

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 30 JUNE 2012

**REVIEW REPORT ON INTERIM
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Enka İnşaat ve Sanayi Anonim Şirketi (Enka İnşaat) and its subsidiaries (together the “Group”) as of 30 June 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month interim period then ended. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards (“IFRS”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that, the accompanying interim condensed consolidated financial statements, do not present fairly, in all material respects, in accordance with International Financial Reporting Standards.

İstanbul, 15 August 2012

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

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ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

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

		(Reviewed)	(Audited)
		30 June	31 December
ASSETS	Notes	2012	2011
Current Assets		2,815,608	2,751,144
Cash and cash equivalents	7	701,606	756,187
Financial investments	8	883,106	633,954
Trade receivables	10	516,686	584,571
Other receivables		918	1,139
Inventories	11	296,717	269,158
Costs and estimated earnings in excess of billings on uncompleted contracts	12	46,620	52,273
Other current assets		137,492	79,685
Group's share in current assets of joint ventures	3	228,360	253,657
		2,811,505	2,630,624
Assets held for sale and discontinued operations	20	4,103	120,520
Non-Current Assets		4,764,240	4,709,189
Trade receivables	10	16,908	19,213
Financial investments	8	831,714	774,585
Investment properties	13	1,953,221	1,942,767
Property, plant and equipment		1,816,291	1,841,866
- Group	14	1,760,875	1,781,698
- Group's share in joint ventures	3, 14	55,416	60,168
Intangible assets		29,417	29,424
Goodwill		63,333	63,560
Deferred tax assets	21	15	95
Other non-current assets		44,467	28,966
Group's share in non-current assets of joint ventures	3	8,874	8,713
TOTAL ASSETS		7,579,848	7,460,333

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

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

LIABILITIES	Notes	(Reviewed) 30 June 2012	(Audited) 31 December 2011
Current Liabilities		1,205,921	1,196,079
Financial liabilities		185,712	214,953
- Bank loans	9	183,222	212,233
- Obligations under finance leases		2,490	2,720
Trade payables	10	431,571	437,048
Other payables		141,639	125,614
Billings in excess of costs and estimated earnings on uncompleted contracts	12	55,010	3,805
Taxation on income	21	23,639	28,275
Provisions		35,201	32,737
Provisions for employee benefits		27,709	30,096
Other current liabilities		77,016	87,814
Group's share in current liabilities of joint ventures	3	228,424	235,737
Non-Current Liabilities		1,466,466	1,489,641
Financial liabilities		232,553	253,254
- Bank loans	9	178,106	201,680
- Obligations under finance leases		54,447	51,574
Trade payables	10	5,701	6,734
Other payables		53,914	24,384
Provisions for employee benefits		14,313	13,048
Deferred tax liabilities	21	324,717	324,579
Other non-current liabilities	16	828,486	860,798
Group's share in non-current liabilities of joint ventures	3	6,782	6,844
EQUITY			
Equity attributable to equity holders of the parent		4,669,417	4,532,507
Share capital	19	1,829,192	1,666,060
Revaluation surplus		181,756	201,631
Currency translation difference		(266,378)	(232,357)
Other reserves		1,908	1,838
Legal reserves and accumulated profit		2,922,939	2,895,335
Non-controlling interests		238,044	242,106
TOTAL LIABILITIES AND EQUITY		7,579,848	7,460,333

