic product and pricing information such as indices, have been acquired from outside sources. Estimations related to parameters such as selling prices, working capital requirements and fixed assets investments are based on Group's predictions and previous period realizations.

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3. INTEREST IN JOINT VENTURES

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

	31 March 2011	31 December 2010
Cash and cash equivalents	39,161	36,241
Trade receivables	153,549	182,126
Other current assets	8,919	7,746
Inventories	5,989	7,760
Costs and estimated earnings in excess of billings on uncompleted contracts	2,058	293
Group's share in current assets of joint ventures	<u>209,676</u>	<u>234,166</u>
Cost	213,229	205,442
Accumulated Depreciation	(152,501)	(143,984)
Group's share in joint ventures in property, plant and equipment	<u>60,728</u>	<u>61,458</u>
Trade receivables	7,480	7,433
Deferred tax assets	157	147
Other non-current assets	1,579	71
Group's share in non-current assets of joint ventures	<u>9,216</u>	<u>7,651</u>
Trade payables	43,589	49,607
Other current liabilities and accrued expenses	20,680	24,025
Billings in excess of costs and estimated earnings on uncompleted contracts	160,767	175,324
Group's share in current liabilities of joint ventures	<u>225,036</u>	<u>248,956</u>
Other non-current liabilities	-	315
Group's share in non-current liabilities of joint ventures	<u>-</u>	<u>315</u>

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

	31 March 2011	31 March 2010
Revenues	85,106	63,047
Cost of sales	(59,142)	(52,841)
Other operating income	1,169	6
Other operating expenses	(14)	(181)
Financial income	573	144
Financial expenses	(1,152)	(1,109)
Taxation charge	(982)	(3,065)
Net profit	<u>25,558</u>	<u>6,001</u>

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4. SEGMENTAL INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of services and products provided and has four reportable segments as follows: construction, rental, energy and trading and manufacturing.

a) Business segments:

	1 January - 31 March 2011					
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenues	160,865	99,110	117,585	777,400	-	1,154,960
Inter-segment revenues	5,443	-	2,811	5,875	(14,129)	-
Cost of revenues	(126,063)	(35,385)	(94,832)	(714,752)	-	(971,032)
Inter-segment cost of revenues	(6,550)	-	(694)	(5,907)	13,151	-
Gross profit	33,695	63,725	24,870	62,616	(978)	183,928
Marketing, selling and distribution expenses	(1,623)	(931)	(11,166)	-	-	(13,720)
Administrative expenses	(14,054)	(1,983)	(8,046)	(2,492)	1,034	(25,541)
Other operating income	7,201	232	1,128	550	(2,972)	6,139
Other operating expenses	(4,954)	(727) *	(534)	174	-	(6,041)
Profit from operations	20,265	60,316	6,252	60,848	(2,916)	144,765
Financial income	39,244	2,813	4,073	2,821	(1,753)	47,198
Financial expenses (-)	(20,154)	(1,803)	(3,442)	(4,285)	1,697	(27,987)
Profit before tax	39,355	61,326	6,883	59,384	(2,972)	163,976
Current (-)	(2,975)	(6,501)	(3,532)	(9,025)	-	(22,033)
Deferred	3,176	(1,654)	2,110	(2,992)	-	640
Net profit for the year	39,556	53,171	5,461	47,367	(2,972)	142,583

(*) Includes other operating expense of investment properties.

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4. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	31 March 2011				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	2,749,577	2,219,009	539,519	1,876,505	7,384,610
Unallocated assets	-	-	-	-	385
Total assets	2,749,577	2,219,009	539,519	1,876,505	7,384,995
Segment liabilities	534,666	388,904	290,971	1,484,568	2,699,109
Unallocated liabilities	-	-	-	-	1,108
Total liabilities	534,666	388,904	290,971	1,484,568	2,700,217

	1 January - 31 March 2011				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
Capital expenditures					
Property, plant and equipment	6,321	638	16,362	901	24,222
Intangible assets	45	3	107	125	280
Total capital expenditures	6,366	641	16,469	1,026	24,502
Depreciation expense	13,110	995	3,070	13,458	30,633
Amortisation	245	8	198	40	491

