

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

**CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2013**

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
Enka İnşaat ve Sanayi Anonim Şirketi

We have audited the accompanying consolidated financial statements of Enka İnşaat ve Sanayi A.Ş. (Enka İnşaat), its subsidiaries and joint operations (together the "Group") which comprise the consolidated balance sheet as of 31 December 2013, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial positions of the Group as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT Bağımsız Denetim ve ŞMHH A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

İstanbul, 03 March 2014

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

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

ASSETS	Notes	31 December	<i>Reclassified (Note 2.1)</i> 31 December
		2013	2012
Current Assets		3.175.750	3.187.170
Cash and cash equivalents	6	1.272.136	1.014.878
Financial investments	7	481.656	722.252
Trade receivables	9	797.562	878.720
Other receivables			
Other receivables from related parties	10	43	233
Other receivables from third parties	10	693	9.864
Inventories	11	344.406	337.592
Prepaid expenses	17	112.214	72.591
Costs and estimated earnings in excess of billings on uncompleted contracts	12	108.938	68.573
Other current assets	21	56.906	78.551
		<u>3.174.554</u>	<u>3.183.254</u>
Assets held for sale and discontinued operations	30	1.196	3.916
Non-Current Assets		5.295.681	5.050.336
Financial investments	7	998.458	970.085
Trade receivables	9	13.517	21.918
Investment properties	13	2.346.532	2.133.921
Property, plant and equipments	14	1.832.530	1.816.885
Intangible assets			
Goodwill	16	64.092	63.725
Other intangible assets	15	31.973	29.965
Deferred tax assets	31	450	84
Prepaid expenses	17	1.779	3.159
Other non-current assets	21	6.350	10.594
TOTAL ASSETS		<u>8.471.431</u>	<u>8.237.506</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

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

			<i>Reclassified (Note 2.1)</i>
LIABILITIES	Notes	31 December 2013	31 December 2012
Current Liabilities		1,367.770	1,456.644
Short-term borrowings	8	35.776	20.053
Current portion of long-term borrowings	8	66.162	137.458
Trade payables	9	533.729	621.556
Payables to employees	20	30.307	22.026
Other payables			
Payables to related parties	10	1.198	1.457
Payables to third parties	10	28.791	26.576
Billings in excess of costs and estimated earnings on uncompleted contracts	12	171.337	182.021
Deferred income	17	340.722	317.229
Taxation on income	31	54.503	38.415
Provisions			
Provisions for employee benefits	20	19.937	23.819
Other provisions	18	40.793	36.466
Other current liabilities	21	44.515	29.568
Non-Current Liabilities		1,442.592	1,421.359
Long-term borrowings	8	280.474	219.041
Trade payables	9	5.503	5.277
Other payables	10	30.127	25.862
Deferred income	17	711.411	790.629
Provisions for employee benefits	20	15.707	17.038
Deferred tax liabilities	31	399.370	363.512
EQUITY		5,661.069	5,359.503
Equity Attributable to Equity Holders of the Parent		5,597.343	5,099.441
Share capital	22	2,040.352	1,829.192
Revaluation surplus	22	232.143	186.592
Currency translation difference		(206.697)	(129.870)
Other reserves		1.986	1.974
Legal reserves and accumulated profit		3,529.559	3,211.553
Non-Controlling Interests		63.726	260.062
TOTAL LIABILITIES AND EQUITY		8,471.431	8,237.506

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

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

		1 January - 31 December 2013	Reclassified (Note 2.1) 1 January - 31 December 2012
	Notes		
CONTINUING OPERATIONS			
Revenue	5,23	6.546.741	5.745.762
Cost of revenues (-)	5,23	(5.461.416)	(4.945.710)
GROSS PROFIT		1.085.325	800.052
Marketing, selling and distribution expenses (-)	5,24	(38.954)	(41.553)
Administrative expenses (-)	5,24	(124.731)	(121.445)
Other operating income	5,26	60.504	28.723
Other operating expenses (-)	5,26	(48.149)	(64.043)
PROFIT FROM OPERATIONS		933.995	601.734
Income from investing activities	5,27	111.898	218.824
Expenses from investing activities	5,27	(115.222)	(40.939)
OPERATING PROFIT			
BEFORE FINANCE EXPENSES		930.671	779.619
Financial income	5,28	24.864	27.780
Financial expenses (-)	5,29	(45.049)	(29.111)
PROFIT BEFORE TAX			
FROM CONTINUING OPERATIONS		910.486	778.288
Current tax expense (-)	31	(170.981)	(122.031)
Deferred tax expense	31	(46.502)	(28.397)
PROFIT FOR THE YEAR FROM			
CONTINUING OPERATIONS		693.003	627.860
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations, net of tax	30	-	30.901
NET PROFIT FOR THE YEAR		693.003	658.761
Attributable to:			
Non-controlling interest		37.020	28.355
Equity holders of the parent		655.983	630.406
		693.003	658.761
Earnings per share from discontinued operations			
- ordinary share certificate (full cent)		-	0,01
Earning per share from continuing operations			
- ordinary share certificate (full cent)	32	0,20	0,19
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 consolidated financial statements.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

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

		1 January - 31 December 2013	Reclassified (Note 2.1) 1 January - 31 December 2012
	Notes		
NET PROFIT FOR THE YEAR		693.003	658.761
Other Comprehensive Income / (Expense):			
Items that will not be reclassified subsequently to profit or loss		52.270	8.617
Loss on remeasurement of defined benefit plans	20	(1.294)	(1.045)
<i>Changes in revaluation fund of property</i>		<i>53.564</i>	<i>9.662</i>
Gain arising during the year	22	58.666	10.333
Tax effect	22	(4.249)	(2.010)
Changes in translation difference in property valuation increase	22	(853)	1.339
Items that may be reclassified subsequently to profit or loss		(77.726)	114.290
Changes in currency translation difference		(77.738)	114.154
<i>Changes in cash flow hedge</i>		<i>12</i>	<i>136</i>
Gain arising during the period		15	170
Tax effect		(3)	(34)
OTHER COMPREHENSIVE (LOSS) / INCOME		(25.456)	122.907
TOTAL COMPREHENSIVE INCOME		667.547	781.668
Attributable to:			
Non-controlling interest		41.143	43.612
Equity holders of the parent		626.404	738.056
		667.547	781.668

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
Balance at 1 January 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		-	6.072	102.487	136	(1.045)	107.650	15.257	122.907
Profit for the year		-	-	-	-	630.406	630.406	28.355	658.761
Total comprehensive income		-	6.072	102.487	136	629.361	738.056	43.612	781.668
Transfer of depreciation difference		-	-	-	-	-	-	-	-
(net of deferred tax) of revaluation effect		-	(3.493)	-	-	3.493	-	-	-
Share capital increase	22	163.132	-	-	-	(163.132)	-	-	-
Dividends paid	3	-	-	-	-	(171.122)	(171.122)	(25.656)	(196.778)
Transfer of revaluation surplus of sold buildings		-	(17.618)	-	-	17.618	-	-	-
Balance at 31 December 2012	22	1.829.192	186.592	(129.870)	1.974	3.211.553	5.099.441	260.062	5.359.503
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		-	48.530	(76.827)	12	(1.294)	(29.579)	4.123	(25.456)
Profit for the year		-	-	-	-	655.983	655.983	37.020	693.003
Total comprehensive income		-	48.530	(76.827)	12	654.689	626.404	41.143	667.547
Transfer of depreciation difference		-	-	-	-	-	-	-	-
(net of deferred tax) of revaluation effect		-	(2.979)	-	-	2.979	-	-	-
Share capital increase	22	211.160	-	-	-	(211.160)	-	1.614	1.614
Dividends paid	3	-	-	-	-	(135.244)	(135.244)	(12.584)	(147.828)
Effect of acquisition of non-controlling interest		-	-	-	-	6.742	6.742	(226.509)	(219.767)
Balance at 31 December 2013	22	2.040.352	232.143	(206.697)	1.986	3.529.559	5.597.343	63.726	5.661.069

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

		1 January - 31 December 2013	1 January - 31 December 2012
Cash flows from operating activities	Notes		
Profit for the year		693.003	658.761
Adjustments to reconcile net income			
to net cash used in operating activities:			
- Depreciation and amortization of non-current assets	25	97.706	106.748
- Provision for employment termination benefits		395	4.412
- Allowance for doubtful receivables	26	4.337	5.489
- Provision for litigations	26	7.572	6.267
Cost of contracts accrual		-	65.929
- Adjustments to deferred income from electricity sale		(79.732)	(70.018)
- Gain on sale of discontinued operations	30	-	(38.358)
- Loss from fair value of forward transactions	28,29	(923)	(1.886)
- Interest expense	29	9.273	13.072
- Interest income		(64.115)	(47.942)
- Dividend income	27	(7.739)	(5.276)
- Provision for inventory impairment, net		(1.753)	991
- Gain on sale or disposal of property, plant and equipment, net	14,30	(1.575)	(1.778)
- Fair value increase in investment properties	13	(4.778)	(20.554)
- Valuation of investment securities		62.336	(107.428)
Interest accrual		221	279
- Tax expense	30,31	217.483	156.707
		<u>931.711</u>	<u>723.413</u>
Movements in working capital			
Decrease in trade and other receivables		84.916	(133.298)
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts		(40.365)	(14.663)
Increase in inventory		(3.838)	(61.494)
Increase in other current assets and other non current assets		(2.710)	(40.579)
Decrease in trade and other payables		(87.601)	143.927
Increase/(decrease) in billings in excess of cost and estimated earnings on uncompleted contracts		(10.684)	2.246
Increase in provision for liabilities and other liabilities		47.926	82.422
		<u>(12.356)</u>	<u>(21.439)</u>
Income taxes paid	31	(154.893)	(134.613)
Employee termination benefits paid	20	(1.256)	(1.918)
Net cash generated from operating activities		<u>763.206</u>	<u>567.445</u>
Cash flows from investing activities			
Financial investments		150.043	(176.370)
Proceeds on disposal or sale of property, plant and equipment	14	24.743	29.434
Purchases of property, plant and equipment, intangible assets and investment properties	5	(258.905)	(141.569)
Interest received		63.894	47.662
Acquisition of non-controlling interest		(219.767)	-
Proceeds from sale of discontinued operations	30	-	168.993
Dividend income	27	7.739	5.276
Net cash used in investing activities		<u>(232.253)</u>	<u>(66.574)</u>
Cash flows from financing activities			
Short-term borrowings, net		13.554	(6.258)
Addition to long-term borrowings		27.437	71.114
Repayments of long-term borrowings		(172.415)	(185.997)
Interest paid		(7.110)	(10.794)
Non-controlling interest of share capital increase		1.614	-
Dividend paid to non-controlling interests		(12.584)	(25.656)
Dividend paid		(135.244)	(171.122)
Net cash used in financing activities		<u>(284.748)</u>	<u>(328.713)</u>
Translation reserve		11.053	28.052
Net increase in cash and cash equivalents		<u>257.258</u>	<u>200.210</u>
Cash and cash equivalents at beginning of the period	6	1.013.878	813.668
Cash and cash equivalents at end of the period	6	<u>1.271.136</u>	<u>1.013.878</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed as 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 December 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 December 2013, the average numbers of white and blue-collar personnel are respectively 5.299 and 21.435 (31 December 2012 – 4.612 and 16.678).