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 JUNE 2012

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

		(Reviewed) 1 January - 30 June 2012	(Not reviewed) 1 April - 30 June 2012	(Reviewed) 1 January - 30 June 2011	(Not reviewed) 1 April - 30 June 2011
	Notes				
CONTINUING OPERATIONS					
Revenue	6	2,471,788	1,349,759	2,334,528	1,207,961
Cost of revenues (-)	6	(2,098,422)	(1,155,431)	(1,934,596)	(981,632)
GROSS PROFIT		373,366	194,328	399,932	226,329
Marketing, selling and distribution expenses (-)	6	(18,281)	(10,995)	(17,016)	(9,593)
Administrative expenses (-)	6	(64,945)	(42,326)	(54,349)	(33,201)
Other operating income	6	8,880	5,730	44,745	38,746
Other operating expenses (-)	6	(15,374)	(7,738)	(12,084)	(6,127)
PROFIT FROM OPERATIONS		283,646	138,999	361,228	216,154
Financial income	6	92,449	10,245	72,529	25,331
Financial expenses (-)	6	(40,121)	(23,594)	(100,857)	(72,915)
PROFIT BEFORE TAX		335,974	125,650	332,900	168,570
Current tax expense (-)	21	(50,927)	(10,565)	(37,450)	(17,807)
Deferred tax expense	21	(7,554)	(25,262)	(22,190)	(20,450)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		277,493	89,823	273,260	130,313
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations, net of tax	20	30,901	30,879	(404)	(40)
NET PROFIT FOR THE PERIOD		308,394	120,702	272,856	130,273
Attributable to:					
Non-controlling interests		10,278	5,184	4,319	2,030
Equity holders of the parent		298,116	115,518	268,537	128,243
		308,394	120,702	272,856	130,273
Earnings per share from discontinued operations					
- ordinary share certificate (full cent)		0.01	0.01	-	-
Earnings per share from continued operations					
- ordinary share certificate (full cent)	5	0.11	0.04	0.10	0.05
Weighted average number of shares		280,000,000,000	280,000,000,000	280,000,000,000	280,000,000,000

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2012

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

	(Reviewed) 1 January- 30 June 2012	(Not reviewed) 1 April- 30 June 2012	(Reviewed) 1 January- 30 June 2011	(Not reviewed) 1 April- 30 June 2011
NET PROFIT FOR THE PERIOD	308,394	120,702	272,856	130,273
Other Comprehensive Income / (Expense):				
Changes in cash flow hedge				
Gain arising during the period	88	29	203	84
Tax effect	(18)	(7)	(41)	(17)
	70	22	162	67
Changes in revaluation fund of property				
Gain arising during the period	-		606	10
Tax effect	-		(121)	(2)
	-	-	485	8
Changes in currency translation difference	(39,455)	(206,247)	153,528	25,809
OTHER COMPREHENSIVE INCOME / (LOSS) AFTER TAX	(39,385)	(206,225)	154,175	25,884
TOTAL COMPREHENSIVE INCOME / (LOSS)	269,009	(85,523)	427,031	156,157
Attributable to:				
Non-controlling interests	5,268	(20,351)	21,164	4,597
Equity holders of the parent	263,741	(65,172)	405,867	151,560
	269,009	(85,523)	427,031	156,157

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2012

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interests	Total equity
Balance at 1 January 2011		1,476,498	138,694	(119,230)	1,519	2,674,789	4,172,270	241,634	4,413,904
Total other comprehensive income		-	1,894	135,274	162	-	137,330	16,845	154,175
Profit for the period		-	-	-	-	268,537	268,537	4,319	272,856
Total comprehensive income		-	1,894	135,274	162	268,537	405,867	21,164	427,031
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(2,081)	-	-	2,081	-	-	-
Share capital increase		189,562	-	-	-	(189,562)	-	-	-
Dividends paid	17	-	-	-	-	(101,600)	(101,600)	(7,106)	(108,706)
Balance at 30 June 2011	19	1,666,060	138,507	16,044	1,681	2,654,245	4,476,537	255,692	4,732,229
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		-	(424)	(34,021)	70	-	(34,375)	(5,010)	(39,385)
Profit for the period		-	-	-	-	298,116	298,116	10,278	308,394
Total comprehensive income		-	(424)	(34,021)	70	298,116	263,741	5,268	269,009
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(1,833)	-	-	1,833	-	-	-
Share capital increase	19	163,132	-	-	-	(163,132)	-	-	-
Dividends paid	17	-	-	-	-	(126,831)	(126,831)	(9,330)	(136,161)
Transfer of revaluation surplus of sold buildings		-	(17,618)	-	-	17,618	-	-	-
Balance at 30 June 2012	19	1,829,192	181,756	(266,378)	1,908	2,922,939	4,669,417	238,044	4,907,461