	1 January - 31 March 2010					
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenues	259,761	91,349	105,340	626,346	-	1,082,796
Inter-segment revenues	4,202	-	3,270	-	(7,472)	-
Cost of revenues	(207,363)	(31,255)	(85,062)	(562,516)	-	(886,196)
Inter-segment cost of revenues	(5,407)	-	(603)	(78)	6,088	-
Gross profit	51,193	60,094	22,945	63,752	(1,384)	196,600
Marketing, selling and distribution expenses	(1,412)	(1,325)	(11,317)	-	-	(14,054)
Administrative expenses	(12,248)	(3,511)	(9,831)	(1,513)	1,385	(25,718)
Other operating income	4,477	1,368	444	7,462	-	13,751
Other operating expenses	(5,798)	(760) *	(495)	(89)	713	(6,429)
Profit from operations	36,212	55,866	1,746	69,612	714	164,150
Financial income	30,106	4,862	2,650	2,372	(3,468)	36,522
Financial expenses (-)	(34,929)	(2,506)	(3,659)	(6,055)	2,780	(44,369)
Profit before tax	31,389	58,222	737	65,929	26	156,303
Taxation charge						
Current (-)	(4,520)	(5,942)	(3,860)	(4,693)	-	(19,015)
Deferred	(2,044)	(1,674)	3,505	(9,488)	-	(9,701)
Net profit for the year	24,825	50,606	382	51,748	26	127,587

(*) Includes other operating expense of investment properties.

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4. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	31 December 2010				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	2,686,123	2,110,359	489,595	1,828,169	7,114,246
Unallocated assets	-	-	-	-	442
Total assets	2,686,123	2,110,359	489,595	1,828,169	7,114,688
Segment liabilities	580,675	369,960	266,483	1,482,586	2,699,704
Unallocated liabilities	-	-	-	-	1,080
Total liabilities	580,675	369,960	266,483	1,482,586	2,700,784

	1 January - 31 March 2010				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
Capital expenditures					
Property, plant and equipment	11,443	153	2,878	356	14,830
Intangible assets	33	8	27	77	145
Total capital expenditures	11,476	161	2,905	433	14,975
Depreciation expense	13,306	1,113	1,639	13,495	29,553
Amortisation	19	20	183	39	261

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

For the period ended 31 March 2011, revenue amounting to USD 777.311 (31 March 2010: USD 626.346) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), the share of which is consolidated revenue exceeds 10%. For the period ended 31 March 2011, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 682.503 (31 March 2010: USD 527.326) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds 10%.

b) Geographical segments:

	1 January - 31 March 2011					
	Turkey	Russian Federation, Kazakhstan	Europe (*)	Other (*)	Eliminations	Consolidated
Net sales	902,069	181,191	43,816	27,884		1,154,960
Inter-segment sales	13,095	1,034	-	-	(14,129)	-
Capital expenditures	6,099	15,926	1,876	601	-	24,502

	31 March 2011					
	Turkey	Russian Federation, Kazakhstan	Europe (*)	Other (*)	Eliminations	Consolidated
Segmental assets	4,119,364	2,667,397	494,259	103,590	-	7,384,610

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4. SEGMENTAL INFORMATION (cont'd)

b) Geographical segments (cont'd)

	1 January - 31 March 2010					Consolidated
	Turkey	Russian Federation, Kazakhstan	Europe (*)	Other (*)	Eliminations	
Net sales	784,168	256,916	24,244	17,468	-	1,082,796
Inter-segment sales	6,087	1,385	-	-	(7,472)	-
Capital expenditures	4,337	8,918	1,629	91	-	14,975

	31 December 2010					Consolidated
	Turkey	Russian Federation, Kazakhstan	Europe (*)	Other (*)	Eliminations	
Segmental assets	4,009,693	2,549,883	479,913	74,757	-	7,114,246

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

5. CASH AND CASH EQUIVALENTS

	31 March 2011	31 December 2010
Cash on hand	1,357	1,539
Cash in bank		
Demand deposits	321,705	147,184
Time deposits	374,498	448,134
Other	2,280	2,222
	<u>699,840</u>	<u>599,079</u>
Less: time deposits with maturity over three months and less than one year	(1,000)	(1,000)
Cash and cash equivalents at consolidated cash flow statement	<u>698,840</u>	<u>598,079</u>

