

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 31 MARCH 2013

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

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

ASSETS	Notes	31 March 2013	31 December 2012
Current Assets		3,207,901	3,187,170
Cash and cash equivalents	7	1,109,363	1,014,878
Financial investments	8	685,759	722,252
Trade receivables	10	778,282	878,720
Other receivables		1,016	10,097
Inventories	11	420,272	337,592
Costs and estimated earnings in excess of billings on uncompleted contracts	12	59,234	68,573
Other current assets		150,116	151,142
		3,204,042	3,183,254
Assets held for sale and discontinued operations	20	3,859	3,916
Non-Current Assets		4,964,161	5,050,336
Trade receivables	10	21,573	21,918
Financial investments	8	917,631	970,085
Investment properties	13	2,119,673	2,133,921
Property, plant and equipment		1,800,137	1,816,885
Intangible assets		29,717	29,965
Goodwill		63,484	63,725
Deferred tax assets	21	95	84
Other non-current assets		11,851	13,753
TOTAL ASSETS		8,172,062	8,237,506

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 FINANCIAL POSITION
AS AT 31 MARCH 2013**

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

LIABILITIES	Notes	31 March 2013	31 December 2012
Current Liabilities		1,442,351	1,456,644
Financial liabilities		200,757	157,511
- Bank loans	9	198,139	154,821
- Obligations under finance leases		2,618	2,690
Trade payables	10	545,125	621,556
Other payables		27,001	28,033
Billings in excess of costs and estimated earnings on uncompleted contracts	12	174,934	182,021
Taxation on income	21	39,960	38,415
Provisions		60,209	36,466
Provisions for employee benefits		52,988	45,845
Other current liabilities		341,377	346,797
Non-Current Liabilities		1,361,349	1,421,359
Financial liabilities		174,524	219,041
- Bank loans	9	89,228	132,482
- Obligations under finance leases		85,296	86,559
Trade payables	10	5,128	5,277
Other payables		25,764	25,862
Provisions for employee benefits		17,697	17,038
Deferred tax liabilities	21	366,505	363,512
Other non-current liabilities	16	771,731	790,629
EQUITY			
Equity attributable to equity holders of the parent		5,195,370	5,099,441
Share capital	19	1,829,192	1,829,192
Revaluation surplus		185,181	186,592
Currency translation difference		(191,155)	(129,870)
Other reserves		1,985	1,974
Legal reserves and accumulated profit		3,370,167	3,211,553
Non-controlling interests		172,992	260,062
TOTAL LIABILITIES AND EQUITY		8,172,062	8,237,506

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 31 MARCH 2013

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

	Notes	1 January- 31 March 2013	1 January- 31 March 2012
CONTINUING OPERATIONS			
Revenue	6	1,569,883	1,122,029
Cost of revenues (-)	6	(1,322,208)	(942,991)
GROSS PROFIT		<u>247,675</u>	<u>179,038</u>
Marketing, selling and distribution expenses (-)	6	(7,832)	(7,286)
Administrative expenses (-)	6	(32,276)	(22,619)
Other operating income	6	4,817	3,150
Other operating expenses (-)	6	(10,077)	(7,636)
PROFIT FROM OPERATIONS		<u>202,307</u>	<u>144,647</u>
Financial income	6	47,849	82,204
Financial expenses (-)	6	(35,953)	(16,527)
PROFIT BEFORE TAX		<u>214,203</u>	<u>210,324</u>
Current tax expense (-)	21	(39,168)	(40,362)
Deferred tax expense	21	(7,241)	17,708
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>167,794</u>	<u>187,670</u>
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations, net of tax	20	-	22
NET PROFIT FOR THE PERIOD		<u><u>167,794</u></u>	<u><u>187,692</u></u>
Attributable to:			
Non-controlling interests		7,276	5,094
Equity holders of the parent		<u>160,518</u>	<u>182,598</u>
		<u><u>167,794</u></u>	<u><u>187,692</u></u>
Earnings per share from continued operations			
- ordinary share certificate (full cent)	5	0.06	0.07
Weighted average number of shares		280,000,000,000	280,000,000,000

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 31 MARCH 2013**

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

	1 January- 31 March 2013	1 January- 31 March 2012
NET PROFIT FOR THE PERIOD	<u>167,794</u>	<u>187,692</u>
Other Comprehensive Income / (Expense):		
Changes in cash flow hedge		
Gain arising during the period	13	59
Tax effect	<u>(2)</u>	<u>(11)</u>
	11	48
Changes in currency translation difference	(66,239)	166,792
OTHER COMPREHENSIVE INCOME / (LOSS) AFTER TAX	<u>(66,228)</u>	<u>166,840</u>
TOTAL COMPREHENSIVE INCOME / (LOSS)	<u><u>101,566</u></u>	<u><u>354,532</u></u>
Attributable to:		
Non-controlling interests	2,520	25,619
Equity holders of the parent	<u>99,046</u>	<u>328,913</u>
	<u><u>101,566</u></u>	<u><u>354,532</u></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 CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2013