For the purpose of the consolidated financial statements, Enka İnşaat, its consolidated subsidiaries and its joint operations 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 in investment and development of real estate properties and shopping malls in Moscow, Russia.
- iii. Engaged in construction activities in Gabon, Burundi, Libya, Djibouti, Mauritania and Equatorial Guinea in Africa; Saudi Arabia, Oman, Iraq and Afganistan in Asia and also in Dominican Republic and Papua New Guinea.
- iv. *Europe:* engaged in construction and trading activities in Romania, the Netherlands, Switzerland, Germany and Kosovo.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont'd)

As of 31 December 2013 Enka İnşaat has the following subsidiaries, whose business and country of incorporation are provided below:

Name of Subsidiary	Nature of business activities	Country of incorporation	Year of establishment
Pimaş	Engaged in manufacturing and marketing of PVC door and window profiles.	Turkey	1963
Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama)	Engaged in marketing and after-sales service of construction machineries, trucks, industrial products and spare parts.	Turkey	1972
Çimtaş Çelik İmalat Montaj ve Tesisat Anonim Şirketi (Çimtaş)	Engaged in manufacturing of structural steel works, installation and establishing of the technical equipment.	Turkey	1973
Titaş Toprak İnşaat ve Taahhüt Anonim Şirketi (Titaş)	Engaged in all kinds of excavation activities, excavation backfilling works and quarrying-crushing operation of highway projects.	Turkey	1974
Kasktaş Kaya Kalıp Altyapı Sondaj Kazık ve Tecrit Anonim Şirketi (Kasktaş)	Engaged in pile dwelling work, any kind of base and superstructure construction, slip form and construction of drilling and ground surveys.	Turkey	1975
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	The firm operates in organization of domestic and international conventions and seminars and also engaged in tour reservations and ticket sales.	Turkey	1976
Enet Proje Araştırma ve Mühavirlik A.Ş. (Enet)	Performs architectural design services.	Turkey	1980
Enka Teknik Genel Mühavirlik Bakım İşletme Sevki ve İdare Anonim Şirketi (Enka Teknik)	Operates in the business of material handling and storage systems, auxiliary facilities, water treatment and environmental engineering, infrastructure and construction, control systems and instrumentation engineering.	Turkey	1981
Entrade GmbH (Entrade)	Manages foreign investments of the Company.	Germany	1984
Limited Liability Company Enmar (Enmar)	Engaged in ready-mixed concrete production and various construction works.	Russia	1994
Airenka Hava Taşımacılığı A.Ş. (Air Enka)	Engaged in all kinds of air transportation.	Turkey	2001
Enka Holding B.V.	Manages foreign investments of the Company.	Netherlands	2001
Enka Mühavirlik Hizmetleri A.Ş. (Enka Mühavirlik)	Engaged in construction activities.	Turkey	2002
Adapazarı Elektrik Üretim Limited Şirketi (Adapazarı Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
İzmir Elektrik Üretim Limited Şirketi (İzmir Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Gebze Elektrik Üretim Limited Şirketi (Gebze Elektrik) (*)	Performs production and selling of electricity.	Turkey	2004
Enka Limited Liability Company (Enka LLC)	Manages the company's construction, engineering and design jobs.	Ukraine	2006
Enka Enerji Üretim A.Ş.	Will perform production and sale of electricity.	Turkey	2006
Enka & Co LLC	Engaged in construction activities.	Oman	2010
Enka Elektrik Üretim A.Ş.	Will perform production and sale of electricity	Turkey	2011
Enka International Construction Ltd	Engaged in construction activities.	Saudi Arabia	2011

(*) İzmir Elektrik, Adapazarı Elektrik and Gebze Elektrik here and after are also referred to as "the Power Companies".

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP (cont'd)

The construction contracts are undertaken by Enka İnşaat alone or together with its affiliated companies or, in partnerships with other contractors through joint operations. As of 31 December 2013, Enka İnşaat has the following joint operations:

Bechtel-Enka Joint Venture (Kazakhstan) – Senimdy Kurylys
Bechtel-Enka Joint Venture Bautino (Kazakhstan)
Bechtel-Enka Joint Venture (Romania)
Bechtel-Enka Joint Venture (Kosovo)
Caddell Construction Company Inc. (Caddell Global)
AECO Development Limited Liability Company (Oman)
Bechtel-Enka Joint Venture (Albania)
Bechtel-Enka Joint Venture (Oman)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial assets at fair value through profit or loss 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 December 2013. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 3 March 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 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 consolidated financial statements for the same period prepared in accordance with accounting principles promulgated by CMB.

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

Functional and presentation currency

As significant amount of construction, energy and real estate operations of Enka İnşaat and its consolidated subsidiaries and its joint 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.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 Basis of presentation (cont'd)

Functional and presentation currency (cont'd)

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

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

The year-end and average Turkish Lira (TL) rates for 2013 and 2012 for one U.S. Dollar can be summarized as below:

	2013	2012
U.S. Dollars / TL -- as of balance sheet date	2,1343	1,7826
U.S. Dollars / TL -- yearly average	1,9032	1,7922

Comparative information and reclassification of prior year financial statements

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

- a) 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 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.

As a revision of IAS 19, the Group directly recognized USD 1.045 in statement of comprehensive income. Consequently, "General administrative expense" at an amount of USD 1.045 decreased and "Profit for the period" at an amount of USD 1.045 increased in the consolidated statement of income for the period ended as of 31 December 2012.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 Basis of presentation (cont'd)

Comparative information and reclassification of prior year financial statements (cont'd)

b) The Group made reclassification to prior year financial statements in order to be consistent with CMB regulations announced as of 7 June 2013. The detail of reclassifications are explained below:

- "Advances given" and "Prepaid expenses" at an amount of USD 72.591 presented in "Other current assets" in the consolidated balance sheet as of 31 December 2012 are reclassified to "Prepaid expenses".
- "Advances given" and "Prepaid expenses" at an amount of USD 3.159 presented in "Other non-current assets" in the consolidated balance sheet as of 31 December 2012 are reclassified to "Prepaid expenses".
- Financial borrowings presented as "Bank loans" and "Obligations under finance leases" in the consolidated balance sheet as of 31 December 2012, is now presented as "Short term borrowings", "Current portion of long term borrowings" and "Long term borrowings".
- "Payroll payables" at an amount of USD 22.026 presented in "Provisions for employee benefits" in the consolidated balance sheet as of 31 December 2012 are reclassified to "Payables to employees".
- "Advances received" at an amount of USD 251.066 and "Deferred rent revenue" at an amount of USD 66.163 presented in "Other current liabilities" in the consolidated sheet as of 31 December 2012 are reclassified to "Deferred income".
- "Deferred revenue" at an amount of USD 790.629 presented in "Other non-current liabilities" in the consolidated sheet as of 31 December 2012 are reclassified to "Deferred income".
- Foreign exchange difference gains and losses and interest income/expenses from trade payables and receivables at an amount of USD 12.465 presented in "Financial income" and "Financial expense" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Other operating income" and "Other operating expenses".
- Gain on disposal of property, plant and equipment at an amount of USD 2.134 presented in "Other operating income" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Investment income".
- Fair value increase in investment properties at an amount of USD 20.554 presented in "Other operating income" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Investment income".
- Foreign exchange difference gains and losses and interest income/expenses from trade payables and receivables at an amount of USD 12.007 presented in "Financial income" and "Financial expense" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Other operating expenses".
- Loss from sales of property, plant and equipment at amount of USD 357 presented in "Other operating expense" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Investment expense".
- Interest revenue from financial assets held for sale at an amount of USD 38.463 presented in "Financial income" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Investment income".
- Divident income at an amount of USD 5.276 presented in "Financial income" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Investment income".

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1 Basis of presentation (cont'd)

Comparative information and reclassification of prior year financial statements (cont'd)

- Income from investment activities at an amount of USD 120.641 presented in "Financial income" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Investment income" and "Investment expenses".
- Foreign exchange difference gains and losses from investment activities at amount of USD 8.826 presented in "Financial income" and "Financial expenses" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Investment income and "Investment expenses".
- Currency translation difference from tangible assets at an amount of USD 1.341 presented in "Changes in currency translation difference" in the consolidated statement of income for the period ended 31 December 2012, is now presented in "Currency translation difference of tangible assets' fair value increase".

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, its joint operations and its subsidiaries as at 31 December each year. The financial statements of the joint operations and the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All significant intra-group transactions and balances between Enka İnşaat and its consolidated subsidiaries and joint operations are eliminated.

Under the equity method, an investment in associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

2.1 Basis of presentation (cont'd)

Basis of consolidation (cont'd)

The subsidiaries included in consolidation and their shareholding percentages at 31 December 2013 and 31 December 2012 are as follows:

Company name	Segment	Direct / Indirect ownership	
		31 December 2013	31 December 2012
Enka Holding B.V.	Construction	%100,00	%100,00
Enka Holding Investment S.A.	Construction	%100,00	%100,00
Edco Investment B.V.	Rental	%100,00	%100,00
Enru Development B.V.	Rental	%100,00	%100,00
Enka Power Systems B.V.	Construction	%100,00	%100,00
Covet B.V.	Construction	%100,00	%100,00
Enka Construction & Development B.V.	Construction	%100,00	%100,00
Far East Development B.V.	Construction	%100,00	%100,00
Enmar	Construction	%100,00	%100,00
Entrade	Construction	%100,00	%100,00
Capital City Investment B.V.	Construction	%100,00	%100,00
City Center Investment B.V.	Rental	%100,00	%100,00
Enka Adapazarı Power Investment B.V.	Energy	%100,00	%100,00
Enka Gebze Power Investment B.V.	Energy	%100,00	%100,00
Enka İzmir Power Investment B.V.	Energy	%100,00	%100,00
Enka Power Investment B.V.	Energy	%100,00	%100,00
İzmir Elektrik	Energy	%100,00	%100,00
Adapazarı Elektrik	Energy	%100,00	%100,00
Gebze Elektrik	Energy	%100,00	%100,00
Enka LLC	Construction	%100,00	%100,00
Rumos S.A.	Rental	%100,00	%100,00
MCC Investment S.A.	Construction	%100,00	%100,00
Enka TC LLC	Trade and manufacturing	%100,00	%100,00
Retmos Investment Ltd.	Construction	%100,00	%100,00
Emos LLC	Trade and manufacturing	%100,00	%100,00
Bmos B.V.	Trade and manufacturing	%100,00	%100,00
Cmos B.V.	Trade and manufacturing	%100,00	%100,00
OOO Victoria	Construction	%100,00	%100,00
Enka Santral Hizmetleri A.Ş.	Energy	%100,00	%100,00
Maken	Construction	%100,00	%100,00
Enka Elektrik Üretim A.Ş.	Energy	%100,00	%100,00
Enka International Construction Ltd.	Construction	%100,00	%100,00
Enka & Co LLC	Construction	%100,00	%100,00
Enka Mühendislik	Construction	%100,00	%100,00
Mosenka (*)	Rental	%100,00	%80,00
MKH (*)	Rental	%100,00	%56,00
Pavmos B.V.	Construction	%100,00	-
Enka Pazarlama	Trade and manufacturing	%99,99	%99,99
Enka Finansal Kiralama A.Ş.	Trade and manufacturing	%99,99	%99,99
Airenka	Trade and manufacturing	%99,97	%99,97
Metra Akdeniz Dış Ticaret A.Ş.	Trade and manufacturing	%99,93	%99,93
Entaş	Trade and manufacturing	%99,93	%99,93
Enka Enerji Üretim A.Ş.	Energy	%99,47	%99,47
Çintaş Gemi İnşa Sanayi ve Ticaret A.Ş.	Trade and manufacturing	%97,31	%97,31
Kasktaş	Construction	%97,25	%97,25
Burkas Ltd. Şti.	Construction	%97,25	%97,25
Kasktaş Arabia Ltd.	Construction	%97,25	%97,25
Çintaş Borulama Sanayi ve Ticaret Ltd. Şti. (Çintaş Borulama)	Construction	%96,97	%96,97
Çintaş Çelik	Construction	%96,94	%96,94

