

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 31 MARCH 2014

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

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

ASSETS	Notes	31 March 2014	31 December 2013
Current Assets		3,553,901	3,175,750
Cash and cash equivalents	7	1,307,431	1,272,136
Financial investments	8	529,769	481,656
Trade receivables	10	1,012,233	797,562
Other receivables			
Other receivables from related parties		71	43
Other receivables from third parties		672	693
Inventories	11	406,339	344,406
Prepaid expenses		126,198	112,214
Costs and estimated earnings in excess of billings on uncompleted contracts	12	107,438	108,938
Other current assets		62,581	56,906
		<u>3,552,732</u>	<u>3,174,554</u>
Assets held for sale and discontinued operations	20	1,169	1,196
Non-Current Assets		5,152,736	5,295,681
Financial investments	8	963,717	998,458
Trade receivables	10	13,131	13,517
Investment properties	13	2,262,497	2,346,532
Property, plant and equipments	14	1,812,119	1,832,530
Intangible assets			
Goodwill		64,075	64,092
Other intangible assets		28,714	31,973
Deferred tax assets	21	414	450
Prepaid expenses		1,850	1,779
Other non-current assets		6,219	6,350
TOTAL ASSETS		<u>8,706,637</u>	<u>8,471,431</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

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

LIABILITIES	Notes	31 March 2014	31 December 2013
Current Liabilities		1,556,073	1,367,770
Short-term borrowings	9	34,249	35,776
Current portion of long-term borrowings	9	78,486	66,162
Trade payables	10	635,029	533,729
Payables to employees		26,869	30,307
Other payables			
Payables to related parties		1,175	1,198
Payables to third parties		30,365	28,791
Billings in excess of costs and estimated earnings on uncompleted contracts	12	216,801	171,337
Deferred income	16	357,134	340,722
Taxation on income	21	67,527	54,503
Provisions			
Provisions for employee benefits		17,945	19,937
Other provisions		42,918	40,793
Other current liabilities		47,575	44,515
Non-Current Liabilities		1,440,649	1,442,592
Long-term borrowings	9	305,578	280,474
Trade payables	10	5,493	5,503
Other payables		29,167	30,127
Deferred income	16	688,479	711,411
Provisions for employee benefits		16,366	15,707
Deferred tax liabilities	21	395,566	399,370
EQUITY		5,709,915	5,661,069
Equity Attributable to Equity Holders of the Parent		5,635,172	5,597,343
Share capital	19	2,040,352	2,040,352
Revaluation surplus	19	230,137	232,143
Currency translation difference		(330,090)	(206,697)
Other reserves		1,986	1,986
Legal reserves and accumulated profit		3,692,787	3,529,559
Non-Controlling Interests		74,743	63,726
TOTAL LIABILITIES AND EQUITY		8,706,637	8,471,431

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 2014

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

		1 January - 31 March 2014	<i>Reclassified (Note 2.1)</i> 1 January - 31 March 2013
	Notes		
CONTINUING OPERATIONS			
Revenue	6	1,474,210	1,569,883
Cost of revenues (-)	6	(1,238,119)	(1,322,208)
GROSS PROFIT		236,091	247,675
Marketing, selling and distribution expenses (-)	6	(8,434)	(7,832)
Administrative expenses (-)	6	(27,159)	(32,276)
Other operating income	6	11,908	4,439
Other operating expenses (-)	6	(22,597)	(10,605)
PROFIT FROM OPERATIONS		189,809	201,401
Income from investing activities	6	55,286	60,883
Expenses from investing activities	6	(9,559)	(48,041)
OPERATING PROFIT BEFORE FINANCE EXPENSES		235,536	214,243
Financial income	6	19,832	7,429
Financial expenses (-)	6	(26,405)	(7,469)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		228,963	214,203
Current tax expense (-)	21	(44,269)	(39,168)
Deferred tax expense	21	(11,362)	(7,241)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		173,332	167,794
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations, net of tax		-	-
NET PROFIT FOR THE YEAR		173,332	167,794
Attributable to:			
Non-controlling interest		11,279	7,276
Equity holders of the parent		162,053	160,518
		173,332	167,794
Earnings per share from discontinued operations			
- ordinary share certificate (full cent)		-	-
Earning per share from continuing operations			
- ordinary share certificate (full cent)	5	0.05	0.05
Weighted average number of shares (1 cent weighted average shares)		320,000,000,000	320,000,000,000