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
Balance at 1 March 2012		1,666,060	201,631	(232,357)	1,838	2,895,335	4,532,507	242,106	4,774,613
Total other comprehensive income		-	2,185	144,082	48	-	146,315	20,525	166,840
Profit for the period		-	-	-	-	182,598	182,598	5,094	187,692
Total comprehensive income		-	2,185	144,082	48	182,598	328,913	25,619	354,532
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(1,000)	-	-	1,000	-	-	-
Balance at 31 March 2012	19	1,666,060	202,816	(88,275)	1,886	3,078,933	4,861,420	267,725	5,129,145
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		-	(198)	(61,285)	11	-	(61,472)	(4,756)	(66,228)
Profit for the period		-	-	-	-	160,518	160,518	7,276	167,794
Total comprehensive income		-	(198)	(61,285)	11	160,518	99,046	2,520	101,566
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(1,213)	-	-	1,213	-	-	-
Effect of acquisition of non-controlling interest		-	-	-	-	(3,117)	(3,117)	(89,590)	(92,707)
Balance at 31 March 2013	19	1,829,192	185,181	(191,155)	1,985	3,370,167	5,195,370	172,992	5,368,362

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 31 MARCH 2013

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

	Notes	1 January - 31 March 2013	1 January - 31 March 2012
Cash flows from operating activities			
Profit for the period		167,794	187,692
Adjustments to reconcile net income to net cash used in operating activities:			
- Depreciation and amortization of non-current assets		25,400	27,736
- Provision for employment termination benefits		1,903	1,239
- Allowance for doubtful receivables		26	440
- Provision for litigations		2,282	-
- Adjustments to deferred income from electricity sale		(19,157)	(14,712)
- Loss from fair value of forward transactions		2,087	(2,847)
- Interest expense		2,954	5,065
- Interest income		(16,692)	(12,734)
- Dividend income		(2,010)	(950)
- Provision for inventory impairment, net		1,532	(584)
- Gain on sale or disposal of property, plant and equipment, net	14	(844)	(496)
- Interest accrual		496	466
- Tax expense		46,409	22,650
		<u>212,180</u>	<u>212,965</u>
Movements in working capital			
Decrease in trade and other receivables		101,024	59,515
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts		9,338	23,842
Increase in inventory		(84,212)	(55,559)
Increase in other current assets and other non current assets		12,136	(49,669)
Increase/(decrease) in trade and other payables		(76,580)	(37,270)
Increase/(decrease) in billings in excess of cost and estimated earnings on uncompleted contracts		(7,087)	27,606
Increase in provision for liabilities and other liabilities		20,228	40,109
		<u>(25,153)</u>	<u>8,574</u>
Income taxes paid	21	(37,623)	(27,108)
Employee termination benefits paid		(987)	(710)
Net cash generated from operating activities		<u>148,417</u>	<u>193,721</u>
Cash flows from investing activities			
Financial investments		89,238	(169,958)
Proceeds on disposal or sale of property, plant and equipment	14	5,002	1,391
Purchases of property, plant and equipment, intangible assets and investment properties	6	(38,520)	(30,735)
Interest received		16,196	12,268
Acquisition of non-controlling interest		(92,707)	-
Dividend income		2,010	950
Net cash used in investing activities		<u>(18,781)</u>	<u>(186,084)</u>
Cash flows from financing activities			
Short-term borrowings, net		5,708	(6,176)
Addition to long-term borrowings		12,841	25,661
Repayments of long-term borrowings		(8,386)	(16,735)
Interest paid		(860)	(2,204)
Net cash used in financing activities		<u>9,303</u>	<u>546</u>
Translation reserve		(44,454)	29,198
Net increase in cash and cash equivalents		<u>94,485</u>	<u>37,381</u>
Cash and cash equivalents at beginning of the period	7	1,013,878	813,668
Cash and cash equivalents at end of the period	7	<u>1,108,363</u>	<u>851,049</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

Enka İnşaat ve Sanayi Anonim Şirketi ("Enka İnşaat") was established on 4 December 1967 and registered in İstanbul, Turkey, under the Turkish Commercial Code. The address of the headquarters and registered office of Enka İnşaat is Balmumcu, Bestekar Şevki Bey Sokak, 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 31 March 2013, 12.34% 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 2013, the average numbers of white and blue-collar personnel are respectively 5,310 and 21,679 (31 December 2012 – 4,612 and 16,678).

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint ventures are hereinafter referred to as "the Group".