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

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

2.1 Basis of presentation (cont'd)

Basis of consolidation (cont'd)

Company name (continuing)	Segment	Direct / Indirect ownership	
		31 December 2013	31 December 2012
Cimtas Mechanical Contracting B.V.	Construction	%96,94	%96,94
Cimtas (Ningbo) Steel Processing Company Ltd.	Construction	%96,94	%96,94
Cimtas Buildings Systems Ltd. (CBSL)	Construction	%96,94	%96,94
Cimtas Investment B.V.	Construction	%96,94	%96,94
Cimtas Caspian Development B.V.(**)	Construction	-	%96,64
Gemlik Deniz Taşımacılık Ltd.Şti.	Construction	%96,64	-
IBH Engineering GmbH	Construction	%96,64	%96,64
Enet	Construction	%95,00	%95,00
Titaş (*)	Construction	%93,11	%91,91
Pimaş	Trade and manufacturing	%81,65	%81,65
S.C Pimapan Logistic Center SRL	Trade and manufacturing	%81,65	%81,65
Enwin Window Systems B.V.(**)	Trade and manufacturing	-	%81,65
Enwin Rus Ltd.	Trade and manufacturing	%81,65	%81,65
Enka Teknik	Construction	%79,91	%79,91
OOO R-Avtam	Rental	%60,00	%60,00
Cimtas Boru İmalatları ve Ticaret Ltd. Şti. (Cimtas Boru)	Construction	%50,00	%50,00

(*)All non-controlling interests of MKH and Mosenka were purchased in the current year. The difference between purchasing price and net asset is accounted under equity. Total amount paid including %1,2 share of Titaş is USD 219.767.

(**) These companies have been dissolved during the year.

The Group has interests in joint operations which are jointly controlled entities. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group recognizes its interest in the joint operations using proportionate consolidation. The breakdown of the controlling interests of the joint operations as of 31 December 2013 and 2012 is as follows:

	31 Aralık 2013	31 Aralık 2012
Bechtel-Enka Joint Venture (Kazakhstan) -- Senimdy Kurylys	%50,00	%50,00
Bechtel-Enka Joint Venture Bautino (Kazakhstan)	%50,00	%50,00
Caddell Construction Company Inc. (Caddell Europe, Africa, America)	%50,00	%50,00
Bechtel-Enka Joint Venture (Romania)	%50,00	%50,00
Bechtel-Enka Joint Venture (Albania)	%50,00	%50,00
Bechtel-Enka Joint Venture (Kosovo)	%50,00	%50,00
AECO Development Limited Liability Company (Oman)	%50,00	%50,00
Bechtel-Enka Joint Venture (Oman)	%50,00	%50,00
Poyraz Shipping B.V.	%50,00	%50,00
Bogazici Shipping B.V.	%50,00	%50,00
Doga Shipping B.V.	%50,00	%50,00
Imbat Shipping B.V.	%50,00	%50,00
TNY Shipping B.V.	%50,00	%50,00
Alacante Shipping B.V.	%50,00	%50,00
BRK Overseas Shipping B.V.	%50,00	%50,00
MML Merchant Shipping B.V.	%50,00	%50,00
Esta Construction B.V.	%50,00	%50,00

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

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

2.2 Changes in the accounting policies

Significant changes in accounting policies are applied retroactively and prior year financial statements are restated when necessary. Significant changes applied during the year are detailed in Note 2.4.

2.3 Changes and Errors in Accounting Estimates

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

2.4 Adoption of New and Revised International Financial Reporting Standards

The following amendments to IASs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012. 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.

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.

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

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

2.4 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

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 2017; earlier adoption is permitted.

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

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

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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.

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.

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

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

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

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

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.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards will not have a significant impact on amounts reported in 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
- IAS 34 (Amendments) *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 Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

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

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

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

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012 (cont'd)

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 Group management does not anticipate that the amendments to IAS 32 will 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.

(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:

IFRS 9	<i>Financial Instruments</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities 1</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Investment Companies 1</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets 1</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting 1</i>
IFRIC 21	<i>Levies 1</i>

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

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

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

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

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 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 36 Recoverable Amount Disclosures for Non-Financial Assets

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

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

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

IFRIC 21 Levies

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

2.5 Summary of significant accounting policies

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, returns and value added taxes. The following specific recognition criteria must also be met before revenue is recognized:

Construction contract activities

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Revenue arising from cost plus fee contracts is recognized on the basis of costs incurred plus a percentage of the contract fee earned during the year.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the consolidated income statement as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized.

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

2.5 Summary of significant accounting policies (cont'd)

Revenue (cont'd)

Energy activities

The Power Companies have signed an "Electric Sales Agreement" (ESA) with Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) for the establishment, management and sale of electricity that will be produced for a period of 20 years in accordance with the Build-Own-Operate Law numbered 4283 and Build-Own-Operate regulation. As the period includes project development and construction phases, the contract dates of power plants are 16 years after the beginning of the operation. The sales price and quantity in terms of Kwh during the 16 years period are determined in the ESA. Average energy sales price is determined by dividing yearly sales revenues calculated over yearly sales amounts and unit prices by the 16 year-sales quantities. At the end of each year, the average price is recalculated over the realized amounts. Therefore, revenues from the sale of electricity under long-term contracts are recognized on the average charge per Kwh over the life of the contract. Both the 'investment' and the 'fuel cost' item revenues in the scope of the contract are levelised accordingly. Revenues in excess of the average are recorded as deferred revenue in the consolidated balance sheet and are recognized over the life of the project.

Sale of goods

Revenue is recognized when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. Rental income collected in advance is treated as deferred income and is amortised on a monthly basis during the lease period.

Rendering of services

Revenue is recognized by reference to the stage of completion.

Interest income

Interest income and expenses are recognized in the consolidated income statement on an accrual basis taking into account the effective yield on the asset. When loans provided by the Group are considered doubtful by the management of the Group, the interest accrual is not recognized in the consolidated income statement.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Raw materials, spare parts, merchandise and construction materials - purchase cost on moving weighted average basis.

Goods for resale - purchase cost on moving weighted average basis.

Finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on moving weighted average basis.

The Group also provides an allowance for the slow moving and obsolete items.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

2.5 Summary of significant accounting policies (cont'd)

Property, plant and equipments

With the exception of land and buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is not depreciated. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Land and buildings are carried at revalued amounts, which is the fair value at the date of the valuation less accumulated depreciation and impairment losses charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Repairs and maintenance are charged to the statements of income during the financial period in which they are incurred. The costs of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Depreciation is provided on all property, plant and equipment using the straight-line method at rates which approximate estimated useful lives of the related assets as follows:

	Useful life
Land improvements	5-50 years
Buildings	10-50 years
Power plant equipment	35 years
Pipelines	16 years
Electrical interconnection lines	16 years
Machinery and equipment	4-10 years
Motor vehicles	3-10 years
Furniture and fixtures	5-10 years
Barracks, scaffolding and formworks	5 years
Aircrafts	10-15 years
Others	5-10 years

Power plant equipment is recorded at its original cost of construction. Significant additions or improvements are capitalized when they extend the life, improve the efficiency or increase the earnings capacity of the asset. Expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed as incurred.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost that are amortized over 3 to 10 years on straight-line basis.

Trademarks

Acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (9 years).

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the 23 years of life of the customer relationship.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

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

2.5 Summary of significant accounting policies (cont'd)

Investment properties

Land and buildings that are held in the production of supply of goods or services or for administrative purposes or for long term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment property also includes long-term leasehold land held under an operating lease, which is accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS 17 "Leases". Each lease payment on the long-term leasehold land is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current lease liability on leasehold land. The interest element of the finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

2.5 Summary of significant accounting policies (cont'd)

Business combinations (cont'd)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

2.5 Summary of significant accounting policies (cont'd)

Non-current assets held for sale

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell, and depreciation on such assets are ceased.

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. The Group measured assets and liabilities related to the disposal group at the lower of their previous carrying amount and fair value less costs to sell.

Impairment of non-financial assets

The carrying values of non-financial assets, other than goodwill which is reviewed for impairment at least annually, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated income statement for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or has decreased. The reversal is recognized in income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of income / (loss) in the period in which they are incurred.

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

According to IFRS 9 as from 1 January 2010, the group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

(a) Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

(b) Financial assets at fair value

If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss'. The Group has classified their financial assets as financial assets to be measured at fair value.

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value. A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement within 'other (losses) / gains — net in the period in which they arise.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

Impairment of financial assets

Financial assets at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Financial assets at amortised cost (cont'd)

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - i. adverse changes in the payment status of borrowers in the portfolio; and
 - ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or heldto-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial liabilities (cont'd)

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

a) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency purchase and sale contracts and also interest rate cap transactions, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate cap contracts is determined based on quoted market prices in active markets.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

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

2.5 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Derivative financial instruments and hedging (cont'd)

Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability and could affect income statement. The Power Companies have borrowings with variable interest rates and the Group uses interest rate caps to hedge the exposure to variability in cash flows due to the change in interest rates. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects income statement.

The Group has classified these cash flow hedge derivative assets under "Other Non-current Assets" and classified the fair value changes in these instruments directly in equity under "Other Reserves" as net gain/loss on cash flow hedges.

Accounting at the date of transaction

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Effects of Changes in Foreign Exchange Rates

Transactions in currencies other than functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency indexed monetary assets and liabilities are recorded at the rates of exchange prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

Earnings per share

Basic earnings per share (EPS) disclosed in the consolidated income statement are determined by dividing net profit by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (Bonus Shares) to existing shareholders without a consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation, such bonus share distributions are regarded as stock dividends. If the number of ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorized for issue, the EPS calculations for those and any prior period financial statements presented is based on the new number of shares.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.5 Summary of significant accounting policies (cont'd)

Provisions, contingent liabilities, contingent assets

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities and assets

If contingent liabilities does not carry a high probability of resource allocation (cash outflow), they are not recognized in the consolidated financial statements but disclosed in the footnotes. However, contingent assets are not recognized in consolidated financial statements but disclosed in the footnotes when an inflow of economic benefits is probable.

Leases - The Group as lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income statement. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonably certainty that the Group will obtain ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases, except long-term leasehold land classified as investment property. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leases - The Group as lessor

Operating lease

The Group has entered into commercial and residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. Lease income from operating leases is recognized in income statement on a straight-line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognized as an expense. Initial direct costs incurred by the Group in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

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

2.5 Summary of significant accounting policies (cont'd)

Related parties

Parties are considered related to the Group if;

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Related party transaction is the transfer of resources, services or liabilities regardless of whether a price is charged or not.

Income tax

Tax expense / (income) is the aggregate amount included in the determination of net income statement for the period in respect of current and deferred tax.

The Group is subject to income taxes in various jurisdictions. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement.

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

2.5 Summary of significant accounting policies (cont'd)

Employee termination benefits

The Group has both defined benefit and defined contribution plans as described below:

Defined benefit plans

In accordance with existing social legislation in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum termination indemnities to each employee who has completed one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

These benefits are unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. All actuarial gains and losses are recognized in other comprehensive income.