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

	31 March 2011	31 December 2010
<i>Fixed interest rate</i>		
USD	%0,10-%4,00	0,15%-6,00%
Russian Ruble	%2,00-%5,00	2,50%-4,75%
Euro	%0,30-%3,90	0,25%-3,50%
TL	%4,50-%9,00	3,00%-9,05%
Japanese Yen	%0,35-%0,50	0,30%-1,00%
Chinese Yuan	%1,71	1,71%

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

USD - Fixed interest rate	%2,45-%6,00	%2,45-%6,00
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6. FINANCIAL INVESTMENTS

The Group has adopted IFRS 9 "*Financial Instruments: Classification and Measurement*" at 31 December 2010, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard before 1 January 2011, comparative figures have not been restated. Investments in financial assets previously classified as available for sale classified as financial assets at fair value through profit or loss. There was no difference between the previous carrying amount (IAS 39) and the revised carrying amount (IFRS 9) of the financial assets at 1 January 2010 to be recognised in opening retained earnings.

Short-term financial investments

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 March 2011 and 31 December 2010 are detailed below:

Financial assets at fair value through profit or loss	31 March 2011	31 December 2010
Private sector bonds		
- International markets	2,897	8,162
Foreign Government bonds		
- International markets	406,954	505,477
Equity securities		
- International markets	140,383	141,265
- Domestic market	2,103	2,904
Turkish Government bonds		
- Domestic market	21,470	18,073
Mutual funds		
- International markets	30,146	28,675
- Domestic market	23,758	17,672
	<u>627,711</u>	<u>722,228</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 31 March 2011 and 31 December 2010 are detailed below:

Financial assets at fair value through profit or loss	31 March 2011	31 December 2010
Private sector bonds		
- International markets	548,262	421,511
Foreign Government bonds		
- International markets	209,806	185,480
Turkish Government bonds		
- Domestic market	15,170	23,128
Turkish Government bonds		
- International markets	16,785	17,289
Equity securities	1,297	1,244
	<u>791,320</u>	<u>648,652</u>

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6. FINANCIAL INVESTMENTS (cont'd)

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

	31 March 2011	31 December 2010
Private Sector Bonds - International markets	10 December 2049	10 December 2049
Foreign Government Bonds - International markets	15 February 2041	15 February 2040
Turkish Government Bonds		
- Domestic market	6 January 2021	1 April 2020
- International markets	14 February 2034	14 February 2034

7. FINANCIAL LIABILITIES

a) Bank loans

Short-term borrowings:

	31 March 2011			
	Interest rate	Currency	Original	USD
		Type	Currency	Equivalent
Short-term bank borrowings	Libor +%3.70 - %3.80	EUR	4,332	6,103
	Libor +%2.75 - %3.95	USD	15,982	15,982
	%7.55	TL	2,224	1,436
		JPY	213,578	2,565
			<u>26,086</u>	
Current portion of long-term borrowings				202,219
Total short-term borrowings				<u>228,305</u>

Long-term borrowings:

	31 March 2011			
	Interest rate	Currency	Original	USD
		Type	Currency	Equivalent
Eximbank loans	Libor +%0.10 - %4.26	USD	155,307	155,307
OPIC loan	%7.54 - %7.90	USD	92,386	92,386
Hermes loan	Libor +%0.625	USD	15,203	15,203
OND loan	Libor +%0.70	USD	16,202	16,202
Hermes loan	Libor +%0.23 - %0.65	EUR	30,262	42,640
Other long-term bank borrowings	Libor +%1.75 - %5.03	USD	11,656	11,656
	Euribor +%1.55 - %4.70	EUR	23,139	32,604
	Libor +%0.75	JPY	8,296,778	99,658
	%10,00	TL	2,087	1,348
Iraq related Eximbank loans		USD	80,699	80,699
		EUR	2,241	3,158
			<u>550,861</u>	
Less: Current portion of long-term borrowings				(202,219)
Less: Iraq related Eximbank loans - received from UNCC by Eximbank		USD	(31,863)	(31,863)
Total long-term borrowings				<u>316,779</u>