The Group operates in geographical areas below:

- i. *Turkey*: engaged in diverse types of construction activities including construction of industrial and social buildings, motorways and construction and operation of natural gas fired electrical energy generation facilities.
- ii. *Russian Federation and Kazakhstan*: engaged in construction activities and also engaged in the investment and development of real estate properties and shopping malls in Moscow, Russia.
- iii. Engaged in construction activities in Gabon, Burundi, Libya, Djibouti, Equatorial Guinea and in Africa; Saudi Arabia, Oman, Iraq and Afganistan in Asia, Dominican Republic and Papua New Guinea.
- iv. *Europe*: engaged in construction and trading activities in Romania, Netherlands, Switzerland, Germany, Kosovo.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard No:34, Interim Financial Reporting (IAS 34). This condensed interim financial information does not contain all the information required for the preparation of the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial investments and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 31 March 2013. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 14 May 2013. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

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

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

2.1 Basis of presentation (cont'd)

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

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

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

2.2 Functional and presentation currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint 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 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 2013 and 31 December 2012 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

The assets and liabilities of the subsidiaries whose functional currency is other than U.S. Dollars are translated into U.S. Dollars at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation difference.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

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

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

2.2 Functional and presentation currency (cont'd)

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

The period-end and average Turkish Lira (TL) rates for 31 March 2013, 31 December 2012 and 31 March 2012 for one U.S. Dollars can be summarized as below:

	31 March 2013	31 December 2012	31 March 2012
U.S. Dollars / TL – as of balance sheet date	1.8087	1.7826	1.7729
U.S. Dollars / TL – period average	1.7803	1.7922	1.7899

2.3 Reclassification made to previously issued consolidated financial statements

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

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

2.4 Summary of significant accounting policies

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

2.5 Adoption of New and Revised International Financial Reporting Standards

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

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

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

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

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

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

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

IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2015; earlier adoption is permitted.

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

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

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

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

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 *Presentation of Financial Statements*

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

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

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

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

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

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

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

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

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

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

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for

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

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

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

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

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

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

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

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

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

Amendments to IAS 16

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

Amendments to IAS 32

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

Amendments to IAS 34

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

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

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

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

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

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

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

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*¹

¹ Effective for annual periods beginning on or after 1 January 2014.

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'.

2.6 Critical judgements in applying the entity's accounting policies

For the period ended 31 March 2013, the Group continued using judgements applied during the year ended 31 December 2012.

2.7 Key sources of estimation uncertainty

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

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3. INTEREST IN JOINT VENTURES

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

	30 March 2013	31 December 2012
ASSETS		
Current Assets		
Cash and cash equivalents	83,963	51,948
Trade receivables	132,956	152,386
Other receivables	45	45
Inventories	9,417	20,777
Costs and estimated earnings in excess of billings on uncompleted contracts	2,719	1,817
Other current assets	19,148	17,702
Group's share in current assets of joint ventures	248,248	244,675
Non-Current Assets		
Cost	158,619	164,063
Accumulated depreciation	(107,224)	(109,757)
Group's share in joint ventures in property, plant and equipment	51,395	54,306
Trade receivables	7,612	7,612
Other non-current assets	79	1,292
Group's share in non-current assets of joint ventures	7,691	8,904
LIABILITIES		
Current Liabilities		
Trade payables	44,354	40,309
Billings in excess of costs and estimated earnings on uncompleted contracts	112,676	144,510
Taxation on income	134	456
Provisions	35,708	8,048
Provisions for employee benefits	8,858	7,983
Other current liabilities	25,092	39,576
Group's share in current liabilities of joint ventures	226,822	240,882

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3. INTEREST IN JOINT VENTURES (cont'd)

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 2013	31 March 2012
Revenue	144,507	96,990
Cost of revenue	(138,929)	(81,414)
General administrative expenses	-	(2)
Other operating income	901	305
Financial income	1,104	1,012
Financial expenses	(1,068)	(928)
Taxation charge	(1,833)	(1,090)
Net profit	<u>4,682</u>	<u>14,873</u>

4. CHANGES IN OPERATIONAL SEASON

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

5. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 March 2013 and 31 March 2012.

	1 January- 31 March 2013	1 January- 31 March 2012
Earning per share		
- ordinary share certificate (full cent)	0.06	0.07
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	280,000,000,000	280,000,000,000
Enka Insaat founder shares	1,000	1,000
Enka Holding founder shares	1,000	1,000

(*) Since profit distribution was not determined at the end of each interim period, total of the earning per share is reflected on ordinary share certificates.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

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6. SEGMENTAL INFORMATION

a) Business segments

	1 January - 31 March 2013					Consolidated
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	
Revenue	468,245	113,315	81,803	906,520	-	1,569,883
Inter-segment revenue	36,535	-	645	3,934	(41,114)	-
Cost of revenue	(386,899)	(28,782)	(68,757)	(837,770)	-	(1,322,208)
Inter-segment cost of revenue	(38,730)	-	(645)	(3,934)	43,309	-
Gross profit	79,151	84,533	13,046	68,750	2,195	247,675
Marketing, selling and distribution expenses	(1,125)	(1,799)	(4,882)	(26)	-	(7,832)
Administrative expenses	(18,285)	(5,502)	(6,132)	(2,426)	69	(32,276)
Other operating income	2,859	1,230	728	-	-	4,817
Other operating expenses	(6,885)	(482) *	(1,991)	(748)	29	(10,077)
Profit from operations	55,715	77,980	769	65,550	2,293	202,307
Financial income	42,233	2,537	3,123	1,545	(1,589)	47,849
Financial expenses (-)	(31,406)	(1,786)	(1,745)	(2,619)	1,603	(35,953)
Profit before tax	66,542	78,731	2,147	64,476	2,307	214,203
Current tax expense (-)	(12,585)	(15,422)	(1,358)	(9,803)	-	(39,168)
Deferred tax income/ (expense)	(5,467)	1,373	1,245	(4,392)	-	(7,241)
Profit for the year from continuing operations	48,490	64,682	2,034	50,281	2,307	167,794

(*) Includes other operating expense of investment properties.