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 2014**

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

	Notes	1 January - 31 March 2014	<i>Reclassified (Note 2.1)</i> 1 January - 31 March 2013
NET PROFIT FOR THE YEAR		173,332	167,794
Other Comprehensive Income / (Expense):			
Items that will not be reclassified subsequently to profit or loss		(831)	(199)
Loss on remeasurement of defined benefit plans		-	-
<i>Changes in revaluation fund of property</i>		<i>(831)</i>	<i>(199)</i>
Gain arising during the year		-	-
Currency translation difference of revaluation fund		(831)	(199)
Items that may be reclassified subsequently to profit or loss		(123,638)	(66,029)
Changes in currency translation difference		(123,638)	(66,040)
<i>Changes in cash flow hedge</i>		-	<i>11</i>
Gain arising during the period		-	13
Tax effect		-	(2)
OTHER COMPREHENSIVE (LOSS) / INCOME		(124,469)	(66,228)
TOTAL COMPREHENSIVE INCOME		48,863	101,566
Attributable to:			
Non-controlling interest		11,034	2,520
Equity holders of the parent		37,829	99,046
		48,863	101,566

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 2014**

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
Balance at 1 March 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 year		-	-	-	-	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		1,829,192	185,181	(191,155)	1,985	3,370,167	5,195,370	172,992	5,368,362
Balance at 1 January 2014		2,040,352	232,143	(206,697)	1,986	3,529,559	5,597,343	63,726	5,661,069
Total other comprehensive income		-	(831)	(123,393)	-	-	(124,224)	(245)	(124,469)
Profit for the year		-	-	-	-	162,053	162,053	11,279	173,332
Total comprehensive income		-	(831)	(123,393)	-	162,053	37,829	11,034	48,863
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(1,175)	-	-	1,175	-	-	-
Dividends paid		-	-	-	-	-	-	(17)	(17)
Balance at 31 March 2014	22	2,040,352	230,137	(330,090)	1,986	3,692,787	5,635,172	74,743	5,709,915

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 2014

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

		1 January - 31 March 2014	1 January - 31 March 2013
Cash flows from operating activities	Notes		
Profit for the year		173,333	167,794
Adjustments to reconcile net income to net cash used in operating activities:			
- Depreciation and amortization of non-current assets	6	26,977	25,400
- Provision for employment termination benefits		1,042	1,903
- Allowance for doubtful receivables		468	26
- Provision for litigations		3,311	2,282
- Adjustments to deferred income from electricity sale		(22,955)	(19,157)
- Loss from fair value of forward transactions		(53)	2,087
- Interest expense		899	2,954
- Interest income		(16,320)	(16,692)
- Dividend income		(898)	(2,010)
- Provision for inventory impairment, net		(34)	1,532
- Gain on sale or disposal of property, plant and equipment, net	14	(902)	(844)
- Valuation of investment securities		(28,470)	6,416
- Interest accrual		-	496
- Tax expense		55,631	46,409
		<u>192,029</u>	<u>218,596</u>
Movements in working capital			
Decrease in trade and other receivables		(213,933)	101,024
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts		1,500	9,338
Increase in inventory		(61,902)	(84,212)
Increase in other current assets and other non current assets		(13,984)	12,136
Decrease in trade and other payables		101,290	(76,580)
Increase/(decrease) in billings in excess of cost and estimated earnings on uncompleted contracts		45,464	(7,087)
Increase in provision for liabilities and other liabilities		14,076	20,228
		<u>(127,489)</u>	<u>(25,153)</u>
Income taxes paid	21	(31,245)	(37,623)
Employee termination benefits paid		(323)	(987)
Net cash generated from operating activities		<u>32,972</u>	<u>154,833</u>
Cash flows from investing activities			
Financial investments		15,095	82,822
Proceeds on disposal or sale of property, plant and equipment	14	4,566	5,002
Purchases of property, plant and equipment, intangible assets and investment properties	6	(81,298)	(38,520)
Interest received		15,770	16,196
Acquisition of non-controlling interest		-	(92,707)
Dividend income		898	2,010
Net cash used in investing activities		<u>(44,969)</u>	<u>(25,197)</u>
Cash flows from financing activities			
Short-term borrowings, net		(1,666)	5,708
Addition to long-term borrowings		62,534	12,841
Repayments of long-term borrowings		(9,250)	(8,386)
Interest paid		(284)	(860)
Dividend paid to non-controlling interests		(17)	-
Net cash used in financing activities		<u>51,317</u>	<u>9,303</u>
Translation reserve		(4,025)	(44,454)
Net increase in cash and cash equivalents		<u>35,295</u>	<u>94,485</u>
Cash and cash equivalents at beginning of the period	7	1,271,136	1,013,878
Cash and cash equivalents at end of the period	7	<u>1,306,431</u>	<u>1,108,363</u>

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

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

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 March 2014, 12.35% of the shares of Enka İnşaat and 15.95% of the shares of Pimaş Plastik Malzemeleri Anonim Şirketi (Pimaş), subsidiary of Enka İnşaat, are traded publicly in İstanbul Stock Exchange (ISE).