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7. FINANCIAL LIABILITIES (cont'd)

a) Bank loans (cont'd)

Short-term borrowings:

	31 December 2010			
	Interest rate	Currency	Original	USD
		Type	Currency	Equivalent
Short-term bank borrowings				
	Libor + 1,90%	USD	14,142	14,142
	7,15%	TL	799	517
				<u>14,659</u>
Current portion of long-term borrowings				202,858
Total short-term borrowings				<u><u>217,517</u></u>

Long-term borrowings:

	31 December 2010			
	Interest rate	Currency	Original	USD
		Type	Currency	Equivalent
Eximbank loans	Libor + 0,10% - 4,26%	USD	153,658	153,658
OPIC loan	7,54% - 7,90%	USD	90,593	90,593
Hermes loan	Libor + 0,625%	USD	15,084	15,084
OND loan	Libor + 0,70%	USD	16,072	16,072
Hermes loan	Euribor + 0,23% - 0,65%	EUR	34,618	45,884
Other long-term bank borrowings	Libor + 1,30% - 3,00%	USD	8,103	8,103
	Euribor + 1,55% - 4,70%	EUR	27,635	36,628
	0,75%	JPY	8,601,680	105,339
	10,00%	TL	2,036	1,317
Iraq related Eximbank loans		USD	80,699	80,699
		EUR	2,241	2,970
				<u>556,347</u>
Less: Current portion of long-term borrowings				(202,858)
Less: Iraq related Eximbank loans - received from UNCC by Eximbank		USD	(31,863)	(31,863)
Total long-term borrowings				<u><u>321,626</u></u>

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

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7. FINANCIAL LIABILITIES (cont'd)

a) Bank loans (cont'd)

	31 March 2011	31 December 2010
Less than 1 year	202,219	202,858
1 - 5 years	264,785	269,819
More than 5 years	-	-
Less : Current portion of long-term borrowings	(202,219)	(202,858)
	<u>264,785</u>	<u>269,819</u>

b) Finance lease obligations

		31 March 2011			
	Interest rate	Currency Type	Original Currency	USD Equivalent	
Current portion of long-term finance lease obligations	Libor + %1,90	USD	585	585	
	%3,00	RUB	62,035	2,183	
				<u>2,768</u>	
Long-term	Libor + %1,90	USD	665	665	
	%3,00	RUB	1,593,953	56,084	
				<u>56,749</u>	
				<u>59,517</u>	
		31 December 2010			
	Interest rate	Currency Type	Original Currency	USD Equivalent	
Current portion of long-term finance lease obligations	Libor+ 1,90%	USD	573	573	
	3,00%	RUB	63,596	2,128	
				<u>2,701</u>	
Long-term	Libor+ 1,90%	USD	757	757	
	3,00%	RUB	1,657,366	54,413	
				<u>55,170</u>	
				<u>57,871</u>	

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8. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 March 2011	31 December 2010
Short-term trade receivables		
Trade receivables	404,887	413,805
Discount on trade receivables (-)	(204)	(201)
Contract Receivables	58,100	56,419
Notes and cheques receivables	98,133	101,478
Discount on notes and cheques receivables (-)	(1,478)	(1,369)
Retention receivables (*)	28,522	27,551
	<u>587,960</u>	<u>597,683</u>
Less: Allowance for doubtful receivables	(28,969)	(27,836)
	<u>558,991</u>	<u>569,847</u>

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

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

	31 March 2011	31 December 2010
Long-term trade receivables		
Receivables from Iraq	115,116	115,116
Notes and cheques receivables	26,023	31,723
Discount on notes and cheques receivables (-)	(568)	(565)
Trade receivables	679	3,653
Discount on trade receivables (-)	(36)	(36)
Money received from UNNC by Eximbank – 1 (*)	(30,160)	(30,160)
Money received from UNNC by Eximbank – 2 (**)	(31,863)	(31,863)
Allowance for receivables from Iraq	(53,093)	(53,093)
	<u>26,098</u>	<u>34,775</u>