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2012

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

	Notes	(Reviewed) 1 January - 30 June 2012	(Reviewed) 1 January - 30 June 2011
Cash flows from operating activities			
Profit for the period		308,394	272,856
Adjustments to reconcile net income to net cash used in operating activities:			
- Depreciation and amortization of non-current assets		53,705	63,668
- Provision for employment termination benefits		2,580	1,222
- Allowance for doubtful receivables		1,196	3,788
- Adjustments to deferred income from electricity sale		(31,492)	(7,745)
- Gain on sale of discontinued operations	20	(38,358)	-
- Loss from fair value of forward transactions		1,952	2
- Interest expense		9,518	73,520
- Interest income		(24,119)	(21,013)
- Dividend income		(3,023)	(3,704)
- Provision for inventory impairment, net		(538)	102
- Gain on sale or disposal of property, plant and equipment, net	14	(692)	(3,785)
- Tax expense		64,760	59,656
		<u>343,883</u>	<u>438,567</u>
Movements in working capital			
Decrease in trade and other receivables		69,109	26,815
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts		5,653	1,200
Decrease/(Increase) in Group's share in assets of joint venture		25,136	(27,356)
Increase in inventory		(27,020)	(68,203)
Increase in other current assets and other non current assets		(73,141)	(26,240)
Decrease in trade and other payables		(6,510)	(2,155)
Increase/(decrease) in billings in excess of cost and estimated earnings on uncompleted contracts		51,205	(6,793)
Decrease in Group's share in current and non current liabilities of joint ventures		(7,375)	(8,907)
Increase in provision for liabilities and other liabilities		17,982	36,906
		<u>55,039</u>	<u>(74,733)</u>
Income taxes paid	21	(61,842)	(56,614)
Employee termination benefits paid		(1,361)	(871)
Net cash generated from operating activities		<u>335,719</u>	<u>306,349</u>
Cash flows from investing activities			
Financial investments		(306,281)	5,448
Proceeds on disposal or sale of property, plant and equipment	14	8,105	8,041
Purchases of property, plant and equipment, intangible assets and investment properties	6	(71,545)	(63,497)
Interest received		23,911	20,008
Proceeds from sale of discontinued operations		168,993	-
Dividend income		3,023	3,704
Net cash used in investing activities		<u>(173,794)</u>	<u>(26,296)</u>
Cash flows from financing activities			
Short-term borrowings, net		(5,522)	15,433
Addition to long-term borrowings		41,445	29,675
Repayments of long-term borrowings		(94,187)	(165,525)
Interest paid		(8,557)	(71,660)
Dividend paid to non-controlling interests		(9,330)	(7,106)
Dividend paid		(126,831)	(101,600)
Net cash used in financing activities		<u>(202,982)</u>	<u>(300,783)</u>
Translation reserve		(13,524)	36,035
Net increase in cash and cash equivalents		<u>(54,581)</u>	<u>15,305</u>
Cash and cash equivalents at beginning of the period	7	755,187	598,079
Cash and cash equivalents at end of the period	7	<u>700,606</u>	<u>613,384</u>

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

1. ORGANIZATIONS AND OPERATIONS OF THE GROUP

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

As of 28 June 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 30 June 2012, 12.61% 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 30 June 2012, the average numbers of white and blue-collar personnel are respectively 4,344 and 14,624 (31 December 2011 – 3,201 and 10,357).