Personnel working in branches operating in foreign countries and joint-operations do not have any employee termination benefit as there is no legal obligation in these countries.

Defined contribution plans

The Company and its subsidiaries in Turkey pay contributions to publicly administered Social Security Fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Foreign subsidiaries and joint operations contribute to the related government body for the pension scheme of its employees in the country they are domiciled. Mandatory contributions to the governmental pension scheme are expensed when incurred.

Statement of cash flows

Cash flows are classified according to operating, investment and finance activities in the statement of cash flows

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, excluding short term deposits with an original maturity of more than three months and deposits blocked in bank accounts as collateral.

Subsequent events

Events following the balance sheet date, also known as 'subsequent events' include any favorable or unfavorable event that took place between the balance sheet date and the publication date of the balance sheet, despite any possible event that might arise after the publicization of any information regarding profits or other financial figures.

The Company adjusts its financial statements if such adjusting subsequent events arise.

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3. DIVIDENDS PAID

Based on the Group's Ordinary General Assembly; 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 8,00% gross, 6,80% net of the issued share capital) in total TL 224.000 (2012: TL 290.000) and TL 19.317 (2012: TL 18.105) as cash dividend to founder shares. The distribution is completed on 8 May 2013.

In 2013 and 2012, the Group distributed dividends as detailed below:

	2013		2012	
	Dividend	Dividends per share	Dividend	Dividends per share
Ordinary share owners (1 Full TL nominal value)	224.000 TL	0,07 Full TL	290.000 TL	0,091 Full TL
Founder share owners	19.317 TL	19.32 TL	18.105 TL	18.11 TL
	<u>243.317 TL</u>		<u>308.105 TL</u>	

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4. INTEREST IN JOINT OPERATIONS

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

	31 December 2013	31 December 2012
ASSETS		
Current Assets		
Cash and cash equivalents	45.945	51.948
Trade receivables	30.614	152.386
Other receivables	85	45
Inventories	8.901	20.777
Costs and estimated earnings in excess of billings on uncompleted contracts	6.285	1.817
Other current assets	14.549	17.702
Group's share in current assets of joint operations	106.379	244.675
Non-Current Assets		
Cost	119.804	164.063
Accumulated depreciation	(83.437)	(109.757)
Group's share in joint operations in property, plant and equipment	36.367	54.306
Trade receivables	-	7.612
Other non-current assets	906	1.292
Group's share in non-current assets of joint operations	906	8.904
LIABILITIES		
Current Liabilities		
Trade payables	47.626	40.309
Billings in excess of costs and estimated earnings on uncompleted contracts	109.217	144.510
Taxation on income	1.037	456
Provisions	3.729	8.048
Provisions for employee benefits	5.913	7.983
Other current liabilities	612	39.576
Group's share in current liabilities of joint operations	168.134	240.882

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 December 2013	31 December 2012
Revenue	508.221	499.564
Cost of revenue	(478.319)	(462.516)
General administrative expenses	(191)	(132)
Other operating income	1.331	798
Other operating expenses	(139)	-
Financial income	1.676	865
Financial expenses	(655)	(2.915)
Taxation charge	(20.682)	(7.102)
Net profit	11.242	28.562

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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5. SEGMENTAL INFORMATION

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

a) Business segments:

1 January - 31 December 2013					
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations Consolidated
Revenues	2,367.514	477.090	438.923	3.263.214	- 6.546.741
Inter-segment revenues	182.584	729	7.736	20.782	(211.831) -
Cost of revenues	(1.946.286)	(114.656)	(354.032)	(3.046.442)	- (5.461.416)
Inter-segment cost of revenues	(189.592)	-	(7.736)	(20.721)	218.049 -
Gross profit	414.220	363.163	84.891	216.833	6.218 1.085.325
Marketing, selling and distribution expenses	(9.870)	(6.850)	(22.188)	(46)	- (38.954)
Administrative expenses	(70.714)	(20.091)	(21.057)	(13.598)	729 (124.731)
Other operating income	20.057	7.597	13.492	19.358	- 60.504
Other operating expenses (-)	(34.760)	(2.233)	(10.801)	(355)	- (48.149)
Profit from operations	318.933	341.586	44.337	222.192	6.947 933.995
Investment income	102.795	9.031	72	-	- 111.898
Investment expenses (-)	(114.844)	-	(378)	-	- (115.222)
Profit from operations Before Financial Income/(Expenses)	306.884	350.617	44.031	222.192	6.947 930.671
Financial income	27.403	1.969	3.258	12.603	(20.369) 24.864
Financial expenses (-)	(30.059)	(7.948)	(20.271)	(7.169)	20.398 (45.049)
Profit before tax	304.228	344.638	27.018	227.626	6.976 910.486
Taxation charge current (-)	(65.802)	(62.838)	(9.029)	(33.312)	- (170.981)
Deferred taxation income/ (expenses)	(12.575)	(7.527)	1.512	(27.912)	- (46.502)
Profit for the year from continuing operations	225.851	274.273	19.501	166.402	6.976 693.003

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 December 2013				
	Construction contracts	Rental	Trade and manufacturing	Energy Consolidated
Other segment information				
Capital expenditures				
Property, plant and equipment & investment property	85.552	161.978	1.339	7.011 255.880
Intangible assets	1.261	37	737	990 3.025
Total capital expenditures	86.813	162.015	2.076	8.001 258.905
Depreciation expense	37.984	4.822	3.284	51.103 97.193
Amortisation	76	73	255	109 513

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5. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 January - 31 December 2012					Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	
Revenues	1.282.401	441.234	387.570	3.634.557	-	5.745.762
Inter-segment revenues	101.166	1.076	7.784	18.582	(128.608)	-
Cost of revenues	(1.093.696)	(115.679)	(326.756)	(3.409.579)	-	(4.945.710)
Inter-segment cost of revenues	(109.786)	-	(7.783)	(18.582)	136.151	-
Gross profit	180.085	326.631	60.815	224.978	7.543	800.052
Marketing, selling and	(12.739)	(7.072)	(21.117)	(625)	-	(41.553)
Administrative expenses	(75.204)	(17.501)	(18.521)	(12.042)	1.823	(121.445)
Other operating income	20.585	3.549	3.406	2.401	(1.218)	28.723
Other operating expenses (-)	(27.875)	(24.189)	(10.950)	(1.029)	-	(64.043)
Profit from operations	84.852	281.418	13.633	213.683	8.148	601.734
Investment income	194.626	26.399	331	291	(2.823)	218.824
Investment expenses (-)	(37.340)	(2.997)	(449)	(153)	-	(40.939)
Profit from operations						
Before Financial Income/(Expenses)	242.138	304.820	13.515	213.821	5.325	779.619
Financial income	16.866	1.434	13.351	6.071	(9.942)	27.780
Financial expenses (-)	(18.777)	(2.223)	(6.984)	(11.482)	10.355	(29.111)
Profit before tax	240.227	304.031	19.882	208.410	5.738	778.288
Taxation charge current (-)	(42.733)	(55.987)	(5.335)	(17.976)	-	(122.031)
Deferred taxation income/ (expenses)	267	(3.968)	1.702	(26.398)	-	(28.397)
Profit for the year from continuing operations	197.761	244.076	16.249	164.036	5.738	627.860
31 December 2012						
	Construction contracts	Rental	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 - 31 December 2012						
	Construction contracts	Rental	Trade and manufacturing	Energy		Consolidated
Other segment information						
Capital expenditures						
Property, plant and equipment & investment property	67.192	59.759	4.801	6.378		138.130
Intangible assets	2.009	81	720	629		3.439
Total capital expenditures	69.201	59.840	5.521	7.007		141.569
Depreciation expense	39.879	6.206	5.230	53.731		105.046
Amortisation	1.208	82	253	159		1.702

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5. 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 year ended 31 December 2013, revenues amounting to USD 3.263.214 (31 December 2012: USD 3.634.557) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the year ended 31 December 2013, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 2.879.913 (31 December 2012: USD 3.249.722) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds %10.

b) Geographical segments

1 January - 31 December 2013						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	4.419.178	870.130	178.849	1.078.584	-	6.546.741
Inter-segment sales	75.934	135.897	-	-	(211.831)	-
Capital expenditures	72.409	168.359	5.436	12.701	-	258.905

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

1 January - 31 December 2012						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Net sales	4.374.847	711.318	166.338	493.259	-	5.745.762
Inter-segment sales	83.259	45.349	-	-	(128.608)	-
Capital expenditures	39.315	67.128	14.187	20.939	-	141.569

31 December 2012						
	Turkey	Russian Federation, Kazakhstan	Europe	Iraq & Other	Eliminations	Consolidated
Segmental assets	4.420.403	2.766.515	749.757	300.544	-	8.237.219

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6. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash on hand	2.111	1.987
Cash in bank		
Demand deposits	801.951	615.614
Time Deposits	464.173	392.150
Other	3.901	5.127
	<u>1.272.136</u>	<u>1.014.878</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>1.271.136</u>	<u>1.013.878</u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

7. FINANCIAL INVESTMENTS**Current financial investments**

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2013 and 31 December 2012 are detailed below:

	31 December 2013	31 December 2012
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	3.669	78.453
Foreign Government bonds		
- International markets	234.442	390.829
Equity securities		
- International markets	176.417	166.323
- Domestic market	923	1.646
Turkish Government bonds		
- Domestic market	16.744	-
Mutual funds		
- International markets	47.388	52.941
- Domestic market	2.073	32.060
	<u>481.656</u>	<u>722.252</u>

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7. FINANCIAL INVESTMENTS (cont'd)**Non-current financial investments**

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2013 and 31 December 2012 are detailed below:

	31 December 2013	31 December 2012
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	851.658	762.526
Foreign Government bonds		
- International markets	73.669	155.326
Turkish Government bonds		
- Domestic market	13.607	6.426
- International markets	59.004	45.361
Equity securities	520	446
	<u>998.458</u>	<u>970.085</u>

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

	31 December 2013	31 December 2012
Private Sector Bonds - International markets	31 December 2049	31 December 2049
Foreign Government Bonds - International markets	07 March 2022	29 March 2049
Turkish Government Bonds		
- Domestic market	07 October 2015	15 January 2020
- International markets	14 January 2041	14 January 2041

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8. FINANCIAL LIABILITIES

a) Bank loans

31 December 2013				
Short-term borrowings:	Weighted Average Interest rate	Currency Type	Original Currency	USD Equivalent
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				<u>35.776</u>
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				<u>280.474</u>

31 December 2012				
Short-term borrowings:	Weighted Average 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	1.406	789
	9,00%	RUB	10.000	325
Total short-term borrowings				<u>20.053</u>

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8. FINANCIAL LIABILITIES (cont'd)**a) Bank loans (cont'd)****Long-term borrowings:**

	31 December 2012			
	Weighted Average Interest rate	Currency Type	Original Currency	USD 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	5,745	5,745
Hermes loan	0.54%	EUR	24,731	32,628
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	3,468	1,945
Finance lease obligations				89,249
				<u>356,499</u>
Less: Current portion of long-term borrowings				(137,458)
Total long-term borrowings				<u><u>219,041</u></u>

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

	31 December 2013	31 December 2012
Less than 1 year	58,705	134,768
1 - 2 years	19,645	91,743
2 - 3 years	15,207	19,457
3 - 4 years	12,135	12,114
4 - 5 years	-	9,168
Less : Current portion of long-term borrowings	(58,705)	(134,768)
	<u>46,987</u>	<u>132,482</u>

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8. FINANCIAL LIABILITIES (cont'd)

a) Bank loans (cont'd)

Power companies Bank loans

The long-term borrowings of the Power Companies have been obtained under a project financing structure. Enka İnşaat has given a letter of credit to support each Power Company's Debt Service Reserve up to a maximum amount of 6 months' senior debt service under these facilities. The letter of credit can only be called to meet senior debt service to the extent 6 months senior debt service is not met from operating cash flow. Total amount of these loans are paid in 2013 before the maturity dates.