As of 31 March 2014, the average numbers of white and blue-collar personnel are respectively 5.411 and 20.241 (31 December 2013 – 5.299 and 21.435).

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

The Group operates in geographical areas below:

- i. Turkey:* engaged in diverse types of construction activities including construction of industrial and social buildings, motorways and construction and operation of natural gas fired electrical energy generation facilities.
- ii. Russian Federation 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, and Kosovo.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard No:34, Interim Financial Reporting (IAS 34). This condensed interim financial information does not contain all the information required for the preparation of the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2013 prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, 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 2014. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 08 May 2014. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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

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

2.1 Basis of presentation (cont'd)

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

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

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

2.2 Functional and presentation currency

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

Until 31 December 2005, the financial statements of subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 (Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 31 March 2014 and 31 December 2013 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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

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

2.2 Functional and presentation currency (cont'd)

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

The period-end and average Turkish Lira (TL) rates for 31 March 2014, 31 December 2013 and 31 March 2013 for one U.S. Dollars can be summarized as below:

	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2013</u>
U.S. Dollars /TL – as of balance sheet date	2.1898	2.1343	1.8087
U.S. Dollars /TL –period average	2.2147	1.9032	1.7803

2.3 Reclassifications made to previously issued consolidated financial statements

Foreign exchange difference gains and interest income from trade payables and receivables at an amount of USD 468 presented in "Financial income" and "Financial expense" in the condensed consolidated statement of income for the period ended 31 March 2013, is now presented in "Other operating income".

Foreign exchange difference losses and interest expenses from trade payables and receivables at an amount of USD 528 presented in "Financial income" and "Financial expense" in the condensed consolidated statement of income for the period ended 31 March 2013, is now presented in "Other operating expenses".

Income from investment activities at an amount of USD 12.842 presented in "Financial income" in the condensed consolidated statement of income for the period ended 31 March 2013, is now presented in "Investment income" and "Investment expenses".

Gain on disposal of property, plant and equipment at an amount of USD 846 presented in "Other operating income" in the condensed consolidated statement of income for the period ended 31 December 2013, is now presented in "Investment income".

Currency translation difference from tangible assets at an amount of USD 199 presented in "Changes in currency translation difference" in the consolidated statement of income for the period ended 31 December 2013, is now presented in "Currency translation difference of revaluation fund".

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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

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

2.4 Summary of significant accounting policies

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

2.5 Adoption of New and Revised International Financial Reporting Standards

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

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 applied with no material effect on the consolidated financial statements

Amendments to IFRS 10, 11, IAS 27	<i>Investment Entities</i> ¹
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> ¹
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
IFRIC 21	<i>Levies</i> ¹

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

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

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

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

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

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

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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

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

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

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

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

IFRIC 21 Levies

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

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

None.

2.6 Critical judgements in applying the entity's accounting policies

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

2.7 Key sources of estimation uncertainty

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

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3. INTEREST IN JOINT OPERATIONS

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

	31 March 2014	31 December 2013
ASSETS		
Current Assets		
Cash and cash equivalents	52,354	45,945
Trade receivables	32,344	30,614
Other receivables	89	85
Inventories	7,410	8,901
Costs and estimated earnings in excess of billings on uncompleted contracts	8,346	6,285
Other current assets	13,410	14,549
Group's share in current assets of joint operations	113,953	106,379
Non-Current Assets		
Cost	118,244	119,804
Accumulated depreciation	(84,079)	(83,437)
Group's share in joint operations in property, plant and equipment	34,165	36,367
Other non-current assets	603	906
Group's share in non-current assets of joint operations	603	906
LIABILITIES		
Current Liabilities		
Trade payables	39,313	47,626
Billings in excess of costs and estimated earnings on uncompleted contracts	129,074	109,217
Taxation on income	15	1,037
Provisions	2,451	3,729
Provisions for employee benefits	5,880	5,913
Other current liabilities	13,493	612
Group's share in current liabilities of joint operations	190,226	168,134

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

	31 March 2014	31 December 2013
Revenue	46,081	508,221
Cost of revenue	(66,415)	(478,319)
General administrative expenses	(169)	(191)
Other operating income	-	1,331
Other operating expenses	(160)	(139)
Financial income	104	1,676
Financial expenses	(1,588)	(655)
Taxation charge	(1,878)	(20,682)
Net profit	(24,025)	11,242

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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 2014 and 31 March 2013.