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

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

b) Trade payables

	31 March 2011	31 December 2010
Short-term trade payables		
Trade payables	380,043	371,827
Discount on trade payables (-)	(34)	(33)
Notes payable	4,694	4,014
Discount on notes payable (-)	(19)	(28)
Other trade payables	140	714
	<u>384,824</u>	<u>376,494</u>
Long term trade payables		
Trade payables	7,045	6,627
	<u>7,045</u>	<u>6,627</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

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9. COST AND BILLINGS ON UNCOMPLETED CONTRACTS

	31 March 2011	31 December 2010
Costs incurred on uncompleted contracts	1,996,000	1,930,253
Estimated earnings	57,211	48,961
	<u>2,053,211</u>	<u>1,979,214</u>
Less: Billings to date	(2,052,563)	(1,979,407)
	<u>648</u>	<u>(193)</u>

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

	31 December 2010	31 December 2009
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	6,986	9,912
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(6,338)	(10,105)
	<u>648</u>	<u>(193)</u>

As of 31 March 2011, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 72.700 (31 December 2010 – USD 73.572).

10. INVESTMENT PROPERTIES

As of 31 March 2011 and 2010, movement of investment properties is as follows:

	31 March 2011	31 March 2010
Opening balance as at 1 January	1,918,673	1,891,271
Currency translation difference	99,379	39,955
Change in present value of lease obligations	248	-
Closing balance as at 31 March	<u>2,018,300</u>	<u>1,931,226</u>

11. PROPERTY PLANT AND EQUIPMENT

During the period ended 31 March 2011 the Group purchased property plant and equipment amounting to USD 24.502. In addition during the period ended 31 March 2011 net book value of USD 2.483 property plant and equipment sold for USD 3.996.

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12. COMMITMENTS

Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Within one year	9,392	8,132
After one year but not more than five years	29,231	29,627
More than 5 years	30,967	28,781
	<u>69,590</u>	<u>66,540</u>

Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Within one year	303,293	259,329
After one year but not more than five years	524,611	589,995
More than 5 years	343,236	332,319
	<u>1,171,140</u>	<u>1,181,643</u>

Litigations

During the period ended 31 March 2011 the Group does not have any new legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2010 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 March 2011 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 2010 consolidated financial statements.

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12. COMMITMENTS (cont'd)

Others (cont'd)

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 March 2011 and 31 December 2010 is as follows;

Letters of guarantee, guarantee notes given, mortgage and pledges	31 March 2011		31 December 2010	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		3,100,908		2,962,164
-USD	2,740,493	2,740,493	2,731,139	2,731,139
-EUR	158,121	222,797	158,602	210,211
-TL	6,341	4,095	4,120	2,665
-Others (*)	-	133,523	-	18,149
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		324,369		336,016
-USD	23,935	23,935	43,078	43,078
-EUR	67,494	95,101	63,453	84,101
-TL	1,751	1,131	1,000	647
-Others (*)	-	204,202		208,190
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		400		400
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		400		400
-USD	400	400	400	400
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>3,425,677</u>		<u>3,298,580</u>

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

As of 31 March 2011 the portion of other guarantess given to shareholders' equity is 0,01% (31December 2010 : 0,01%).

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13. OTHER ASSETS AND LIABILITIES

	31 March 2011	31 December 2010
<u>Other non- current liabilities</u>		
Deferred revenue (*)	888,128	888,122
Deferred rent revenue	3,973	3,974
	<u>892,101</u>	<u>892,096</u>

(*) Represents the Power Companies' deferred revenues, which is the difference between the average price recognized over the life of the project and actual charges.

14. SHARE CAPITAL

a) Share capital

The shareholders of the Group and their percentage of ownership as of 31 March 2011 and 31 December 2010 is as follows:

	31 March 2011		31 December 2010	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	48.82%	720,826	48.80%	720,531
Tara and Gülçelik families	28.08%	414,601	28.08%	414,601
Publicly traded	12.77%	188,549	12.79%	188,844
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.96%	87,999	5.96%	87,999
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	64,523	4.37%	64,523
	<u>100.00%</u>	<u>1,476,498</u>	<u>100.00%</u>	<u>1,476,498</u>

Based on the Group's Ordinary General Assembly held on April 21, 2011; it has been unanimously resolved to increase the share capital of the Group from TL 2.200.000 to TL 2.500.000; and to cover TL 300.000 from the 1st Dividend at an amount of TL 213.000, and from the 2nd Dividend at an amount of TL 87.000.