Eximbank loans

A syndicate of commercial banks named as Eximbank Facility Lenders provides the funding. The interest is currently payable to the lender in 6 months' period and the applicable rate is determined as the 6-month LIBOR Rate plus 0,1% for Gebze Elektrik and İzmir Elektrik. Adapazarı Elektrik Exim loan bears 4,26% fixed rate for the entire life of the loan. Interest is paid semi-annually. Total amount of these loans are paid in 2013.

OPIC loans

The OPIC loans are funded with the issue of Government backed certificates in the US Capital Markets and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. In December 2002, the variable interest rates (3 months US Treasury bill rate plus a maximum of 4,25% and minimum of 3,80%) were converted to a fixed rate of 7,54%, 7,85% and 7,90% for İzmir Elektrik, Gebze Elektrik and Adapazarı Elektrik, respectively. Total amount of these loans are paid in 2013.

Hermes loans

The Hermes loans are guaranteed by the Export Credit Agencies of the German Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. Interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0,625%. Total amount of these loans are paid in 2013.

OND loans

The OND Loans are guaranteed by the Export Credit Agencies of the Belgian Government and have a 12-year term of principal repayment in 24 semi-annual installments commencing on May 15, 2003 for Adapazarı and Gebze Elektrik, on October 15, 2003 for İzmir Elektrik. A syndicate of commercial banks provides the funding. The interest is paid semi-annually at a rate of 12-months LIBOR plus a margin of 0,70%. Total amount of these loans are paid in 2013.

Other long-term bank borrowings

Other long-term bank borrowings include Euro denominated Hermes loan and loan denominated in Japanese Yen. These loans were obtained to finance the operations of Enka Pazarlama which is the subsidiary of the Group.

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8. FINANCIAL LIABILITIES (cont'd)

b) Finance lease obligations

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>

31 December 2012				
	Weighted Average Interest rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	2,36%	USD	282	282
	3,00%	RUB	73.905	2.408
				<u>2.690</u>
Long-term	3,00%	RUB	2.656.677	86.559
				<u>86.559</u>
				<u>89.249</u>

c) Finance lease commitments

As of 31 December 2013 and 2012, repayment schedule of finance lease obligations are as follows:

	31 December 2013	31 December 2012
Less than 1 year	7.457	2.693
1 - 5 years	35.560	16.799
More than 5 years	197.928	69.760
Total finance lease obligations	<u>240.945</u>	<u>89.252</u>
Interest	-	(3)
Present value of total finance lease obligations	<u>240.945</u>	<u>89.249</u>

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9. TRADE RECEIVABLES AND PAYABLES**a) Trade receivables**

	31 December 2013	31 December 2012
<u>Short-term trade receivables</u>		
Trade receivables	357.324	536.643
Discount on trade receivables (-)	(175)	(142)
Contract receivables	387.398	281.172
Notes and cheques receivables	55.617	73.253
Discount on notes and cheques receivables (-)	(1.255)	(1.159)
Retention receivables (*)	23.089	13.609
	<u>821.998</u>	<u>903.376</u>
Less: Allowance for doubtful receivables	(24.436)	(24.656)
	<u>797.562</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 are between 30 and 90 days.

As of 31 December 2013 and 2012, movement of allowance for doubtful receivables is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Balance at beginning of the year	24.656	30.809
Additional provision	4.337	5.489
Foreign currency translation effect	(725)	652
Amounts recovered during the year (Note 26)	(441)	(297)
Write-offs (*)	(3.391)	(11.997)
Closing balance	<u>24.436</u>	<u>24.656</u>

(*) Allowances of the previous periods which were decided as bad debts were written-off as of 31 December 2013 and 2012.

	31 December 2013	31 December 2012
<u>Long-term trade receivables</u>		
Notes and cheques receivables	4.210	5.172
Discount on notes and cheques receivables (-)	(144)	(34)
Trade receivables	9.591	9.201
Discount on trade receivables (-)	(140)	(33)
Retention receivables (*)	-	7.612
	<u>13.517</u>	<u>21.918</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.

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. TRADE RECEIVABLES AND PAYABLES (cont'd)**b) Trade payables**

	31 December 2013	31 December 2012
<u>Short-term trade payables</u>		
Trade payables	527.983	613.448
Discount on trade payables (-)	(8)	(14)
Notes Payable	5.569	8.038
Discount on notes payable (-)	(19)	(33)
Other trade payables	204	117
	<u>533.729</u>	<u>621.556</u>

	31 December 2013	31 December 2012
<u>Long term trade payables</u>		
Trade payables	5.503	5.277
	<u>5.503</u>	<u>5.277</u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

10. OTHER RECEIVABLES AND PAYABLES**a) Other receivables**

	31 December 2013	31 December 2012
<u>Short-term other receivables</u>		
Deposits and guarantees given	693	9.864
Other receivables from related parties (Note 33)	43	233
	<u>736</u>	<u>10.097</u>

b) Other payables

	31 December 2013	31 December 2012
<u>Short-term other payables</u>		
Deposits and guarantees taken	28.791	26.576
Other payables to related parties (Note 33)	1.198	1.457
	<u>29.989</u>	<u>28.033</u>

	31 December 2013	31 December 2012
<u>Long-term other payables</u>		
Deposits and guarantees taken	30.127	25.862
	<u>30.127</u>	<u>25.862</u>

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11. INVENTORIES

	31 December 2013	31 December 2012
Raw materials and spare parts	164.344	162.615
Work in progress	68.558	12.645
Trade goods (machinery and others)	63.332	85.272
Finished goods	10.835	22.263
Goods in transit	19.724	29.781
Construction materials	18.317	27.474
Allowance for impairment on inventory (*)	(704)	(2.458)
	<u>344.406</u>	<u>337.592</u>

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

As of 31 December 2013, there is not any pledge on inventories (31 December 2012 - None).

12. CONSTRUCTION CONTRACTS

	31 December 2013	31 December 2012
Costs incurred on uncompleted contracts	1.904.214	1.945.441
Recognized profit less recognized losses to date	88.102	319.918
	<u>1.992.316</u>	<u>2.265.359</u>
Less: progress billing	(2.054.715)	(2.378.807)
	<u>(62.399)</u>	<u>(113.448)</u>

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

	31 December 2013	31 December 2012
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	108.938	68.573
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(171.337)	(182.021)
	<u>(62.399)</u>	<u>(113.448)</u>

As of 31 December 2013, the amount of advances received of subsidiaries and companies shares in joint operations is USD 209.083 (31 December 2012 – USD 226.692).

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13. INVESTMENT PROPERTIES

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

	1 January - 31 December 2013	1 January - 31 December 2012
Opening balance	2.133.921	1.942.767
Currency translation difference	(108.269)	82.877
Change in fair value, net (Note 27)	4.778	20.554
Transfers from fixed assets (Note 14)	7.381	1.005
Additions	153.135	53.383
Change in present value of lease obligations	156.383	35.771
Disposals	(797)	(2.436)
Closing balance	<u>2.346.532</u>	<u>2.133.921</u>

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2013 and 2012 investment properties consist of real estates in Russia from which rent income is obtained and lands and buildings held as investment in Turkey amounting to USD 11.021 (31 December 2012: USD 12.432). These properties are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licenced independent valuation firm.

Investment properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2013, the fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 12,06 million RUB equivalent to USD 368.360 (31 December 2012 – 11.85 million RUB equivalent to USD 390.121), Mosenka; 4,12 million RUB equivalent to USD 125.861 (31 December 2012 – 4.08 billion RUB equivalent to USD 134.312), Enka TC; 37,8 billion RUB equivalent to USD 1.155.451 (31 December 2012 – 30.5 billion RUB equivalent to USD 1.003.994). These properties are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licenced independent valuation firm.

The fair values of the investment properties of the Company in Russia, determined at 31 December 2013 as USD 664.750 (31 December 2012 – USD 580.473) the investment properties of the Group located in Moscow includes land leased from Moscow City Authorities under a 49 year operating lease agreement, which are renewable at the option of the Group.

The investment properties owned by the Group are carried at fair value determined by independent professionally qualified valuers on the basis of market value supported by market evidence and other information obtained in the course of market research. Fair values of such investment properties are periodically reviewed by the Group through the report of independent valuers.

For the circumstances that the fair value of the properties have not been determined based on transactions observable in the market because of the nature of the property and the lack of comparable data, a valuation model based on income capitalisation method has been applied. The fair value of the investment properties of the Group are estimated by using income capitalization method, with capitalization and discount rates ranging between 9% to 14,1% and 8,60% to 10,8% (31 December 2012: 8% to 10% and 9% to 9,5%) respectively.

"KOMIT Invest" which is licenced by Russian Federation as an independent valuation firm, has revalued the fair values of the investment properties of the Group.

	31 December 2013	Fair value as at 31 December 2013		
		1. Level USD	2. Level USD	3. Level USD
Investment properties in Russia	2.332.688	-	-	2.332.688
Investment properties in Turkey	13.844	-	13.844	-
Total	<u>2.346.532</u>	<u>-</u>	<u>13.844</u>	<u>2.332.688</u>

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14. PROPERTY, PLANT AND EQUIPMENTS

Cost	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
Opening balance as of 1 January 2013	193.540	299.016	2.077.905	31.807	75.342	34.635	19.319	10.102	24.792	2.766.458
Currency translation differences	(3.125)	(14.136)	(5.253)	19	(2.641)	(36)	-	1.058	(696)	(24.810)
Revaluation (**)	52.889	(11.186)	-	-	-	-	-	-	-	41.703
Additions	4.595	403	58.778	2.986	10.720	-	-	1.744	23.519	102.745
Disposals	(74)	(17.787)	(37.931)	(5.066)	(4.295)	(3.925)	(4.420)	(1.257)	(3.168)	(77.923)
Transfers to investment properties (Note 13)	-	(27)	(66)	-	(10.896)	-	-	-	(2.281)	(13.270)
Transfers from assets held for sale	2.246	-	-	-	-	-	-	-	-	2.246
Other reclassifications(***)	924	5.642	7.140	102	(2.402)	-	-	47	(11.453)	-
Closing balance as of 31 December 2013	250.995	261.925	2.100.573	29.848	65.828	30.674	14.899	11.694	30.713	2.797.149
Accumulated depreciation										
Opening balance as of 1 January 2013	(22.983)	(30.176)	(780.900)	(20.924)	(51.547)	(27.684)	(8.920)	(6.439)	-	(949.573)
Currency translation differences	443	940	6.026	(39)	2.074	(27)	-	(3.968)	-	5.449
Revaluation (**)	1.058	14.997	-	-	-	-	-	-	-	16.055
Charge of the year	(2.730)	(8.563)	(72.827)	(3.617)	(5.622)	(1.928)	(594)	(1.312)	-	(97.193)
Disposals	52	11.205	30.612	3.584	2.707	3.486	2.340	768	-	54.754
Other reclassifications(***)	-	220	(1.110)	380	901	-	-	(391)	-	-
Transfers to investment properties (Note 13)	-	24	-	-	5.865	-	-	-	-	5.889
Closing balance as of 31 January 2013	(24.160)	(11.353)	(818.199)	(20.616)	(43.622)	(26.153)	(7.174)	(11.342)	-	(964.619)
Net book value as of 1 January 2013	170.557	268.840	1.297.005	10.883	23.795	6.951	10.399	3.663	24.792	1.816.885
Net book value as of 31 December 2013	226.835	250.572	1.282.374	9.232	20.206	4.521	7.725	352	30.713	1.832.530

(*) The amount consists of the aircrafts used by subsidiary of the Company, Air Enka.