	31 December 2014	31 December 2013
Earning per share		
- ordinary share certificate (full cent)	0.05	0.05
- founder shares (*)	-	-
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	320,000,000,000	320,000,000,000
- founder shares		

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

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6. SEGMENTAL INFORMATION

a) Business segments

	1 January - 31 March 2014					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	438,053	120,182	77,778	838,197	-	1,474,210
Inter-segment revenues	73,427	-	3,171	6,178	(82,776)	-
Cost of revenues	(381,748)	(31,377)	(63,013)	(761,981)	-	(1,238,119)
Inter-segment cost of revenues	(77,718)	-	(619)	(6,205)	84,542	-
Gross profit	52,014	88,805	17,317	76,189	1,766	236,091
Marketing, selling and distribution expenses	(2,982)	(1,625)	(3,827)	-	-	(8,434)
Administrative expenses	(15,972)	(4,316)	(4,555)	(2,518)	202	(27,159)
Other operating income	8,800	1,232	1,206	705	(35)	11,908
Other operating expenses (-)	(14,695)	(374)	(2,555)	(5,008)	35	(22,597)
Profit from operations	27,165	83,722	7,586	69,368	1,968	189,809
Investment income	55,258	5	-	23	-	55,286
Investment expenses (-)	(9,550)	(9)	-	-	-	(9,559)
Profit from operations Before Financial Income/(Expenses)	72,873	83,718	7,586	69,391	1,968	235,536
Financial income	9,374	6,358	4,248	1,476	(1,624)	19,832
Financial expenses (-)	(6,807)	(13,617)	(6,484)	(978)	1,481	(26,405)
Profit before tax	75,440	76,459	5,350	69,889	1,825	228,963
Taxation charge current (-)	(14,951)	(13,523)	(2,087)	(13,708)	-	(44,269)
Deferred taxation income/ (expenses)	(4,310)	(4,176)	580	(3,456)	-	(11,362)
Profit for the year from continuing operations	56,179	58,760	3,843	52,725	1,825	173,332

	31 December 2013				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	3,886,334	2,519,300	422,679	1,878,048	8,706,361
Unallocated assets					276
Total assets	3,886,334	2,519,300	422,679	1,878,048	8,706,637
Segment liabilities	1,050,077	546,003	235,420	1,164,048	2,995,548
Unallocated liabilities					1,174
Total liabilities	1,050,077	546,003	235,420	1,164,048	2,996,722

	1 January - 31 March 2014				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & investment property	26,679	53,019	306	207	80,211
Intangible assets	990	54	21	22	1,087
Total capital expenditures	27,669	53,073	327	229	81,298
Depreciation expense	10,748	1,183	1,108	12,606	25,645
Amortisation	1,209	38	61	24	1,332

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 January - 31 March 2013					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	468,245	113,315	81,803	906,520	-	1,569,883
Inter-segment revenues	36,535	-	645	3,934	(41,114)	-
Cost of revenues	(386,899)	(28,782)	(68,757)	(837,770)	-	(1,322,208)
Inter-segment cost of revenues	(38,730)	-	(645)	(3,934)	43,309	-
Gross profit	79,151	84,533	13,046	68,750	2,195	247,675
Marketing, selling and Administrative expenses	(1,125)	(1,799)	(4,882)	(26)	-	(7,832)
Other operating income	2,028	1,215	1,196	-	-	4,439
Other operating expenses (-)	(7,230)	(482)	(2,174)	(748)	29	(10,605)
Profit from operations	54,539	77,965	1,054	65,550	2,293	201,401
Investment income	58,359	2,129	395	-	-	60,883
Investment expenses (-)	(46,287)	(98)	(1,154)	(502)	-	(48,041)
Profit from operations Before Financial Income/(Expenses)	66,611	79,996	295	65,048	2,293	214,243
Financial income	4,786	423	2,261	1,548	(1,589)	7,429
Financial expenses (-)	(4,862)	(537)	(1,556)	(2,117)	1,603	(7,469)
Profit before tax	66,535	79,882	1,000	64,479	2,307	214,203
Taxation charge current (-)	(12,585)	(15,422)	(1,358)	(9,803)	-	(39,168)
Deferred taxation income/(expenses)	(5,466)	1,373	1,244	(4,392)	-	(7,241)
Profit for the year from continuing operations	48,484	65,833	886	50,284	2,307	167,794

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

	1 January - 31 March 2013				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
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
Amortisation	727	15	72	26	840

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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 2014, revenue amounting to USD 838.197 (31 March 2013: USD 906.520) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 31 March 2014, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 730.442 (31 March 2013: USD 804.555) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) which exceeds 10% of consolidated cost of revenue.