Within the above mentioned shares, founders of Enka İnşaat and former Enka Holding have one thousand founders share each. The founder shares of Enka İnşaat and the founder shares of former Enka Holding are entitled to receive, 5% and 2.5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

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14. SHARE CAPITAL (cont'd)

b) Legal reserves and accumulated profit (cont'd)

The movement of the share capital (in numbers and in historical TL) of the Group during 31 March 2011 and 31 December 2010 is as follows:

	31 March 2011		31 December 2010	
	Number	TL	Number	TL
At 1 January,	220,000,000,000	2,200,000	180,000,000,000	1,800,000
bonus shares issued out of general reserve	-	-	40,000,000,000	400,000
	<u>220,000,000,000</u>	<u>2,200,000</u>	<u>220,000,000,000</u>	<u>2,200,000</u>

Dividends

Regarding the distribution of the year 2010 profit, based on the resolution taken at the Group's ordinary general assembly, it has been further resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.0727 gross / 0.0618 net (full TL) (as being 7.27% gross, 6.18% net of the issued share capital) in total TL 160,000.

Dividends distributed in 2010 and dividends which will be distributed as of the date of this report is presented below.

	2011		2010	
	Dividend	Dividends per share	Dividend	Dividends per share
Ordinary share owners (Full TL)	160,000,000	0.0727 (*)	144,000,000	0.0654 (*)
Enka Insaat founder share owners (Full TL)	9,079,963	9,080	8,146,751	8,147
Enka Holding founder share owners (Full TL)	4,539,982	4,540	4,073,376	4,073
	<u>173,619,945</u>		<u>156,220,127</u>	

(*) Represents the dividend for each TL 1 (full TL) nominal valued share.

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15. 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 2010 - 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 2010 – 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

As of 31 March 2011 and 31 March 2010 components of tax expense are as follows:

	31 March 2011	31 March 2010
Consolidated income statement		
Current corporate tax	(22,033)	(19,015)
Deferred tax expense	640	(9,701)
	<u>(21,393)</u>	<u>(28,716)</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. TAXATION ON INCOME (cont'd)**Tax legislations in other countries**

As of 31 March 2011 and 31 December 2010 effective corporation tax rate in other countries are as follows:

	31 March 2011	31 December 2010
Russia	20%	20%
Netherlands	25,5%	25,5%
Kazakhstan	28% - 32%	28% - 32%
Romania	16%	16%
Albania	10%	10%
Oman	12%	12%
Libya	20%	20%
Kosovo	10%	10%

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

	31 March 2011	31 March 2010
1 January	28,875	16,120
Current year tax expense	22,033	19,015
Taxes paid	(24,983)	(21,523)
31 March	<u>25,925</u>	<u>13,612</u>

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15. TAXATION ON INCOME (cont'd)

As of 31 March 2011 and 31 December 2010, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	31 March 2011	31 December 2010
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(453,372)	(440,849)
IAS 39 adjustments on financial instruments and derivatives	-	(1,995)
GE Inventory in the context of "PSA" (*)	(8,466)	(9,477)
Others	(8,161)	(4,880)
Gross deferred income tax liabilities	<u>(471,297)</u>	<u>(457,201)</u>
Adjustment of revenue levelization	175,849	175,848
Tax loss carry-forward	202	620
Allowance for doubtful receivables	2,015	1,784
Allowance for retirement pay liability	1,927	1,934
Remeasurement of inventories	515	465
Deferred financial expenses	320	409
Gross deferred income tax assets	<u>180,828</u>	<u>181,060</u>
Net deferred tax liability	<u>(290,469)</u>	<u>(276,141)</u>

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

Reflected as:

	31 March 2011	31 December 2010
Deferred tax assets	10,562	14,289
Deferred tax liabilities	(301,031)	(290,430)
Net deferred liabilities	<u>(290,469)</u>	<u>(276,141)</u>

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15. TAXATION ON INCOME (cont'd)