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

The Group operates in geographical areas below:

- i. *Turkey*: engaged in diverse types of construction activities including construction of industrial and social buildings, motorways and construction and operation of natural gas fired electrical energy generation facilities.
- ii. *Russian Federation and Kazakhstan*: engaged in construction activities in Russia and Kazakhstan and also engaged in the investment and deveopment of real estate properties, which are leased to tenants in Moscow, Russia, as well as run a network of hyperstores and shopping malls in Moscow.
- iii. Engaged in construction activities in Burundi, Libya, Djibouti and Equatorial Guinea in Africa; Saudi Arabia, Oman, Iraq and Afganistan in Asia, Dominican Republic in America and Papua New Guinea.
- iv. *Europe*: engaged in construction and trading activities in Romania, Albania, Netherlands, Switzerland, Germany, Kosova and Bosnia Herzegovina.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard No:34, Interim Financial Reporting (IAS 34). This condensed interim financial information does not contain all the information required for the preparation of the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, financial investments and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 30 June 2012. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 15 August 2012. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

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

2.1 Basis of presentation (cont'd)

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

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

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

2.2 Functional and presentation currency

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

Until 31 December 2005, the financial statements of subsidiaries, functional currency of which was TL, were restated for the changes in the general purchasing power of TL based on IAS 29 (Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies were no longer applicable at that time, Turkey came off hyperinflationary status effective from 1 January 2006. After the Turkish economy ceased to be hyperinflationary, such subsidiaries no longer restate their financial statements in accordance with IAS 29, and use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date these subsidiaries ceased restating their financial statements. Therefore, the non-monetary assets and liabilities and components of shareholders' equity of such subsidiaries including share capital reported in the balance sheet as of 30 June 2012 and 31 December 2011 are derived by indexing the additions occurred until 31 December 2005 and carrying the additions after this date with their nominal amounts.

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

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

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

2.2 Functional and presentation currency (cont'd)

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

The period-end and average Turkish Lira (TL) rates for 30 June 2012, 31 December 2011 and 30 June 2011 for one U.S. Dollars can be summarized as below:

	<u>30 June 2012</u>	<u>31 December 2011</u>	<u>30 June 2011</u>
U.S. Dollars / TL – as of balance sheet date	1.8065	1.8889	1.6302
U.S. Dollars / TL – period average	1.7935	1.6708	1.5641

2.3 Reclassification made to previously issued consolidated financial statements

As the Group has classified its retail operation to the discontinued operations in 2011, notes to the statement of income for the period ended 30 June 2011 with its related notes and segmental information note is reclassified in accordance with IFRS 5 Non – Current Assets Held For Sale and Discontinued Operations. The reclassification does not have any impact on prior period equity and net income.

2.4 Summary of significant accounting policies

Except for the new and amended standards effective from 1 January 2012 the Group's accounting policies are consistent with the accounting policies used at 31 December 2011.

2.5 Adoption of New and Revised International Financial Reporting Standards

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

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

None.

(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 2015; earlier adoption is permitted.

The Group has adopted IFRS 9 at 31 December 2010, as well as the related consequential amendments to other IFRSs.

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 12 *Deferred Taxes – Recovery of Underlying Assets*

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

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

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

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

Amendments to IFRS 7	<i>Disclosures – Offsetting of Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statement</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Amendments to IAS 32 <i>Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities</i>	

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

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).

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

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

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

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 has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which 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 returns. 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 has been withdrawn upon the issuance 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 proportionate accounting.

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.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. In addition, the application of IFRS 11 may result in changes in the accounting of the Group's jointly controlled entity that is currently accounted for using proportionate consolidation. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. The management of the Group does not expect any impact of the adoption of this amendment on the consolidated financial statements.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

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

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

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

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate 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 consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will 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 to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. The management of the Group does not expect any impact of the adoption of this amendment on the consolidated financial statements.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

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

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

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

Annual Improvements 2009/2011 Cycle

Further to the above amendments and revised standards, the IASB have issued Annual Improvements to IFRSs in May 2012 that cover 5 main standards/interpretations as follows:

- IFRS 1 - Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets
- IAS 1 - Clarification of the requirements for comparative information
- IAS 16 - Classification of servicing equipment
- IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
- IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

All amendments are effective on or after 1 January 2013. Early adoptions of these amendments are allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

2.6 Critical judgements in applying the entity's accounting policies

For the period ended 30 June 2012, the Group continued using judgements applied during the year ended 31 December 2011.