(**) As of 31 December 2013, lands of Pınas in Russian Federation, hotel building and office part of MKH are revalued by independent qualified valuers. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Land and buildings of Enka Pazarlama, Pınas, Çimtaş and Enka İnşaat are revalued by Artı Gayrimenkul Değerleme A.Ş. which is a CMB licensed independent valuation firm. Buildings of MKH are revalued by "American Appraisal". Revaluations are made by "precedent value" and "discounted cash flow" methods.

(***) Other reclassifications are classifications between sub-groups of fixed assets and have no effect on net book value of fixed assets.

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14. PROPERTY, PLANT AND EQUIPMENTS (cont'd)

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
Cost										
Opening balance as of 1 January 2012	185.703	279.879	2.072.831	29.798	67.138	38.188	19.319	9.258	20.491	2.722.605
Currency translation differences	1.250	8.313	3.975	(1.089)	1.734	(724)	-	3.356	628	17.443
Revaluation (**)	281	7.650	-	-	-	-	-	-	-	7.931
Additions	5.902	8.053	45.118	4.629	7.283	2.184	-	216	11.362	84.747
Disposals	(398)	(3.960)	(45.792)	(1.760)	(715)	(1.312)	-	(5.620)	(5.509)	(65.066)
Transfers to investment properties (Note 13)	-	(1.062)	(4)	-	(8)	-	-	-	-	(1.074)
Transfers from construction in progress and other reclassifications(***)	802	143	1.777	229	(90)	(3.701)	-	2.892	(2.052)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	(128)	(128)
Closing balance as of 31 December 2012	193.540	299.016	2.077.905	31.807	75.342	34.635	19.319	10.102	24.792	2.766.458
Accumulated depreciation										
Opening balance as of 1 January 2012	(20.244)	(27.874)	(724.973)	(18.801)	(44.443)	(29.869)	(7.121)	(7.414)	-	(880.739)
Currency translation differences	(38)	186	(3.127)	553	(1.012)	525	-	(756)	-	(3.669)
Revaluation (**)	-	2.402	-	-	-	-	-	-	-	2.402
Charge of the year	(2.903)	(10.051)	(77.197)	(3.554)	(6.060)	(2.667)	(1.799)	(815)	-	(105.046)
Disposals	194	3.293	31.198	932	203	784	-	806	-	37.410
Other reclassifications(***)	8	1.799	(6.801)	(54)	(235)	3.543	-	1.740	-	-
Transfers to investment properties (Note 13)	-	69	-	-	-	-	-	-	-	69
Closing balance as of 31 December 2012	(22.983)	(30.170)	(780.900)	(20.924)	(51.547)	(27.684)	(8.920)	(6.439)	-	(949.579)
Net book value as of 1 January 2012	165.459	252.005	1.347.858	10.997	22.695	8.319	12.198	1.844	20.491	1.841.866
Net book value as of 31 December 2012	170.557	268.840	1.297.005	10.883	23.795	6.951	10.399	3.663	24.792	1.816.885

(*) The amount consists of the aircrafts used by subsidiary of the Company, Air Enka.

(**) As of 31 December 2012, lands of Pınas in Russian Federation, hotel building and office part of MKH are revalued by independent qualified valuers. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Buildings of MKH are revalued by "American Appraisal". Revaluations are made by "precedent value" and "discounted cash flow" methods.

(***) Other reclassifications are classifications between sub-groups of fixed assets and have no effect on net book value of fixed assets.

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14. PROPERTY, PLANT AND EQUIPMENTS (cont'd)

As of 31 December 2013, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to USD 5.192 (31 December 2012: USD 9.267) and USD 3.477 (31 December 2012: USD 6.120).

As of 31 December 2013, there is no security on the property, plant and equipment of the Group. (31 December 2012: USD 2.290.588)

If the buildings were measured using the cost model, the carrying amounts would be as follows:

	31 December 2013	31 December 2012
Cost	350.755	359.797
Accumulated depreciation	(150.089)	(155.981)
Net book value	200.666	203.816

The distribution of depreciation expenses as of 31 December 2013 and 2012 is presented in note 25.

	31 December 2013	Fair value as at 31 December 2013		
		1. Level USD	2. Level USD	3. Level USD
Lands	226.835	-	226.835	-
Buildings	250.572	-	-	250.572
Total	477.407	-	226.835	250.572

15. INTANGIBLE ASSETS

	1 January - 31 December 2013	1 January - 31 December 2012
<u>Cost</u>		
Opening balance	40.183	37.496
Currency translation difference	(626)	432
Additions	3.025	3.439
Disposals	(144)	(1.312)
Transfers from fixed assets	-	128
Closing balance	42.438	40.183
<u>Accumulated amortization</u>		
Opening balance	(10.218)	(8.072)
Currency translation difference	266	(444)
Charge of the year	(513)	(1.702)
Closing balance	(10.465)	(10.218)
Carrying value	31.973	29.965

As of 31 December 2013, there is not any pledge on intangible assets (31 December 2012: None).

The distribution of amortization expenses as of 31 December 2013 and 2012 is presented in Note 25.

16. GOODWILL

The Group had acquired the remaining 100% interest stake in the Power Companies between the years 2003 to 2005, where the Company had 40% shareholding. As a result of these acquisitions goodwill amounting to USD 55.151 (31 December 2012: USD 55.151) was recorded in the consolidated financial statements.

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16. GOODWILL (cont'd)

Çimtaş, the subsidiary of the Company, acquired 100% shares of IBH Engineering GMBH in the amount of EUR 10.000 in 21 April 2010. Thus, goodwill of EUR 6.486 was recognized in this acquisition.

As of 31 December 2013 and 2012, the movement of goodwill is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Opening balance	63.725	63.560
Currency translation difference	367	165
Closing balance	64.092	63.725

17. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2013	31 December 2012
Short-term Prepaid Expenses		
Advances given	103.552	62.781
Prepaid expenses	8.662	9.810
	112.214	72.591
Long-term Prepaid Expenses		
Advances given	40	48
Prepaid expenses	1.739	3.111
	1.779	3.159
Short-term Deferred Income		
Advances taken	220.344	251.066
Deferred rent revenue	120.378	66.163
	340.722	317.229
Long-term Deferred Income		
Deferred income (*)	708.084	787.816
Deferred rent revenue	3.327	2.813
	711.411	790.629

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

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18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Short-term accrued expenses		
Accrual for construction costs	28.744	25.325
Forward accrual (*)	599	3.813
Provision for legal claims	5.396	5.310
Accrued expenses	6.054	2.018
	<u>40.793</u>	<u>36.466</u>

(*) As of 31 December 2013, the Group's derivative liabilities formed from forward foreign-currency transactions are USD 599 (31 December 2012: derivative liabilities USD 3.813) These contracts are reflected in the consolidated financial statements as follows.

Derivative instruments / forward contracts purchase – sales agreements

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The table below shows derivative financial instruments analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

As of 31 December 2013 and 2012, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

	31 December 2013			
	Unrealized (Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(599)	-	-	-
Forward contracts sales agreements	-	63.969	-	-
Forward contracts purchase agreements	-	63.136	-	-

	31 December 2012			
	Unrealized (Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(3.813)	-	-	-
Forward contracts sales agreements	-	75.396	32.824	-
Forward contracts purchase agreements	-	72.968	31.663	-

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19. COMMITMENTS**Operating lease commitments – Group as lessee**

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

	31 December 2013	31 December 2012
Within one year	142	378
After one year but not more than five years	-	1.584
More than 5 years	-	6.737
	<u>142</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 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Within one year	348.185	318.129
After one year but not more than five years	598.070	608.987
More than 5 years	269.861	245.050
	<u>1.216.116</u>	<u>1.172.166</u>

Litigations

- In relation to the legal case regarding the construction project of the Group in Russia, due to losses incurred and due to receivable claims which have not been invoiced yet, the decision has been made and the Group has been entitled to receive USD 42.333 excluding litigation expenses and VAT. The full amount has been collected during the year.
- For the Group's Esentai Park Project in Kazakhstan, an agreement has been reached with the job owner and their bank and after receiving the pledge for the overdue receivables the construction has been re-started. The provisions for this project are still being carried in the consolidated financial statements.
- As of 31 December 2013, regarding the motorway project of the Group in Albania, for 2006-2009 period the Group has been exposed to tax penalties and interest and penalties amounting to ALL 693.729 (USD 6.943) as a result of tax office audits which were held on different dates. Of this amount ALL 568.691 (USD 5.691) was paid. The Group has appealed against all these amounts and the appeal process is continuing as of the report date.

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19. COMMITMENTS (cont'd)

Litigations (cont'd)

- As of 31 December 2013, an international arbitration has been filed by the Group for the losses incurred and unbilled receivables related to the joint operation in Oman. The employer has also filed a lawsuit at the same court. Since the calculations are still continuing total amount of the claims has not been finalised yet. Necessary provisions have been done at in the Group's financial statements.

Others

- As of 31 December 2013, Pimaş has 5.750 USD and 3.700 Euro export commitments related with foreign currency loans with export commitments obtained from different domestic banks (31 December 2012 - 4.500 USD and 5.750 Euro).
- The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 December 2013 and 2012 is as follows:

	31 December 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		870.475		3.148.784
-USD	689.048	689.048	2.834.614	2.834.614
-EUR	64.918	89.318	102.744	135.545
-TL	29.052	13.612	20.273	11.373
-Others (*)		78.497		167.252
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		383.945		480.188
-USD	4.185	4.185	4.435	4.435
-EUR	55.298	76.083	78.814	103.976
-TL	1.738	814	1.738	975
-Others (*)		302.863		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
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
-USD		-	400	400
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>1.254.420</u>		<u>3.629.372</u>

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

As of 31 December 2013 the portion of other guarantess given to shareholders' equity is 0% (31 December 2012: 0,01%).

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20. PROVISIONS FOR EMPLOYEE BENEFITS**a) Short-term employee benefits****Liabilities with the scope of employee benefits**

	31 December 2013	31 December 2012
Payroll payable	30.307	22.026
	<u>30.307</u>	<u>22.026</u>

Short-term provisions related to employee benefits

	31 December 2013	31 December 2012
Bonus accrual	7.386	12.337
Vacation pay liability	12.551	11.482
	<u>19.937</u>	<u>23.819</u>

b) Long-term employee benefits

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay limited to a maximum of full TL 3.254 equivalent to full USD 1.525 (31 December 2012 - full TL 3.034 equivalent to USD full 1.702) per year of employment at the rate of pay applicable at the date of retirement or termination. Effective from 1 January 2014, the retirement pay ceiling has been increased to full TL 3.438.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2013, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with %2,88 real discount rate, assuming an annual inflation rate of % 5 and a discount rate of %7,6. (31 December 2012 - 4,66)

Movements of the provision for employee termination benefits during years ended 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Opening balance	17.038	13.048
Service cost	395	4.412
Actuarial loss	1.294	1.045
Retirement benefits paid	(1.256)	(1.918)
Translation gain / loss	(1.764)	451
Closing balance	<u>15.707</u>	<u>17.038</u>

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21. OTHER ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Other current assets		
Deferred VAT	24.002	52.672
VAT receivable	20.818	12.351
Prepaid taxes and funds	6.690	8.620
Other	5.396	4.908
	<u>56.906</u>	<u>78.551</u>
Other non-current assets		
Prepayment for land leases	5.479	6.307
Restricted cash (*)	-	2.977
Other	871	1.310
	<u>6.350</u>	<u>10.594</u>

(*) The balance is related with cash held by the Group as blocked deposit in banks for maintenance purposes for the Steam turbines of the Power Companies.