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

	31 March 2011	31 March 2010
Balance at 1 January of Enka İnşaat and its subsidiaries	276,141	252,365
Balance at 1 January of the joint ventures	-	(674)
Balance at 1 January	<u>276,141</u>	<u>251,691</u>
Deferred income tax expense recognized in income statement	(640)	9,701
Deferred income tax expense recognized in equity	143	138
Translation loss	14,825	6,144
	<u>290,469</u>	<u>267,674</u>
Of which:		
Balance at 31 March of Enka İnşaat and its subsidiaries	290,469	267,674
Balance at 31 March of the joint ventures, net	157	735
Total net deferred tax liabilities	<u>290,626</u>	<u>268,409</u>

As of 31 March 2011 and 31 March 2010, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 March 2011			31 March 2010		
	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax
Changes in fair value of financial assets	-	-	-	484	(97)	387
Change in revaluation of buildings	596	(119)	477	-	-	-
Changes in fair value of derivative assets	119	(24)	95	206	(41)	165
Changes in currency translation differences	127,719	-	127,719	16,721	-	16,721
	<u>128,434</u>	<u>(143)</u>	<u>128,291</u>	<u>17,411</u>	<u>(138)</u>	<u>17,273</u>

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16. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 March 2011 and 31 December 2010.

	<u>31 March 2011</u>	<u>31 December 2010</u>
Earning per share		
- ordinary share certificate (full cent)	0.064	0.056
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	220,000,000,000	220,000,000,000
Enka Insaat founder shares	1,000	1,000
Enka Holding founder shares	1,000	1,000

17. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties

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

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18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign currency risk

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

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

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

The following table details the Group's foreign currency position as at 31 March 2011 and 31 December 2010:

	<u>31 March 2011</u>	<u>31 December 2010</u>
A. Assets denominated in foreign currency	1,310,559	1,261,620
B. Liabilities denominated in foreign currency	(526,000)	(475,638)
Net foreign currency position (A+B)	784,559	785,982

The Group's foreign currency position at 31 March 2011 and 31 December 2010 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

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

Foreign currency risk (cont'd)

	31 March 2011						Total USD Equivalent
	USD		Euro	USD		Other USD (*)	
	TL	Equivalent		Equivalent	USD (**)		
Cash and cash equivalents	70,698	45,662	148,923	209,833	78,496	56,086	390,077
Investments available-for-sale	73,385	47,397	66,263	93,365	40,307	152,834	333,903
Trade and other receivables	17,229	11,128	67,811	95,546	45,965	8,729	161,368
Other current assets	44,950	29,032	1,704	2,401	20,952	799	53,184
Company's share in current assets of joint ventures	4	3	3,601	5,074	26,189	180	31,446
Current assets	206,266	133,222	288,302	406,219	211,909	218,628	969,978
Financial assets	23,487	15,170	181,812	256,173	35,153	-	306,496
Trade and other receivables	-	-	14,047	19,792	3,598	87	23,477
Other non current assets	1,993	1,287	618	871	3,123	5,311	10,592
Company's share in non current assets of joint ventures	-	-	-	-	16	-	16
Non-current assets	25,480	16,457	196,477	276,836	41,890	5,398	340,581
Total assets	231,746	149,679	484,779	683,055	253,799	224,026	1,310,559
Short-term borrowings	501	324	38,550	54,317	42,237	12,887	109,765
Trade and other payables	33,245	21,472	45,119	63,573	49,783	6,078	140,906
Other current liabilities and accrued expenses	45,709	29,522	5,560	7,834	52,914	17,336	107,606
Company's share in current liabilities of joint ventures	1	1	9	13	49,605	2,175	51,794
Current liabilities	79,456	51,319	89,238	125,737	194,539	38,476	410,071
Trade and other payables	-	-	5,000	7,045	-	-	7,045
Long-term borrowings	-	-	21,575	30,399	71,697	6,251	108,347
Other non-current liabilities	-	-	197	278	-	259	537
Non-current liabilities	-	-	26,772	37,722	71,697	6,510	115,929
Total liabilities	79,456	51,319	116,010	163,459	266,236	44,986	526,000
Net foreign currency position	152,290	98,360	368,769	519,596	(12,437)	179,040	784,559
Net notional amount of derivatives	-	-	698	983	-	-	983
Export	-	-	14,656	20,650	3,579	1,537	25,766
Import	-	-	33,155	46,715	55,637	23,122	125,474