	31 March 2013				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Segment assets	3,548,521	2,389,593	409,256	1,824,044	8,171,414
Unallocated assets					648
Total assets	3,548,521	2,389,593	409,256	1,824,044	8,172,062
Segment liabilities	802,486	433,378	263,927	1,302,467	2,802,258
Unallocated liabilities					1,442
Total liabilities	802,486	433,378	263,927	1,302,467	2,803,700
Other segment information	1 January 2013- 31 March 2013				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Capital expenditures					
Property, plant and equipment & Investment Property	17,211	19,540	800	88	37,639
Intangible assets	694	18	-	169	881
Total capital expenditures	17,905	19,558	800	257	38,520
Depreciation expense	9,268	1,667	1,011	12,614	24,560
Amortization expense	727	15	72	26	840

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 January - 31 March 2012					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	183,109	105,835	92,753	740,332	-	1,122,029
Inter-segment revenue	24,123	297	1,922	6,214	(32,556)	-
Cost of revenue	(154,165)	(33,911)	(80,086)	(674,829)	-	(942,991)
Inter-segment cost of revenue	(28,151)	-	(672)	(6,249)	35,072	-
Gross profit	24,916	72,221	13,917	65,468	2,516	179,038
Marketing, selling and distribution expenses	(1,759)	(1,100)	(4,427)	-	-	(7,286)
Administrative expenses	(14,654)	(2,515)	(3,489)	(2,258)	297	(22,619)
Other operating income	2,565	289	561	253	(518)	3,150
Other operating expenses	(5,675)	(249)	(1,623)	(89)	-	(7,636)
Profit from operations	5,393	68,646	4,939	63,374	2,295	144,647
Financial income	66,215	5,986	10,999	3,538	(4,534)	82,204
Financial expenses (-)	(7,654)	(4,436)	(2,947)	(5,996)	4,506	(16,527)
Profit before tax	63,954	70,196	12,991	60,916	2,267	210,324
Current tax expense (-)	(3,223)	(25,065)	(2,213)	(9,861)	-	(40,362)
Deferred tax income/ (expense)	(1,126)	14,317	1,115	3,402	-	17,708
Profit for the year from continuing operations	59,605	59,448	11,893	54,457	2,267	187,670

(*) Includes other operating expense of investment properties.

	31 December 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Segment assets	3,556,743	2,390,683	393,521	1,896,272	8,237,219
Unallocated assets					287
Total assets	3,556,743	2,390,683	393,521	1,896,272	8,237,506
Segment liabilities	765,934	438,234	248,542	1,423,836	2,876,546
Unallocated liabilities					1,457
Total liabilities	765,934	438,234	248,542	1,423,836	2,878,003

	1 January 2012- 31 March 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & Investment Property	8,550	20,167	1,412	141	30,270
Intangible assets	31	23	293	118	465
Total capital expenditures	8,581	20,190	1,705	259	30,735
Depreciation expense	11,886	585	1,217	13,577	27,265
Amortization expense	358	12	62	40	472

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

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

For the period ended 31 March 2013, revenue amounting to USD 906,520 (31 March 2012: USD 740,332) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 31 March 2013, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 804,555 (31 March 2012: USD 642,627) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAS) which exceeds 10% of consolidated cost of revenue.

b) Geographical segments

1 January - 31 March 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Revenue	1,110,547	170,338	52,298	236,700	-	1,569,883
Inter-segment revenue	20,752	20,362	-	-	(41,114)	-
Capital expenditures	11,234	20,516	980	5,790	-	38,520

31 March 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Segmental assets	4,655,338	2,739,962	417,066	359,048	-	8,171,414

1 January - 31 March 2012						
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Revenue	882,712	144,349	34,053	60,915	-	1,122,029
Inter-segment revenue	21,183	11,373	-	-	(32,556)	-
Capital expenditures	6,816	21,700	175	2,044	-	30,735

31 December 2012						
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Segmental assets	4,420,403	2,766,515	749,757	300,544	-	8,237,219

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7. CASH AND CASH EQUIVALENTS

	31 March 2013	31 December 2012
Cash on hand	2,659	1,987
Cash in bank		
Demand deposits	722,196	615,614
Time deposits	378,101	392,150
Other	6,407	5,127
	<u>1,109,363</u>	<u>1,014,878</u>
Less: 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>1,108,363</u>	<u>1,013,878</u>

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

	31 March 2013	31 December 2012
<i>Weighted Average Interest Rates</i>		
USD	1.18%	1.35%
Russian Ruble	6.94%	4.60%
EUR	1.45%	1.34%
TL	5.48%	8.72%
Japanese Yen	2.10%	1.63%
Chinese Yuan	2.22%	2.85%

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

	31 March 2013	31 December 2012
USD - Weighted Average Interest Rates	<u>5.55%</u>	<u>5.55%</u>

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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 31 March 2013 and 31 December 2012 are detailed below:

<u>Financial assets at fair value through profit or loss</u>	<u>31 March 2013</u>	<u>31 December 2012</u>
Private sector bonds		
- International markets	81,631	78,453
Foreign Government bonds		
- International markets	375,317	390,829
Equity securities		
- International markets	147,249	166,323
- Domestic market	1,241	1,646
Turkish Government bonds		
- Domestic market	3,659	-
Mutual funds		
- International markets	57,095	52,941
- Domestic market	19,567	32,060
	<u>685,759</u>	<u>722,252</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 2013 and 31 December 2012 are detailed below:

<u>Financial assets at fair value through profit or loss</u>	<u>31 March 2013</u>	<u>31 December 2012</u>
Private sector bonds		
- International markets	756,520	762,526
Foreign Government bonds		
- International markets	104,644	155,326
Turkish Government bonds		
- Domestic market	12,807	6,426
Turkish Government bonds		
- International markets	42,928	45,361
Equity securities	732	446
	<u>917,631</u>	<u>970,085</u>

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Private Sector Bonds - International markets	31 December 2049	31 December 2049
Foreign Government Bonds - International markets	29 March 2049	29 March 2049
Turkish Government Bonds		
- Domestic market	23 February 2022	15 January 2020
- International markets	14 January 2041	14 January 2041

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

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9. FINANCIAL LIABILITIES

Short-term borrowings:

	31 March 2013			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	3.70%	EUR	11,964	15,339
	3.99%	USD	9,019	9,019
	-	TL	227	126
	9.00%	RBL	10,007	320
	-	JPY	55,530	589
				<u>25,393</u>
Current portion of long-term borrowings				<u>172,746</u>
Total short-term borrowings				<u><u>198,139</u></u>

Long-term borrowings:

	31 March 2013			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Eximbank loans	2.29%	USD	55,603	55,603
OPIC loan	7.75%	USD	37,286	37,286
Hermes loan	1.19%	USD	1,524	1,524
OND loan	1.28%	USD	5,793	5,793
Hermes loan	0.89%	EUR	21,953	28,146
Other long-term bank borrowings	5.14%	USD	8,980	8,980
	4.27%	EUR	11,985	15,366
	2.29%	JPY	10,110,283	107,325
	13.31%	TL	3,532	1,951
				<u>261,974</u>
Less: Current portion of long-term borrowings				<u>(172,746)</u>
Total long-term borrowings				<u><u>89,228</u></u>

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9. FINANCIAL LIABILITIES (cont'd)

Short-term borrowings:

	31 December 2012			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	4.16%	EUR	7,159	9,445
	5.25%	USD	9,494	9,494
	8.30%	TL	1,046	789
	9.00%	RBL	10,000	325
				<u>20,053</u>
Current portion of long-term borrowings				<u>134,768</u>
Total short-term borrowings				<u><u>154,821</u></u>

Long-term borrowings:

	31 December 2012			
	Interest rate	Currency Type	Original Currency	U.S Dollar Equivalent
Eximbank loans	2.29%	USD	54,985	54,985
OPIC loan	7.75%	USD	36,563	36,563
Hermes loan	1.19%	USD	1,511	1,511
OND loan	1.28%	USD	5,746	5,746
Hermes loan	0.54%	EUR	24,731	32,627
Other long-term bank borrowings	5.16%	USD	9,014	9,014
	3.93%	EUR	14,270	18,826
	2.31%	JPY	9,150,657	106,033
	13.31%	TL	3,467	1,945
				<u>267,250</u>
Less: Current portion of long-term borrowings				<u>(134,768)</u>
Total long-term borrowings				<u><u>132,482</u></u>

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

	31 March 2013	31 December 2012
Less than 1 year	172,746	134,768
1 - 2 years	49,596	91,743
2 - 3 years	16,489	19,457
3 - 4 years	13,003	12,114
More than 4 years	10,140	9,168
Less : Current portion of long-term borrowings	(172,746)	(134,768)
	<u>89,228</u>	<u>132,482</u>

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10. TRADE RECEIVABLES AND PAYABLES

	31 March 2013	31 December 2012
<u>Short-term trade receivables</u>		
Trade receivables	421,258	536,643
Discount on trade receivables (-)	(214)	(142)
Contract receivables	298,340	281,172
Notes and cheques receivables	69,411	73,253
Discount on notes and cheques receivables (-)	(1,531)	(1,159)
Retention receivables (*)	15,128	13,609
	<u>802,392</u>	<u>903,376</u>
Less: Allowance for doubtful receivables	(24,110)	(24,656)
	<u>778,282</u>	<u>878,720</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 90 days.