2.7 Key sources of estimation uncertainty

For the period ended 30 June 2012, the Group continued using estimations applied during the year ended 31 December 2011.

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3. INTEREST IN JOINT VENTURES

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

	30 June 2012	31 December 2011
ASSETS		
Current Assets		
Cash and cash equivalents	58,174	58,481
Trade receivables	138,653	162,066
Other current assets	21,518	23,543
Inventories	5,168	7,931
Costs and estimated earnings in excess of billings on uncompleted contracts	4,847	1,636
Group's share in current assets of joint ventures	228,360	253,657
Non-Current Assets		
Cost	167,521	180,036
Accumulated depreciation	(112,105)	(119,868)
Group's share in joint ventures in property, plant and equipment	55,416	60,168
Trade receivables	7,612	7,587
Other non-current assets	1,262	1,126
Group's share in non-current assets of joint ventures	8,874	8,713
LIABILITIES		
Current Liabilities		
Trade payables	36,987	39,124
Other current liabilities and accrued expenses	69,598	86,573
Billings in excess costs and estimated earnings on uncompleted contracts	121,839	110,040
Group's share in current liabilities of joint ventures	228,424	235,737
Non-Current Liabilities		
Other non-current liabilities	6,782	6,781
Deferred tax liability	-	63
Group's share in non-current liabilities of joint ventures	6,782	6,844

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3. INTEREST IN JOINT VENTURES (cont'd)

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

	1 January - 30 June 2012	1 January - 30 June 2011
Revenue	238,380	246,002
Cost of revenue	(186,879)	(125,988)
General administrative expenses	(2)	(24)
Other operating income	310	879
Other operating expenses	-	(36)
Financial income	358	827
Financial expenses	(3,570)	(1,299)
Taxation charge	(2,927)	(1,988)
Net profit	<u>45,670</u>	<u>118,373</u>

4. CHANGES IN OPERATIONAL SEASON

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

5. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 30 June 2012 and 30 June 2011.

	1 January- 30 June 2012	1 April - 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Earning per share				
- ordinary share certificate (full cent)	0.12	0.05	0.10	0.05
- founder shares (*)	-	-	-	-
Weighted average number of share certificates (nominal value of 1 YKr each)				
- ordinary share certificate	280,000,000,000	280,000,000,000	280,000,000,000	280,000,000,000
Enka Insaat founder shares	1,000	1,000	1,000	1,000
Enka Holding founder shares	1,000	1,000	1,000	1,000

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

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6. SEGMENTAL INFORMATION

a) Business segments

	1 January - 30 June 2012					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	474,266	212,863	221,667	1,562,992	-	2,471,788
Inter-segment revenue	43,975	487	5,260	10,374	(60,096)	-
Cost of revenue	(384,507)	(59,005)	(191,074)	(1,463,836)	-	(2,098,422)
Inter-segment cost of revenue	(51,562)	-	(2,315)	(10,465)	64,342	-
Gross profit	82,172	154,345	33,538	99,065	4,246	373,366
Marketing, selling and distribution expenses	(3,681)	(3,640)	(10,522)	(438)	-	(18,281)
Administrative expenses	(33,938)	(18,191)	(7,908)	(5,395)	487	(64,945)
Other operating income	6,958	433	1,339	2,241	(2,091)	8,880
Other operating expenses	(10,911)	(523) *	(3,238)	(702)	-	(15,374)
Profit from operations	40,600	132,424	13,209	94,771	2,642	283,646
Financial income	81,963	7,577	4,818	4,072	(5,981)	92,449
Financial expenses (-)	(26,040)	(4,282)	(5,844)	(9,884)	5,929	(40,121)
Profit before tax	96,523	135,719	12,183	88,959	2,590	335,974

(*) Includes other operating expense of investment properties.