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

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

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

Foreign currency risk (cont'd)

	31 December 2010						
	TL	USD		USD		Other USD	Total USD
		Equivalent	Euro	Equivalent	(*)	USD (**)	Equivalent
Cash and cash equivalents	66,400	42,950	151,403	200,670	69,428	58,469	371,517
Investments available-for-sale	59,172	38,274	79,732	105,677	33,507	124,354	301,812
Trade and other receivables	20,309	13,136	71,667	94,987	49,072	6,378	163,573
Other current assets	36,097	23,349	2,054	2,722	16,736	633	43,440
Company's share in current assets of joint ventures	-	-	2,163	2,867	33,125	60	36,052
Current assets	181,978	117,709	307,019	406,923	201,868	189,894	916,394
Financial assets	35,756	23,128	186,058	246,601	34,774	-	304,503
Trade and other receivables	-	-	17,992	23,847	6,756	105	30,708
Other non current assets	2,061	1,333	685	908	2,763	4,996	10,000
Company's share in non current assets of joint ventures	-	-	-	-	14	-	14
Non-current assets	37,817	24,461	204,735	271,356	44,307	5,101	345,225
Total assets	219,795	142,170	511,754	678,279	246,175	194,995	1,261,619
Short-term borrowings	736	476	37,360	49,517	42,669	10,496	103,158
Trade and other payables	34,528	22,334	47,075	62,393	28,151	4,884	117,762
Other current liabilities and accrued expenses	52,528	33,977	15,337	20,328	16,820	18,116	89,241
Company's share in current liabilities of joint ventures	1	1	22	29	47,977	2,046	50,053
Current liabilities	87,793	56,788	99,794	132,267	135,617	35,542	360,214
Long-term borrowings	1,086	702	26,569	35,215	75,513	3,251	114,681
Other non-current liabilities	-	-	188	249	-	416	665
Company's share in non current liabilities of joint ventures	-	-	-	-	79	-	79
Non-current liabilities	1,086	702	26,757	35,464	75,592	3,667	115,425
Total liabilities	88,879	57,490	126,551	167,731	211,209	39,209	475,639
Net foreign currency position	130,916	84,680	385,203	510,548	34,966	155,786	785,980
Net notional amount of derivatives	-	-	698	925	-	-	925
Export	-	-	89,004	117,966	425	23,165	141,556
Import	-	-	66,937	88,718	79,844	54,047	222,609

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

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

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

Foreign currency risk (cont'd)

The following table demonstrates the sensitivity to reasonably possible increase of 10% in the exchange rates against functional currency, with all other variables held constant, of the Group's consolidated income statement.

The following table details the Group's foreign currency sensitivity as at 31 March 2011 and 31 March 2010:

	31 March 2011		31 March 2010	
	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)	9,836	(9,836)	10,617	(10,617)
2- Portion hedged against TL risk (-)	-	-	-	-
3- TL net effect (1+2)	9,836	(9,836)	10,617	(10,617)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	51,960	(51,960)	60,003	(60,003)
5- Portion hedged against Euro risk (-)	98	(98)	411	(411)
6- Euro net effect (1+2)	52,058	(52,058)	60,414	(60,414)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	(1,244)	1,244	(2,274)	2,274
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(1,244)	1,244	(2,274)	2,274
Total (3+6+9)	60,650	(60,650)	68,757	(68,757)

19. SUBSEQUENT EVENTS

Based on the Group's Ordinary General Assembly held on April 21, 2011; it has been unanimously resolved to increase the share capital of the Group from TL 2.200.000 to TL 2.500.000; and to cover TL 300.000 from the 1st Dividend at an amount of TL 213.000, and from the 2nd Dividend at an amount of TL 87.000.

Regarding the distribution of the year 2010 profit, based on the resolution taken at the Group's ordinary general assembly, it has been further resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.0727 gross / 0.0618 net (full TL) (as being 7.27% gross, 6.18% net of the issued share capital) in total TL 160,000.