b) Geographical segments

1 January - 31 March 2014						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	1,116,583	188,111	300	169,216	-	1,474,210
Inter-segment sales	26,424	56,352	-	-	(82,776)	-
Capital expenditures	20,946	54,533	-	5,819	-	81,298
31 March 2014						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Segmental assets	4,744,343	2,868,140	565,969	527,909	-	8,706,361
1 January - 31 March 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	1,110,547	170,338	52,298	236,700	-	1,569,883
Inter-segment sales	20,752	20,362	-	-	(41,114)	-
Capital expenditures	11,234	20,516	980	5,790	-	38,520
31 December 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Segmental assets	4,490,514	2,976,350	570,050	433,040	-	8,469,954

7. CASH AND CASH EQUIVALENTS

	31 March 2014	31 December 2013
Cash on hand	2,094	2,111
Cash in bank		
Demand deposits	907,962	801,951
Time Deposits	393,208	464,173
Other	4,167	3,901
	<u>1,307,431</u>	<u>1,272,136</u>
Less: restricted time deposits with maturity over three months and less than one year	(1,000)	(1,000)
Cash and cash equivalents at consolidated statement of cash flows	<u>1,306,431</u>	<u>1,271,136</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 2014 and 31 December 2013 are detailed below:

	31 March	31 December
Financial assets at fair value through profit or loss	2014	2013
Private sector bonds		
- International markets	2,044	3,669
Foreign Government bonds		
- International markets	270,679	234,442
Equity securities		
- International markets	173,983	176,417
- Domestic market	849	923
Turkish Government bonds		
- Domestic market	14,306	16,744
Mutual funds		
- International markets	64,699	47,388
- Domestic market	3,209	2,073
	<u>529,769</u>	<u>481,656</u>

Long-term financial investments

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

	31 March	31 December
Financial assets at fair value through profit or loss	2014	2013
Private sector bonds		
- International markets	859,365	851,658
Foreign Government bonds		
- International markets	28,149	73,669
Turkish Government bonds		
- Domestic market	14,365	13,607
- International markets	61,698	59,004
Equity securities	140	520
	<u>963,717</u>	<u>998,458</u>

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8. FINANCIAL INVESTMENTS (cont'd)

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Private Sector Bonds - International markets	31 December 2049	31 December 2049
Foreign Government Bonds - International markets	07 March 2022	07 March 2022
Turkish Government Bonds		
- Domestic market	24 February 2016	07 October 2015
- International markets	14 January 2041	14 January 2041

9. FINANCIAL LIABILITIES

	<u>31 March 2014</u>			
Short-term borrowings:	<u>Weighted Average</u>	<u>Currency</u>	<u>Original</u>	<u>USD</u>
	<u>Interest rate</u>	<u>Type</u>	<u>Currency</u>	<u>Equivalent</u>
Short-term bank borrowings	3.18%	EUR	13,862	19,036
	3.78%	USD	11,214	11,214
	13.20%	TL	1,860	849
	0.00%	RBL	108,053	3,150
Total short-term borrowings				<u><u>34,249</u></u>
Long-term borrowings:				
Hermes loan	0.94%	EUR	13,762	18,899
Other long-term bank borrowings	4.32%	USD	5,497	5,497
	1.80%	EUR	6,496	8,921
	2.23%	JPY	12,650,695	123,630
	13.20%	TL	1,057	482
Finance lease obligations				226,635
				<u>384,064</u>
Less: Current portion of long-term borrowings				<u>(78,486)</u>
Total long-term borrowings				<u><u>305,578</u></u>

	<u>31 March 2014</u>			
	<u>Weighted Average</u>	<u>Currency</u>	<u>Original</u>	<u>USD</u>
	<u>Interest rate</u>	<u>Type</u>	<u>Currency</u>	<u>Equivalent</u>
Current portion of long-term finance lease obligations	3.00%	RUB	247,946	6,896
				<u>6,896</u>
Long-term	3.00%	RUB	7,901,200	219,738
				<u>219,738</u>
				<u><u>226,634</u></u>

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9. FINANCIAL LIABILITIES (cont'd)

	31 December 2013			
	Weighted Average Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term borrowings:				
Short-term bank borrowings	3.18%	EUR	12,876	17,716
	3.78%	USD	12,405	12,405
	13.20%	TL	12,069	5,655
Total short-term borrowings				35,776
Long-term borrowings:				
Hermes loan	0.93%	EUR	14,327	19,712
Other long-term bank borrowings	4.59%	USD	6,087	6,087
	1.80%	EUR	5,088	7,000
	2.26%	JPY	7,633,377	72,246
	13.34%	TL	1,379	646
Finance lease obligations				240,945
				<u>346,636</u>
Less: Current portion of long-term borrowings				(66,162)
Total long-term borrowings				280,474

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

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

	31 March 2014	31 December 2013
Less than 1 year	71,591	58,705
1 - 2 years	32,127	19,645
2 - 3 years	28,389	15,207
3 - 4 years	25,322	12,135
Less : Current portion of long-term borrowings	(71,591)	(58,705)
	<u>85,838</u>	<u>46,987</u>