	31 December 2013	31 December 2012
Other current liabilities		
VAT payable	37.131	20.599
Taxes and funds payable	6.527	7.260
Other	857	1.709
	<u>44.515</u>	<u>29.568</u>

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22. SHARE CAPITAL

a) Share capital

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

	31 December 2013		31 December 2012	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49,27%	1.005.282	49,27%	901.242
Tara and Gülçelik families	28,07%	572.727	27,99%	511.991
Publicly traded	12,34%	251.983	12,42%	227.186
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5,95%	121.197	5,95%	108.837
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4,37%	89.163	4,37%	79.936
	100%	2.040.352	100%	1.829.192

Based on the Group's Ordinary General Assembly held on April 12, 2013; the Group increased its share capital on June 12, 2013 from TL 2.800.000 to TL 3.200.000; and covered the TL 400.000 from the 1st Dividend at an amount of TL 243.500, and from the 2nd Dividend at an amount of TL 156.500.

Within the above mentioned shares, founders of Enka İnşaat and former Enka Holding have one thousand founders share each. The founder shares of Enka İnşaat and the founder shares of former Enka Holding are entitled to receive, 5% and 2,5%, respectively, of the net income after the deduction of legal reserve and the first dividends.

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22. SHARE CAPITAL (cont'd)**b) Revaluation surplus***Revaluation fund*

Revaluation difference arising from difference between book value and fair value of the buildings is netted off with the related deferred tax and classified as revaluation surplus and included under equity.

The movement of revaluation fund for years 2013 and 2012 is as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Opening balance	186.592	201.631
Currency translation difference	(853)	1.339
Revaluation of fixed assets	58.666	10.333
Deferred tax effect of revaluation of fixed assets	(4.249)	(2.010)
Share of non-controlling interests	(5.034)	(3.589)
Transfer of depreciation difference (net of deferred tax) of revaluation effect	(2.979)	(3.494)
Transfer of revaluation surplus of sold buildings	-	(17.618)
Closing balance	232.143	186.592

Financial Risk Hedge Fund

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

c) Legal reserves and accumulated profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Public companies in Turkey (only applicable for Enka İnşaat and Pimaş) make profit distributions in accordance with the regulations of CMB.

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22. SHARE CAPITAL (cont'd)**c) Legal reserves and accumulated profit (cont'd)**

When net profit for the year ended 2013 based on consolidated financial statements prepared according to CMB and financial statements prepared in accordance with Turkish Trade Law are compared, distributable net profit for the year is determined as TL 1.212.752 after deduction of first legal reserve.

Equity inflation adjustment and carrying value of extraordinary reserves can be used in free capital increase, cash profit distribution and loss deduction. However, equity inflation adjustment is subject to corporate tax if it is used in cash profit distribution.

As of 31 December 2013, legal reserves of Enka İnşaat are amounting to TL 326.171 equivalent to USD 152.823 (31 December 2012 – TL 277.679 equivalent to USD 155.772).

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

	31 December 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	40.000.000.000	400.000	30.000.000.000	300.000
	<u>320.000.000.000</u>	<u>3.200.000</u>	<u>280.000.000.000</u>	<u>2.800.000</u>

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23. SALES AND COST OF SALES

Sales	1 January - 31 December 2013	1 January - 31 December 2012
Domestic sales	4.419.178	4.374.847
Export sales	2.127.563	1.370.915
	<u>6.546.741</u>	<u>5.745.762</u>
Cost of Sales	1 January - 31 December 2013	1 January - 31 December 2012
Cost of domestic sales	3.961.970	4.032.647
Cost of export sales	1.499.446	913.063
	<u>5.461.416</u>	<u>4.945.710</u>

The Group is operating in five main geographical areas alone or together with its affiliated companies or, in partnerships with other contractors through joint ventures. Segmental information of the Group is disclosed in Note 5.

24. MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Marketing, sales and distribution expenses	38.954	41.553
Administrative expenses	124.731	121.445
	<u>163.685</u>	<u>162.998</u>

a) Marketing, sales and distribution expenses

	1 January - 31 December 2013	1 January - 31 December 2012
Employee benefit expenses	22.394	18.892
Business development expenses	3.424	2.511
Transportation expenses	2.951	9.845
Office expenses	723	893
Depreciation and amortization expenses (Note 25)	485	580
Others	8.977	8.832
	<u>38.954</u>	<u>41.553</u>

b) General administrative expenses

	1 January - 31 December 2013	1 January - 31 December 2012
Employee benefit expenses	66.973	76.982
Depreciation and amortization expenses (Note 25)	6.703	6.014
Consulting and legal expenses	5.105	3.993
Transportation expenses	4.678	5.488
Rent expenses	1.999	679
Others	39.273	28.289
	<u>124.731</u>	<u>121.445</u>

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25. EXPENSES BY NATURE

Depreciation and amortization expenses are detailed below:

	1 January - 31 December 2013	1 January - 31 December 2012
<u>Depreciation expenses</u>		
Cost of revenues	90.187	99.414
Selling and administrative expenses	6.735	5.003
Other operating expense	271	629
	<u>97.193</u>	<u>105.046</u>
<u>Amortization expenses</u>		
Selling and administrative expenses	453	1.591
Cost of revenues	60	111
	<u>513</u>	<u>1.702</u>
	<u>97.706</u>	<u>106.748</u>

Employee benefit expenses are detailed below:

	1 January - 31 December 2013	1 January - 31 December 2012
Wages and salaries	314.581	238.369
Social security costs	55.480	38.480
Provision for employee termination benefits	1.689	5.457
Other benefits	9.954	8.202
	<u>381.704</u>	<u>290.508</u>

26. OTHER OPERATING INCOME / EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
<u>Other operating income</u>		
Foreign exchange gains from trade receivables	20.433	12.465
Warranty income	19.264	2.809
Compensation Income	5.332	3.669
Machinery and other rent income	2.130	1.605
Service income	523	134
Collection of doubtful receivables (Note 9)	441	297
Insurance income	323	661
Commission income	254	1.558
Other	11.804	5.525
	<u>60.504</u>	<u>28.723</u>

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26. OTHER OPERATING INCOME / EXPENSES (cont'd)

Other operating expense	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange losses from trade receivables	18.082	12.007
Litigation provisions	7.572	6.267
Donations	6.803	6.901
Provision for doubtful receivables (Note 9)	4.337	5.489
Commission expense	1.103	807
Provisions for land lease rights	908	23.687
Capital increase expense	944	914
Tax penalties	303	37
Depreciation expense	271	630
Rent expense	131	60
Other	7.695	7.244
	<u>48.149</u>	<u>64.043</u>

27. INVESTMENT INCOME / EXPENSES

Income from investing activities	1 January - 31 December 2013	1 January - 31 December 2012
Interest income:		
Interest revenue from financial assets held for sale	52.689	38.463
Increase in value of financial assets	29.189	111.262
Income from sale of securities	14.239	23.325
Dividend income	7.739	5.276
Increase in the fair value of investment properties	4.778	20.554
Gains from sales of property, plant and equipment	1.954	2.134
Foreign exchange income from investing activities	1.310	17.810
	<u>111.898</u>	<u>218.824</u>

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27. INVESTMENT INCOME / EXPENSES (cont'd)

	1 January - 31 December 2013	1 January - 31 December 2012
Expenses from investing activities		
Losses from valuation of investment securities	(91.525)	(3.714)
Foreign exchange losses from investing activities	(22.609)	(26.636)
Losses from sale of securities	(709)	(10.232)
Loss from sales of property, plant and equipment	(379)	(357)
	<u>(115.222)</u>	<u>(40.939)</u>

28. FINANCIAL INCOME

	1 January - 31 December 2013	1 January - 31 December 2012
Interest income	11.194	8.951
Foreign exchange gains	11.695	15.138
Forward income	1.740	2.555
Others	235	1.136
	<u>24.864</u>	<u>27.780</u>

29. FINANCIAL EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange losses	24.742	5.705
Bank commission expenses	8.306	7.505
Interest expenses	7.807	11.058
Commission expenses of letters of guarantee	1.868	2.150
Deferred financing cost	1.466	2.014
Forward losses	817	669
Others	43	10
	<u>45.049</u>	<u>29.111</u>

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30. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Lands and buildings held for sale

As of 31 December 2013 and 2012, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 1.196 and USD 3.916 respectively

b) Discontinued operations

The Group sold the assets classified as held for sale of retail operations in Russia on 3 April 2012 for an amount of EUR 126.800 (USD 168.993). Total profit of this transaction is recorded in the consolidated financial statements as follows; USD 17.618 is transferred from revaluation surplus to retained earnings in the consolidated statement of changes in equity, USD 6.275 is recorded as tax expense in the consolidated statement of income and the remaining balance amounting USD 32.083 is recorded as profit in the consolidated statement of income.

The results of discontinued operations is as follows:

	1 January - 3 April 2012
Sales revenue	23.953
Sales cost (-)	(13.598)
Marketing and sales expenses (-)	(6.939)
General administrative expenses (-)	(4.666)
Other operation income	193
Other operation expenses (-)	(26)
Financial expenses (-)	(95)
Corporate tax expense (-)	(14)
Deferred tax benefit	10
Net profit / (loss) from discontinued operations	(1.182)
Gain on sale of discontinued operations	38.358
Current tax effect of sale of discontinued operations	(10.679)
Deferred tax effect of sale of discontinued operations	4.404
Net profit	30.901

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31. 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.