	31 March 2013	31 December 2012
<u>Long-term trade receivables</u>		
Notes and cheques receivables	4,795	5,172
Discount on notes and cheques receivables (-)	(29)	(34)
Trade receivables	9,224	9,201
Discount on trade receivables (-)	(29)	(33)
Retention receivables (*)	7,612	7,612
	<u>21,573</u>	<u>21,918</u>

	31 March 2013	31 December 2012
<u>Short-term trade payables</u>		
Trade payables	535,966	613,448
Discount on trade payables (-)	(14)	(14)
Notes payable	9,114	8,038
Discount on notes payable (-)	(34)	(33)
Other trade payables	93	117
	<u>545,125</u>	<u>621,556</u>

	31 March 2013	31 December 2012
<u>Long term trade payables</u>		
Trade payables	5,128	5,277
	<u>5,128</u>	<u>5,277</u>

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11. INVENTORIES

	31 March 2013	31 December 2012
Raw materials and spare parts	178,829	162,615
Trade goods (machinery and others)	155,510	85,272
Finished goods	18,807	22,263
Goods in transit	35,003	29,781
Work in progress	14,151	12,645
Construction materials	21,962	27,474
Allowance for impairment on inventory (*)	(3,990)	(2,458)
	<u>420,272</u>	<u>337,592</u>

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

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

12. COST AND BILLINGS ON UNCOMPLETED CONTRACTS

	31 March 2013	31 December 2012
Costs incurred on uncompleted contracts	1,642,369	1,945,441
Estimated earnings	151,254	319,918
	<u>1,793,623</u>	<u>2,265,359</u>
Less: Billings to date	(1,909,323)	(2,378,807)
	<u>(115,700)</u>	<u>(113,448)</u>

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

	31 March 2013	31 December 2012
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	59,234	68,573
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(174,934)	(182,021)
	<u>(115,700)</u>	<u>(113,448)</u>

As of 31 March 2013, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 218,948 (31 December 2012: USD 226,692).

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13. INVESTMENT PROPERTIES

As of 31 March 2013 and 2012, movement of investment properties is as follows:

	31 March 2013	31 March 2012
Opening balance as at 1 January	2,133,921	1,942,767
Currency translation difference	(35,073)	134,888
Transfers from property, plant and equipment and construction in progress	2,432	-
Additions	18,393	17,353
Change in present value of lease obligations	-	3,041
Closing balance as at 31 March	<u>2,119,673</u>	<u>2,098,049</u>

14. PROPERTY PLANT AND EQUIPMENT

During the period ended 31 March 2013 the Group purchased property plant and equipment amounting to USD 19,246 (31 March 2012: 13,382). In addition during the period ended 31 March 2013 net book value of USD 4,158 (31 March 2012: 895) property plant and equipment sold for USD 5,002(31 March 2012: 1,391).

15. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

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

	31 March 2013	31 December 2012
Within one year	369	378
After one year but not more than five years	1,548	1,584
More than 5 years	6,582	6,737
	<u>8,499</u>	<u>8,699</u>

Operating lease commitments – Group as lessor

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

	31 March 2013	31 December 2012
Within one year	343,238	318,129
After one year but not more than five years	644,253	608,987
More than 5 years	253,020	245,050
	<u>1,240,511</u>	<u>1,172,166</u>

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15. COMMITMENTS AND CONTINGENCIES (cont'd)

Litigations

During the period ended 31 March 2013, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2012 consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

Commitments and contingencies

During the period ended 31 March 2013 the Group does not have any new commitments and contingencies or progress to existing commitments and contingencies that need additional explanation other than disclosed in 31 December 2012 consolidated financial statements.

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

	31 March 2013		31 December 2012	
	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		3,079,527		3,148,784
-USD	2,836,494	2,836,494	2,834,614	2,834,614
-EUR	98,823	126,699	102,744	135,545
-TL	21,697	11,996	20,273	11,373
-Others (*)		104,338		167,252
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		445,966		480,188
-USD	4,435	4,435	4,435	4,435
-EUR	78,683	100,879	78,814	103,976
-TL	1,738	961	1,738	975
-Others (*)		339,691		370,802
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>3,525,893</u>		<u>3,629,372</u>

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

As of 31 March 2013 the portion of other guarantess given to shareholders' equity is 0.01% (31 December 2012: 0.01%).

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16. OTHER ASSETS AND LIABILITIES

	31 March 2013	31 December 2012
Other non- current liabilities		
Deferred revenue (*)	768,660	787,816
Deferred rent revenue	3,071	2,813
	<u>771,731</u>	<u>790,629</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.

17. DIVIDENDS

Based on the Group's Ordinary General Assembly held on 12 April 2013; regarding the distribution of the year 2012 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.08 gross / 0.068 net (as being 8% gross, 6.80% net of the issued share capital) in total TL 224,000 (2012: TL 210,000); further it has been resolved to distribute TL 19,317 (2012: TL 18,105) as cash dividend to founder shares and the distribution is completed on 8 May 2013.

18. RELATED PARTY BALANCES AND TRANSACTIONS

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

19. SHARE CAPITAL

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

	31 March 2013		31 December 2012	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.27%	901,243	49.27%	901,242
Tara and Gülçelik families	28.08%	513,637	27.99%	511,991
Publicly traded	12.34%	225,722	12.42%	227,186
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.94%	108,654	5.95%	108,837
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	79,936	4.37%	79,936
	<u>100.00%</u>	<u>1,829,192</u>	<u>100.00%</u>	<u>1,829,192</u>

Based on the Group's Ordinary General Assembly held on 12 April 2013; the share capital has been increased from TL 2,800,000 to TL 3,200,000; and TL 400,000 has been covered from the 1st Dividend at an amount of TL 243,500, and from the 2nd Dividend at an amount of TL 156,500.