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10. TRADE RECEIVABLES AND PAYABLES

	31 March 2014	31 December 2013
<u>Short-term trade receivables</u>		
Trade receivables	472,769	357,324
Discount on trade receivables (-)	(216)	(175)
Contract receivables	487,257	387,398
Notes and cheques receivables	54,478	55,617
Discount on notes and cheques receivables (-)	(1,331)	(1,255)
Retention receivables (*)	21,200	23,089
	<u>1,034,157</u>	<u>821,998</u>
Less: Allowance for doubtful receivables	(21,924)	(24,436)
	<u>1,012,233</u>	<u>797,562</u>

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

	31 March 2014	31 December 2013
<u>Long-term trade receivables</u>		
Notes and cheques receivables	3,319	4,210
Discount on notes and cheques receivables (-)	(16)	(144)
Trade receivables	9,843	9,591
Discount on trade receivables (-)	(15)	(140)
	<u>13,131</u>	<u>13,517</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.

	31 March 2014	31 December 2013
<u>Short-term trade payables</u>		
Trade payables	628,758	527,983
Discount on trade payables (-)	(8)	(8)
Notes Payable	6,011	5,569
Discount on notes payable (-)	(18)	(19)
Other trade payables	286	204
	<u>635,029</u>	<u>533,729</u>

	31 March 2014	31 December 2013
<u>Long term trade payables</u>		
Trade payables	5,493	5,503
	<u>5,493</u>	<u>5,503</u>

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11. INVENTORIES

	31 March 2014	31 December 2013
Raw materials and spare parts	172,454	164,344
Work in progress	78,744	68,558
Trade goods (machinery and others)	103,640	63,332
Finished goods	19,581	10,835
Goods in transit	16,519	19,724
Construction materials	16,073	18,317
Allowance for impairment on inventory (*)	(672)	(704)
	<u>406,339</u>	<u>344,406</u>

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

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

12. CONSTRUCTION CONTRACTS

	31 March 2014	31 December 2013
Costs incurred on uncompleted contracts	2,010,667	1,904,214
Recognized profit less recognized losses to date	36,674	88,102
	<u>2,047,341</u>	<u>1,992,316</u>
Less: progress billing	(2,156,704)	(2,054,715)
	<u>(109,363)</u>	<u>(62,399)</u>

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

	31 March 2014	31 December 2013
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	107,438	108,938
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(216,801)	(171,337)
	<u>(109,363)</u>	<u>(62,399)</u>

As of 31 March 2014, the amount of advances received of subsidiaries and companies shares in joint operations is USD 209.965 (31 December 2013: USD 209.083).

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13. INVESTMENT PROPERTIES

As of 31 March 2014 and 2013, movement of investment properties is as follows:

	1 January - 31 March 2014	1 January - 31 March 2013
Opening balance	2,346,532	2,133,921
Currency translation difference	(136,728)	(35,073)
Transfers from fixed assets	-	2,432
Additions	52,693	18,393
Closing balance	<u>2,262,497</u>	<u>2,119,673</u>

14. PROPERTY PLANT AND EQUIPMENT

During the period ended 31 March 2014 the Group purchased property plant and equipment amounting to USD 27.518(31 March 2013: 19.246). In addition during the period ended 31 March 2014 net book value of USD 3.664(31 March 2013: 4.158) property plant and equipment sold for USD 4.566 (31 March 2013: 5.002).

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 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
Within one year	106	142
	<u>106</u>	<u>142</u>

Operating lease commitments – Group as lessor

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

	31 March 2014	31 December 2013
Within one year	319,326	348,185
After one year but not more than five years	548,500	598,070
More than 5 years	247,493	269,861
	<u>1,115,319</u>	<u>1,216,116</u>

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15. COMMITMENTS AND CONTINGENCIES (cont'd)

Litigations

During the period ended 31 March 2014, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2013 consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

Commitments and contingencies

During the period ended 31 March 2014 the Group does not have any new commitments and contingencies or progress to existing commitments and contingencies that need additional explanation other than disclosed in 31 December 2013 consolidated financial statements.

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 March 2014 and 31 December 2013 is as follows;

Letters of guarantee, guarantee notes given, mortgage and pledges	31 March 2014		31 December 2013	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		890,391		870,475
-USD	722,143	722,143	689,048	689,048
-EUR	59,852	82,193	64,918	89,318
-TL	27,531	12,572	29,052	13,612
-Others (*)	-	73,483		78,497
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		387,771		383,945
-USD	4,185	4,185	4,185	4,185
-EUR	51,023	70,069	55,298	76,083
-TL	1,738	794	1,738	814
-Others (*)	-	312,723		302,863
C. Provided on behalf of third parties in order to ☐ maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		-		-
i. Total amount of guarantees given on behalf of the parent company		-		-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C		-		-
-USD		-	-	-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>1,278,162</u>		<u>1,254,420</u>

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

As of 31 March 2014 the portion of other guarantees given to shareholders' equity is 0,01% (31 December 2013: 0,01%).