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

As of 31 December 2013 and 2012, components of tax expense are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Consolidated income statement		
Current corporate tax	(170.981)	(122.031)
Deferred tax expense	(46.502)	(28.397)
	<u>(217.483)</u>	<u>(150.428)</u>

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

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

	31 December 2013	31 December 2012
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:

	2013	2012
1 January	38.415	40.304
Current year tax expense	170.981	132.724
Taxes paid	(154.893)	(134.613)
31 December	54.503	38.415

A reconciliation of the nominal (on the basis of the income tax rate of the Company and the Turkish subsidiaries) to the effective tax rate for the years ended 31 December 2013 and 2012 is provided below:

	1 January - 31 December 2013		1 January - 31 December 2012	
Profit before tax	910.486		808.144	
Tax per statutory tax rate 20%	182.097	20%	161.629	20%
Jobsites exempt from income tax	(12.449)	(1,4%)	(5.567)	(0,7%)
Effect of different functional currencies and others	47.834	5,3%	(5.634)	(0,7%)
Taxation charge	217.482	23,9%	150.428	18,6%

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31. TAXATION ON INCOME (cont'd)

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

	31 December 2013	31 December 2012
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(444.616)	(498.250)
GE Inventory in the context of "PSA" (*)	(31.085)	(28.867)
Adjustments on financial instruments and derivatives	(11.362)	(4.383)
Gross deferred income tax liabilities	<u>(487.063)</u>	<u>(531.500)</u>
Adjustment of revenue levelization	140.201	155.988
Allowance for retirement pay liability	2.463	2.517
Allowance for doubtful receivables	2.603	2.862
Allowance for inventories	(60)	513
Others	(57.064)	6.192
Gross deferred income tax assets	<u>88.143</u>	<u>168.072</u>
Net deferred tax liability	<u><u>(398.920)</u></u>	<u><u>(363.428)</u></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 December 2013	31 December 2012
Deferred tax assets	450	84
Deferred tax liabilities	(399.370)	(363.512)
Net deferred liabilities	<u><u>(398.920)</u></u>	<u><u>(363.428)</u></u>

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2013 related with Group's shares in its subsidiaries, branches and associates is USD 1.289.032 (31 December 2012: USD 912.620)

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31. TAXATION ON INCOME (cont'd)

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

	31 December 2013	31 December 2012
Balance at 1 January	363.428	324.547
Deferred income tax expense recognized in income statement	46.502	23.993
Deferred income tax expense recognized in equity	4.252	2.044
Currency translation difference	(15.262)	12.844
	<u>398.920</u>	<u>363.428</u>

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

	31 December 2013			31 December 2012		
	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax	Before Taxation	Deferred tax (expense)/ income	Netted-off deferred tax
Change in revaluation of buildings	58.666	(4.249)	54.417	10.333	(2.010)	8.323
Revaluation loss of defined benefit plans	(1.294)	-	(1.294)	(1.045)	-	(1.045)
Changes in fair value of derivative assets	15	(3)	12	170	(34)	136
Changes in currency translation differences	(78.591)	-	(78.591)	115.493	-	115.493
	<u>(21.204)</u>	<u>(4.252)</u>	<u>(25.456)</u>	<u>124.951</u>	<u>(2.044)</u>	<u>122.907</u>

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32. 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 December 2013.

	31 December 2013	31 December 2012
Earning per share		
- ordinary share certificate (full cent)	0,20	0,20
- 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 2013 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earnings per share is reflected on ordinary share certificates.

33. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties

The Group is controlled by Tara Holding (49,27%) (31 December 2012 - 49,27%) and Tara and Gülçelik families (28,07%) (31 December 2012 - 27,99%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also include management and members of the Group's Board of Directors.

In the course of conducting business, the Group conducted various business transactions with related parties on commercial terms. The breakdown of balances with related parties and details of significant related party transactions are as follows:

	31 December 2013		31 December 2012	
	Receivables	Payables	Receivables	Payables
Shareholders	-	1.198	-	1.457
Enka Spor Kulübü	20	-	172	-
Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş.	23 (*)	-	61 (*)	-
	43	1.198	233	1.457

(*) Funds provided by Enka İnşaat (in USD) with interest rates Libor + 0,5% and Libor + 2%.

As of 31 December 2013, the Group does not have any rent income (31 December 2012: None) and sales to related parties (31 December 2012: None) as of 31 December 2013.

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33. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

Directors' remuneration

The total wages paid for the members of Board of Directors of the Group is amounting to USD 10.327 (31 December 2012 - USD 9.031), the social security payments and retirement pay provisions are USD 899 (31 December 2012 - USD 1.092) and USD 439 (31 December 2012 - USD 468) respectively. Total wages paid for the general manager, general coordinators and vice general managers of the Group (except BOD members), is amounting to USD 20.487 (31 December 2012 - USD 15.372), the social security payment and retirement pay provisions are USD 840 (31 December 2012 - USD 485) and USD 1.782 (31 December 2012 - USD 1.472) respectively.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, investment securities, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board / management reviews and agrees policies for managing each of these risks. The Group monitors the market price risk arising from all financial instruments periodically.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital structure of the Group comprises from liabilities, cash and cash equivalents, paid-in capital and legal reserves explained in Note 22.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

Interest risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group is managing interest risk that arises from assets and liabilities sensitive to interest risk by using derivative instruments.

The following table demonstrates the sensitivity to a reasonably possible increase of 1% in the interest rates, with all other variables held constant, on the floating rate borrowings of the Group's profit before tax and the Group's non-controlling interest.

	31 December 2013	31 December 2012
<u>Financial assets with floating rates</u>		
Financial assets	-	-
Financial liabilities	(197)	(2.060)

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

Foreign currency risk

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

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

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

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

	31 December 2013	31 December 2012
A. Assets denominated in foreign currency	1.315.774	1.635.937
B. Liabilities denominated in foreign currency	(687.574)	(603.513)
Net foreign currency position (A+B)	628.200	1.032.424

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

Foreign currency risk (cont'd)

The Group's foreign currency position at 31 December 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 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

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

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

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34. 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	30.398	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

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

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

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

Foreign currency risk (cont'd)

The details of the forward contracts and sales-purchase agreements are explained in Note 17 in order to manage Group's foreign currency position.

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 December 2013 and 31 December 2012:

	31 December 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)	(1.055)	1.055	7.161	(7.161)
2- Portion hedged against TL risk (-)	77	(77)	-	-
3- TL net effect (1+2)	(978)	978	7.161	(7.161)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	23.038	(23.038)	42.664	(42.664)
5- Portion hedged against Euro risk (-)	3.419	(3.419)	10.363	(10.363)
6- Euro net effect (4+5)	26.457	(26.457)	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)	14.060	(14.060)	17.118	(17.118)
8- Portion hedged against other foreign currency risk (-)	-	-	(106)	106
9- Other foreign currency net effect (7+8)	14.060	(14.060)	17.012	(17.012)
Total (3+6+9)	39.539	(39.539)	77.200	(77.200)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

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

Credit risk (cont'd)

	Receivables				Financial assets at fair value through profit or loss
	Trade receivables		Other receivables		
	Related party	3rd party	Related party	3rd party	
31 December 2013					
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)					
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	811.079	43	693	1.272.136
A. Financial assets that are either past due or impaired	-	305.465	-	-	-
	-	771.861	43	693	1.272.136
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	1.426	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	34.981	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	29.308	-	-	-
D. The amount of financial assets that are impaired	-	2.811	-	-	-
- Past due (Gross book value)	-	24.436	-	-	-
- The amount of impairment (-)	-	(21.625)	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	2.811	-	-	-
- Not past due (Gross book value)	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-

(*) As of 31 December 2013, trade receivables from TEYAS amounting to USD 248.117 are guaranteed by Turkish Treasury.

	Receivables			
	Trade receivables	Other receivables	Bank deposits	Other
31 December 2013				
Overdue between 1 to 30 days	8.229	-	-	-
Overdue between 1 to 3 months	1.419	-	-	-
Overdue between 3 to 12 months	5.395	-	-	-
Overdue between 1 to 5 years	19.938	-	-	-
Overdue over 5 years	-	-	-	-
	34.981	-	-	-

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

Credit risk (cont'd)

	Receivables			Financial assets at fair value through profit or loss		
	Trade receivables	Other receivables		Derivative instruments	Bank deposits	
	Related party	3rd party	Related party			
31 December 2012						
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)						
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	900.638	233	9.864	1.017.855	1.692.337
	-	490.863	-	-	-	-
A. Financial assets that are either past due or impaired						
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	808.385	233	9.864	1.017.855	1.692.337
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	3.265	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	87.823	-	-	-	-
D. The amount of financial assets that are impaired	-	18.678	-	-	-	-
- Past due (Gross book value)	-	1.165	-	-	-	-
- The amount of impairment (-)	-	24.656	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	(23.491)	-	-	-	-
- Not past due (Gross book value)	-	1.165	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-

(*) As of 31 December 2012, trade receivables from TETAŞ amounting to USD 447.803 are guaranteed by Turkish Treasury.

	Receivables			Financial assets at fair value through profit or loss		
	Trade receivables	Other receivables		Derivative instruments	Bank deposits	Other
31 December 2012						
Overdue between 1 to 30 days	8.786	-	-	-	-	-
Overdue between 1 to 3 months	9.127	-	-	-	-	-
Overdue between 3 to 12 months	27.798	-	-	-	-	-
Overdue between 1 to 5 years	42.112	-	-	-	-	-
Overdue over 5 years	-	-	-	-	-	-
	87.823	-	-	-	-	-

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

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Current liabilities

31 December 2013

	<u>Total cash outflow</u>				
		<u>according to</u>		<u>1 to 3</u>	
<u>Contractual maturity analysis</u>	<u>Carrying</u>	<u>contract</u>	<u>Up to 1</u>	<u>months</u>	<u>3 to 12</u>
	<u>value</u>	<u>(I+II+III)</u>	<u>month (I)</u>	<u>(II)</u>	<u>months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	101.938	104.122	15.722	8.460	79.940
Trade payables	533.729	533.754	299.262	74.011	160.481
Other payables to related parties	1.198	1.198	1.198	-	-
Provisions for employee benefits	42.157	42.157	29.745	7.694	4.718
Other payables	28.791	28.791	4	218	28.569

Non-current liabilities

31 December 2013

	<u>Total cash outflow</u>				
		<u>according to</u>		<u>1 to 3</u>	
<u>Contractual maturity analysis</u>	<u>Carrying</u>	<u>contract</u>	<u>Up to 1</u>	<u>months</u>	<u>3 to 12</u>
	<u>value</u>	<u>(I+II+III)</u>	<u>month (I)</u>	<u>(II)</u>	<u>months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	280.474	281.933	118.712	22.569	140.652
Trade payables	5.503	5.503	-	5.503	-
Other payables	30.127	30.127	29.282	712	133

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

Liquidity risk (cont'd)

Current liabilities

31 December 2012

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract</u>			
		<u>(I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months (II)</u>	<u>3 to 12 months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	157.511	161.420	8.626	8.883	143.911
Trade payables	621.556	621.602	491.405	56.589	73.608
Other payables to related parties	1.457	1.457	1.457	-	-
Provisions for employee benefits	34.363	34.363	24.366	7.385	2.612
Other payables	26.576	28.033	1.462	326	26.245

Non-current liabilities

31 December 2012

	<u>Total cash outflow</u>				
		<u>according to</u>		<u>1 to 3</u>	
<u>Contractual maturity analysis</u>	<u>Carrying</u>	<u>contract</u>	<u>Up to 1</u>	<u>months</u>	<u>3 to 12</u>
	<u>value</u>	<u>(I+II+III)</u>	<u>month (I)</u>	<u>(II)</u>	<u>months (III)</u>
Non-derivative financial liabilities					
Financial liabilities and finance lease obligations	219.041	222.331	195.251	22.380	4.700
Trade payables	5.277	5.277	-	5.277	-
Other payables	25.862	25.862	23.615	2.247	-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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35. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK

Fair value of financial assets and liabilities

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

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

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

Financial assets

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

Financial liabilities

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

Fair value hierarchy

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

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

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

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

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

Fair value hierarchy (cont'd)

31 December 2013:

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

31 December 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Private sector bonds	840.979	-	-
Equity securities	168.415	-	-
Foreign government bonds	546.155	-	-
Turkish government bonds	51.787	-	-
Mutual funds	85.001	-	-
Financial assets at fair value through profit or loss	1.692.337	-	-
Derivative instruments	-	3.813	-
Financial liabilities at fair value through profit or loss	-	3.813	-

36. SUBSEQUENT EVENTS

None.