	30 June 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Segment assets	3,185,891	2,188,792	428,453	1,776,432	7,579,568
Unallocated assets					280
Total assets	3,185,891	2,188,792	428,453	1,776,432	7,579,848
Segment liabilities	644,599	399,987	290,738	1,335,603	2,670,927
Unallocated liabilities					1,460
Total liabilities	644,599	399,987	290,738	1,335,603	2,672,387

	1 January - 30 June 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Other segment information					
Capital expenditures					
Property, plant and equipment & Investment Property	30,265	31,622	3,037	5,650	70,574
Intangible assets	135	24	477	335	971
Total capital expenditures	30,400	31,646	3,514	5,985	71,545
Depreciation expense	20,152	3,096	2,495	27,113	52,856
Amortization expense	595	25	149	80	849

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 April - 30 June 2012					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	291,157	107,028	128,914	822,660	-	1,349,759
Inter-segment revenue	19,852	190	3,338	4,160	(27,540)	-
Cost of revenue	(230,342)	(25,094)	(110,988)	(789,007)	-	(1,155,431)
Inter-segment cost of revenue	(23,411)	-	(1,643)	(4,216)	29,270	-
Gross profit	57,256	82,124	19,621	33,597	1,730	194,328
Marketing, selling and distribution expenses	(1,922)	(2,540)	(6,095)	(438)	-	(10,995)
Administrative expenses	(19,284)	(15,676)	(4,419)	(3,137)	190	(42,326)
Other operating income	4,393	144	778	1,988	(1,573)	5,730
Other operating expenses	(5,236)	(274) *	(1,615)	(613)	-	(7,738)
Profit from operations	35,207	63,778	8,270	31,397	347	138,999
Financial income	15,748	1,591	(6,181)	534	(1,447)	10,245
Financial expenses (-)	(18,386)	154	(2,897)	(3,888)	1,423	(23,594)
Profit before tax	32,569	65,523	(808)	28,043	323	125,650

(*). Includes other operating expense of investment properties.

	1 April - 30 June 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Other segment information					
Capital expenditures					
Property, plant and equipment & investment property	21,715	11,262	1,818	5,509	40,304
Intangible assets	104	-	186	217	507
Total capital expenditures	21,819	11,262	2,004	5,726	40,811
Depreciation expense	8,266	2,511	1,278	13,536	25,591
Amortization expense	237	13	87	40	377

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 January - 30 June 2011					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	400,146	201,984	225,402	1,506,996	-	2,334,528
Inter-segment revenue	13,314	-	6,597	9,592	(29,503)	-
Cost of revenue	(270,018)	(65,912)	(196,369)	(1,402,297)	-	(1,934,596)
Inter-segment cost of revenue	(16,100)	-	(1,682)	(9,644)	27,426	-
Gross profit	127,342	136,072	33,948	104,647	(2,077)	399,932
Marketing, selling and distribution expenses	(4,412)	(1,925)	(10,679)	-	-	(17,016)
Administrative expenses	(32,163)	(11,886)	(7,084)	(5,295)	2,079	(54,349)
Other operating income	43,945	823	2,614	10,323	(12,960)	44,745
Other operating expenses	(9,497)	(1,066) *	(1,482)	(39)	-	(12,084)
Profit from operations	125,215	122,018	17,317	109,636	(12,958)	361,228
Financial income	60,855	3,461	4,387	6,972	(3,146)	72,529
Financial expenses (-)	(85,952)	(2,671)	(7,230)	(8,164)	3,160	(100,857)
Profit before tax	100,118	122,808	14,474	108,444	(12,944)	332,900

(* Includes other operating expense of investment properties.)