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16. DEFERRED INCOME

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

Long term deferred income is composed of the Power Companies' deferred revenues, which is the difference between the average price recognized over the life of the project and actual charges.

17. DIVIDENDS

Based on the Group's Ordinary General Assembly held on 27 March 2014; regarding the distribution of the year 2013 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0,085 gross / 0,074 net in total TL 272.000 (2013: TL 210.000); further it has been resolved to distribute TL 23.443 (2013: TL 19.317) as cash dividend to founder shares and the distribution is completed on 16 April 2014.

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 2014 and 31 December 2013 is as follows:

	31 March 2014		31 December 2013	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.27%	1,005,281	49.27%	1,005,282
Tara and Gülçelik families	27.92%	569,666	28.07%	572,727
Publicly traded	12.56%	256,268	12.34%	251,983
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.88%	119,973	5.95%	121,197
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	89,164	4.37%	89,163
	100%	2,040,352	100%	2,040,352

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

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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 2014 and 31 December 2013 is as follows:

	31 March 2014		31 December 2013	
	Number	TL	Number	TL
At 1 January,	320,000,000,000	3,200,000	280,000,000,000	2,800,000
Bonus shares issued out of general reserve	-	-	40,000,000,000	400,000
	<u>320,000,000,000</u>	<u>3,200,000</u>	<u>320,000,000,000</u>	<u>3,200,000</u>

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of 31 March 2014, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 1.169 (31 December 2013: USD 1.196).

21. TAXATION ON INCOME

Tax legislation in Turkey

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

In Turkey, the corporation tax rate is 20% (31 December 2013: 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

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

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

	31 March 2014	31 December 2013
Russia	% 20	% 20
Netherlands	% 25	% 25
Kazakhstan	% 28 - % 32	% 28 - % 32
Iraq	% 15 - % 35	% 15 - % 35
Romania	% 16	% 16
Oman	% 12	% 12
Libya	% 20	% 20
Kosovo	% 10	% 10

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

	2014	2013
1 January	54,503	38,415
Current year tax expense	44,269	39,168
Taxes paid	(31,245)	(37,623)
31 March	<u>67,527</u>	<u>39,960</u>

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21. TAXATION ON INCOME (cont'd)

Deferred tax assets and liabilities

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

	31 March 2014	31 December 2013
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(439,435)	(444,616)
GE Inventory in the context of "PSA" (*)	(30,577)	(31,085)
Adjustments on financial instruments and derivatives	(12,359)	(11,362)
Gross deferred income tax liabilities	<u>(482,371)</u>	<u>(487,063)</u>
Adjustment of revenue levelization	135,656	140,201
Allowance for retirement pay liability	2,519	2,463
Allowance for doubtful receivables	1,847	2,603
Allowance for inventories	515	(60)
Others	(53,318)	(57,064)
Gross deferred income tax assets	<u>87,219</u>	<u>88,143</u>
Net deferred tax liability	<u>(395,152)</u>	<u>(398,920)</u>

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

Reflected as:

	31 March 2014	31 December 2013
Deferred tax assets	414	450
Deferred tax liabilities	(395,566)	(399,370)
Net deferred liabilities	<u>(395,152)</u>	<u>(398,920)</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 2014 and 2013:

	31 December 2014	31 December 2013
Balance at 1 January	398,920	363,428
Deferred income tax expense recognized in income statement	11,362	46,502
Deferred income tax expense recognized in equity	-	4,252
Currency translation difference	(15,130)	(15,262)
	<u>395,152</u>	<u>398,920</u>

As of 31 March 2014 and 31 March 2013, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 March 2014			31 March 2013		
	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
Changes in currency translation differences	(124,469)	-	(124,469)	(66,239)	-	(66,239)
	<u>(124,469)</u>	<u>-</u>	<u>(124,469)</u>	<u>(66,226)</u>	<u>(2)</u>	<u>(66,228)</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 2014 and 31 December 2013:

	<u>31 March 2014</u>	<u>31 December 2013</u>
A. Assets denominated in foreign currency	1,378,023	1,315,774
B. Liabilities denominated in foreign currency	(754,764)	(687,574)
Net foreign currency position (A+B)	623,259	628,200

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

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

Foreign currency risk (cont'd)