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19. SHARE CAPITAL (cont'd)

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

	31 March 2013		31 December 2012	
	Number	TL	Number	TL
At 1 January,	280,000,000,000	2,800,000	250,000,000,000	2,500,000
Bonus shares issued out of general reserve	-	-	30,000,000,000	300,000
	<u>280,000,000,000</u>	<u>2,800,000</u>	<u>280,000,000,000</u>	<u>2,800,000</u>

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Lands and buildings held for sale

As of 31 March 2013, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 3,859 (31 December 2012: USD 3,916).

b) Discontinued operations

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

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

	1 January- 31 March 2013	1 January- 31 March 2012
Revenue	-	23,953
Cost of sales (-)	-	(13,598)
Marketing, selling and distribution expenses (-)	-	(6,939)
Administrative expenses (-)	-	(4,666)
Other operating income	-	1,397
Other operating expenses (-)	-	(26)
Financial expenses (-)	-	(95)
Current tax expense (-)	-	(14)
Deferred tax income	-	10
Net loss from discontinued operations	<u>-</u>	<u>22</u>

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21. TAXATION ON INCOME

Tax legislation in Turkey

Enka İnşaat and its consolidated subsidiaries are subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which they operate.

In Turkey, the corporation tax rate is 20% (31 December 2012: 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

15% (31 December 2012 – 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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21. TAXATION ON INCOME (cont'd)

Tax legislation in Turkey (cont'd)

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

Tax legislations in other countries

As of 31 March 2013 and 31 December 2012 effective corporation tax rate in other countries are as follows:

	31 March 2013	31 December 2012
Russia	%20	%20
Netherlands	%25	%25
Kazakhstan	%28 - %32	%28 - %32
Iraq	%15 - %35	%15 - %35
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 2013	31 March 2012
Balance at 1 January	38,415	28,275
Current year tax expense	39,168	40,362
Taxes paid	(37,623)	(27,108)
Balance at 31 March	<u>39,960</u>	<u>41,529</u>

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21. TAXATION ON INCOME (cont'd)

Deferred tax assets and liabilities

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

	31 March 2013	31 December 2012
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(502,666)	(498,250)
GE Inventory in the context of "PSA" (*)	(28,109)	(28,867)
Adjustments on financial instruments and derivatives	(6,923)	(4,383)
Gross deferred income tax liabilities	<u>(537,698)</u>	<u>(531,500)</u>
Adjustment of revenue levelization	152,308	155,988
Allowance for doubtful receivables	1,283	2,862
Allowance for retirement pay liability	2,583	2,517
Allowance for inventories	506	513
Others	14,608	6,192
Gross deferred income tax assets	<u>171,288</u>	<u>168,072</u>
Net deferred tax liability	<u>(366,410)</u>	<u>(363,428)</u>

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

Reflected as:

	2013	2012
Deferred tax assets	95	84
Deferred tax liabilities	(366,505)	(363,512)
Net deferred tax liabilities	<u>(366,410)</u>	<u>(363,428)</u>

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21. TAXATION ON INCOME (cont'd)

Deferred tax assets and liabilities (cont'd)

Movements of net deferred tax liability are as follows as of 31 March 2013 and 2012:

	31 March 2013	31 March 2012
Balance at 1 January	363,428	324,547
Deferred income tax expense recognized in income statement	7,241	(17,718)
Deferred income tax expense recognized in equity	2	11
Translation loss	(4,261)	19,732
Total net deferred tax liabilities	<u>366,410</u>	<u>326,572</u>

As of 31 March 2013 and 31 March 2012, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	<u>1 January - 31 March 2013</u>			<u>1 January - 31 March 2012</u>		
	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 derivative assets	13	(2)	11	59	(11)	48
Changes in currency translation differences	(66,239)	-	(66,239)	166,792	-	166,792
	<u>(66,226)</u>	<u>(2)</u>	<u>(66,228)</u>	<u>166,851</u>	<u>(11)</u>	<u>166,840</u>

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign currency risk

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

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

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

The following table details the Group's foreign currency position as at 31 March 2013 and 31 December 2012:

	<u>31 March 2013</u>	<u>31 December 2012</u>
A. Assets denominated in foreign currency	1,582,620	1,635,937
B. Liabilities denominated in foreign currency	(683,722)	(603,513)
Net foreign currency position (A+B)	898,898	1,032,424

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

Foreign currency risk (cont'd)