	31 December 2011				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Segment assets	2,938,812	2,202,929	483,908	1,834,350	7,459,999
Unallocated assets					334
Total assets	2,938,812	2,202,929	483,908	1,834,350	7,460,333
Segment liabilities	587,098	391,248	294,807	1,411,814	2,684,967
Unallocated liabilities					753
Total liabilities	587,098	391,248	294,807	1,411,814	2,685,720

	1 January - 30 June 2011				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & Investment Property	17,443	37,821	3,794	3,076	62,134
Intangible assets	807	31	232	293	1,363
Total capital expenditures	18,250	37,852	4,026	3,369	63,497
Depreciation expense	27,011	2,098	2,880	27,030	59,019
Amortization expense	1,089	24	364	81	1,558

(* Depreciation expense of discontinued operations amounting to USD 3,091 is not included.)

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

	1 April - 30 June 2011					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	239,281	102,874	136,210	729,596	-	1,207,961
Inter-segment revenue	7,871	-	3,786	3,717	(15,374)	-
Cost of revenue	(143,955)	(30,527)	(119,605)	(687,545)	-	(981,632)
Inter-segment cost of revenue	(9,550)	-	(988)	(3,737)	14,275	-
Gross profit	93,647	72,347	19,403	42,031	(1,099)	226,329
Marketing, selling and distribution expenses	(2,789)	(994)	(5,810)	-	-	(9,593)
Administrative expenses	(18,109)	(9,903)	(3,431)	(2,803)	1,045	(33,201)
Other operating income	36,744	591	1,626	9,773	(9,988)	38,746
Other operating expenses	(4,543)	(339) *	(1,032)	(213)	-	(6,127)
Profit from operations	104,950	61,702	10,756	48,788	(10,042)	216,154
Financial income	21,611	648	314	4,151	(1,393)	25,331
Financial expenses (-)	(65,798)	(868)	(3,833)	(3,879)	1,463	(72,915)
Profit before tax	60,763	61,482	7,237	49,060	(9,972)	168,570

(*) Includes other operating expense of investment properties.

	1 April - 30 June 2011				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Other segment information					
<u>Capital expenditures</u>					
Property, plant and equipment & Intangible assets	11,122	22,351	2,264	2,175	37,912
	617	28	125	168	938
Total capital expenditures	11,739	22,379	2,389	2,343	38,850
Depreciation expense	13,110	995	1,426 *	13,458	28,989
Amortization expense	844	16	166	41	1,067

(*) Depreciation expense of discontinued operations amounting to USD 1,644 is not included.

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6. SEGMENTAL INFORMATION (cont'd)

a) Business segments (cont'd)

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

For the period ended 30 June 2012, revenue amounting to USD 1,506,906 (30 June 2011: USD 1,506,996) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 30 June 2011, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 1,378,787 (30 June 2011: USD 1,325,472) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) which exceeds 10% of consolidated cost of revenue.

b) Geographical segments

	1 January - 30 June 2012					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Net sales	1,915,286	321,654	88,963	145,885	-	2,471,788
Inter-segment sales	38,713	21,383	-	-	(60,096)	-
Capital expenditures	22,817	35,466	7,195	6,067	-	71,545

	30 June 2012					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Segmental assets	4,095,308	2,491,429	748,037	244,794	-	7,579,568

	1 April - 30 June 2012					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Net sales	1,032,574	177,305	54,910	84,970	-	1,349,759
Inter-segment sales	17,530	10,010	-	-	(27,540)	-
Capital expenditures	16,001	13,767	7,020	4,023	-	40,811

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6. SEGMENTAL INFORMATION (cont'd)

b) Geographical segments (cont'd)

	1 January - 30 June 2011					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Net sales	1,817,806	307,815	151,693	57,214		2,334,528
Inter-segment sales	27,425	2,078			(29,503)	-
Capital expenditures	15,426	39,837	3,628	4,606		63,497

	31 December 2011					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Segmental assets	4,091,502	2,592,372	633,265	142,860	-	7,459,999

	1 April - 30 June 2011					
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Net sales	915,737	155,017	107,877	29,330	-	1,207,961
Inter-segment sales	14,330	1,044	-	-	(15,374)	-
Capital expenditures	9,327	23,766	1,752	4,005	-	38,850