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

	31 March 2014						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	19,877	9,077	163,661	224,755	249,687	87,697	571,216
Financial investments	79,721	36,406	30,157	41,414	53,924	232,358	364,102
Trade and other receivables	27,844	12,715	93,838	128,867	47,017	1,750	190,349
Other current assets	66,911	30,556	18,015	24,741	22,819	238	78,354
Current assets	194,353	88,754	305,671	419,777	373,447	322,043	1,204,021
Financial investments	36,010	16,445	50,732	69,670	66,828	-	152,943
Trade and other receivables	-	-	2,612	3,587	754	6,453	10,794
Other non current assets	2,799	1,278	645	886	2,892	5,209	10,265
Non-current assets	38,809	17,723	53,989	74,143	70,474	11,662	174,002
Total assets	233,162	106,477	359,660	493,920	443,921	333,705	1,378,023
Short-term borrowings	1,163	531	25,807	35,440	54,264	11,783	102,018
Trade and other payables	52,208	23,842	108,643	149,200	108,993	7,099	289,134
Other current liabilities and accrued expenses	174,676	79,768	19,389	26,626	58,481	35,211	200,086
Current liabilities	228,047	104,141	153,839	211,266	221,738	54,093	591,238
Trade and other payables	-	-	4,000	5,493	-	-	5,493
Long-term borrowings	-	-	8,366	11,489	141,505	-	152,994
Other non-current liabilities	112	51	1,159	1,592	-	3,396	5,039
Non-current liabilities	112	51	13,525	18,574	141,505	3,396	163,526
Total liabilities	228,159	104,192	167,364	229,840	363,243	57,489	754,764
Net foreign currency position	5,003	2,285	192,296	264,080	80,678	276,216	623,259
Net notional amount of derivatives	14,400	6,576	14,200	19,501	-	-	26,077

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

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

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

Foreign currency risk (cont'd)

	31 December 2013						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	20,905	9,795	113,257	155,830	274,639	90,291	530,555
Financial investments	29,249	13,704	68,407	94,121	65,148	228,750	401,723
Trade and other receivables	20,273	9,499	88,067	121,171	40,295	84	171,049
Other current assets	65,553	30,714	13,881	19,099	20,570	570	70,953
Current assets	135,980	63,712	283,612	390,221	400,652	319,695	1,174,280
Financial investments	58,482	27,401	29,879	41,110	52,403	-	120,914
Trade and other receivables	-	-	2,834	3,899	615	6,442	10,956
Other non current assets	2,275	1,066	564	777	2,579	5,202	9,624
Non-current assets	60,757	28,467	33,277	45,786	55,597	11,644	141,494
Total assets	196,737	92,179	316,889	436,007	456,249	331,339	1,315,774
Short-term borrowings	11,833	5,544	23,556	32,411	39,459	18,492	95,906
Trade and other payables	55,861	26,173	93,728	128,961	104,628	6,522	266,284
Other current liabilities and accrued expenses	151,467	70,968	18,131	24,946	69,637	34,331	199,882
Current liabilities	219,161	102,685	135,415	186,318	213,724	59,345	562,072
Trade and other payables	-	-	4,000	5,503	-	-	5,503
Long-term borrowings	-	-	8,881	12,219	101,921	-	114,140
Other non-current liabilities	84	39	1,156	1,591	-	4,229	5,859
Non-current liabilities	84	39	14,037	19,313	101,921	4,229	125,502
Total liabilities	219,245	102,724	149,452	205,631	315,645	63,574	687,574
Net foreign currency position	(22,508)	(10,545)	167,437	230,376	140,604	267,765	628,200
Net notional amount of derivatives	1,642	769	24,851	34,192	-	-	34,961

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

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

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

Foreign currency risk (cont'd)

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

The following table details the Group's foreign currency sensitivity as at 31 March 2014 and 31 December 2013:

	31 March 2014		31 December 2013	
	Profit / (loss)		Profit / (loss)	
	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency	Valuation of foreign currency
<i>In the case of TL gaining 10% value against US Dollar</i>				
1- TL net asset / (liability)	229	(229)	(1,055)	1,055
2- Portion hedged against TL risk (-)	658	(658)	77	(77)
3- TL net effect (1+2)	887	(887)	(978)	978
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	26,408	(26,408)	23,038	(23,038)
5- Portion hedged against Euro risk (-)	1,950	(1,950)	3,419	(3,419)
6- Euro net effect (4+5)	28,358	(28,358)	26,457	(26,457)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	8,068	(8,068)	14,060	(14,060)
8- Portion hedged against other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	8,068	(8,068)	14,060	(14,060)
Total (3+6+9)	37,313	(37,313)	39,539	(39,539)

23. SUBSEQUENT EVENTS

None.