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

	31 March 2013						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	65,431	36,176	250,717	321,445	228,866	87,404	673,891
Financial investments	79,437	43,919	28,114	36,046	64,050	318,247	462,262
Trade and other receivables	18,563	10,263	54,755	70,202	67,930	6,920	155,315
Other current assets	55,424	30,643	12,508	16,036	19,455	437	66,571
Current assets	218,855	121,001	346,094	443,729	380,301	413,008	1,358,039
Financial investments	23,165	12,807	97,703	125,265	64,930	-	203,002
Trade and other receivables	-	-	3,590	4,603	927	6,035	11,565
Other non current assets	2,372	1,312	920	1,180	2,644	4,878	10,014
Non-current assets	25,537	14,119	102,213	131,048	68,501	10,913	224,581
Total assets	244,392	135,120	448,307	574,777	448,802	423,921	1,582,620
Short-term borrowings	227	125	31,340	40,181	42,142	14,999	97,447
Trade and other payables	41,125	22,738	108,639	139,286	140,454	10,233	312,711
Other current liabilities and accrued expenses	96,978	53,618	13,310	17,065	39,184	31,956	141,823
Current liabilities	138,330	76,481	153,289	196,532	221,780	57,188	551,981
Trade and other payables	-	-	4,000	5,128	-	-	5,128
Long-term borrowings	-	-	14,562	18,670	98,524	3,000	120,194
Other non-current liabilities	-	-	1,089	1,396	743	4,280	6,419
Non-current liabilities	-	-	19,651	25,194	99,267	7,280	131,741
Total liabilities	138,330	76,481	172,940	221,726	321,047	64,468	683,722
Net foreign currency position	106,062	58,639	275,367	353,051	127,755	359,453	898,898
Net notional amount of derivatives	-	-	59,962	76,877	(4,647)	-	72,230
Export	-	-	53,778	68,948	281	10,151	79,380
Import	-	-	71,895	92,177	102,663	18,213	213,053

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

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

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

Foreign currency risk (cont'd)

	31 December 2012						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	28,831	16,174	188,272	248,387	226,099	76,972	567,632
Financial investments	93,081	52,216	27,711	36,559	77,024	323,871	489,670
Trade and other receivables	14,394	8,075	74,865	98,769	76,479	7,430	190,753
Other current assets	94,912	53,244	45,546	60,089	27,089	278	140,700
Current assets	231,218	129,709	336,394	443,804	406,691	408,551	1,388,755
Financial investments	11,454	6,426	113,955	150,341	67,814	-	224,581
Trade and other receivables	-	-	3,932	5,188	1,014	6,002	12,204
Other non current assets	2,967	1,665	897	1,183	2,585	4,964	10,397
Non-current assets	14,421	8,091	118,784	156,712	71,413	10,966	247,182
Total assets	245,639	137,800	455,178	600,516	478,104	419,517	1,635,937
Short-term borrowings	212	119	30,298	39,972	43,195	14,508	97,794
Trade and other payables	33,334	18,700	48,905	64,520	124,284	11,067	218,571
Other current liabilities and accrued expenses	84,437	47,367	31,945	42,145	43,328	26,721	159,561
Current liabilities	117,983	66,186	111,148	146,637	210,807	52,296	475,926
Trade and other payables	-	-	4,000	5,277	-	-	5,277
Long-term borrowings	-	-	15,864	20,930	95,593	4,000	120,523
Other non-current liabilities	-	-	782	1,032	526	229	1,787
Non-current liabilities	-	-	20,646	27,239	96,119	4,229	127,587
Total liabilities	117,983	66,186	131,794	173,876	306,926	56,525	603,513
Net foreign currency position	127,656	71,614	323,384	426,640	171,178	362,992	1,032,424
Net notional amount of derivatives	-	-	78,550	103,627	(1,064)	-	102,563
Export	-	-	130,259	171,845	987	46,953	219,785
Import	-	-	139,561	184,116	67,293	86,415	337,824

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

(**) USD balances of consolidated subsidiaries and joint ventures 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 31 MARCH 2013

(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 31 March 2013 and 31 December 2012:

	30 March 2013		31 December 2012	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	5,864	(5,864)	7,161	(7,161)
2- Portion hedged against TL risk (-)	-	-	-	-
3- TL net effect (1+2)	5,864	(5,864)	7,161	(7,161)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	35,305	(35,305)	42,664	(42,664)
5- Portion hedged against Euro risk (-)	7,688	(7,688)	10,363	(10,363)
6- Euro net effect (1+2)	42,993	(42,993)	53,027	(53,027)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	12,776	(12,776)	17,118	(17,118)
8- Portion hedged against other foreign currency risk (-)	(465)	465	(106)	106
9- Other foreign currency net effect (7+8)	12,311	(12,311)	17,012	(17,012)
Total (3+6+9)	61,168	(61,168)	77,200	(77,200)

23. SUBSEQUENT EVENTS

Based on the Group's Ordinary General Assembly held on 12 April 2013; regarding the distribution of the year 2012 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.08 gross / 0.068 net (as being 8% gross, 6.80% net of the issued share capital) in total TL 224,000; further it has been resolved to distribute TL 19,317 as cash dividend to founder shares and the distribution is completed on 08 May 2013.

Based on the Group's same Ordinary General Assembly, the share capital has been increased from TL 2,800,000 to TL 3,200,000; and TL 400,000 has been covered from the 1st Dividend at an amount of TL 243,500, and from the 2nd Dividend at an amount of TL 156,500.