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7. CASH AND CASH EQUIVALENTS

	30 June 2012	31 December 2011
Cash on hand	2,031	1,655
Cash in bank		
Demand deposits	252,941	314,093
Time deposits	441,971	436,954
Other	4,663	3,485
	<u>701,606</u>	<u>756,187</u>
Less: time deposits with maturity over three months and less than one year	(1,000)	(1,000)
Cash and cash equivalents at consolidated statement of cash flows	<u>700,606</u>	<u>755,187</u>

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

	30 June 2012	31 December 2011
<i>Fixed interest rate</i>		
USD	%0.05-%5.00	0.10%-6.00%
Russian Ruble	%5.50-%6.80	4.25%-8.25%
EUR	%0.09-%4.50	0.25%-5.75%
TL	%6.00-%11.90	0.50%-12.50%
Japanese Yen	%0.15-%2.25	0.05%-2.05%
Chinese Yuan	%3.10-%3.50	2.85%-3.10%

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

USD - Fixed interest rate	2.45%-6.00%	2.45%-6.00%
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8. FINANCIAL INVESTMENTS

Short-term financial investments

Short-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 30 June 2012 and 31 December 2011 are detailed below:

	30 June 2012	31 December 2011
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	13,277	6,447
Foreign Government bonds		
- International markets	656,802	430,473
Equity securities		
- International markets	147,902	119,372
- Domestic market	2,318	1,946
Turkish Government bonds		
- Domestic market	8,209	24,179
Mutual funds		
- International markets	43,800	27,714
- Domestic market	10,798	23,823
	<u>883,106</u>	<u>633,954</u>

Long-term financial investments

Long-term financial investments of the Group classified as financial assets at fair value through profit or loss as of 30 June 2012 and 31 December 2011 are detailed below:

	30 June 2012	31 December 2011
Financial assets at fair value through profit or loss		
Private sector bonds		
- International markets	665,859	544,843
Foreign Government bonds		
- International markets	109,829	189,628
Turkish Government bonds		
- Domestic market	37,534	23,926
Turkish Government bonds		
- International markets	17,501	15,437
Equity securities	991	751
	<u>831,714</u>	<u>774,585</u>

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

	30 June 2012	31 December 2011
Private Sector Bonds - International markets	22 October 2049	22 October 2049
Foreign Government Bonds - International markets	15 February 2042	15 February 2041
Turkish Government Bonds		
- Domestic market	02 February 2019	29 January 2014
- International markets	14 January 2041	14 February 2034

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9. FINANCIAL LIABILITIES

Short-term borrowings:

	30 June 2012			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	(Euribor+% 2.75)+% 6.20	EUR	5,007	6,303
	(Libor+% 1.75)+% 6.50	USD	9,447	9,447
	% 13.75	TL	679	376
	% 10.37	RBL	30,000	905
	%0	JPY	271,720	3,411
				<u>20,442</u>
Current portion of long-term borrowings				162,780
Total short-term borrowings				<u><u>183,222</u></u>

Long-term borrowings:

	30 June 2012			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Eximbank loans	Libor +0.10% - 4.26%	USD	70,080	70,080
OPIC loan	7.54%-7.90%	USD	50,087	50,087
Hermes loan	Libor + 0.625%	USD	3,047	3,047
OND loan	Libor + 0.70%	USD	7,290	7,290
Hermes loan	Euribor +0.23% - 0.65%	EUR	28,362	35,705
Other long-term bank borrowings	Libor +1.45% - 6.10%	USD	17,798	17,798
	Euribor +1.45% - 7.30%	EUR	24,190	30,453
	(Libor +1.45%) - 3.34%	JPY	9,902,004	124,304
	10.30% - 13.75%	TL	3,833	2,122
				<u>340,886</u>
Less: Current portion of long-term borrowings				(162,780)
Total long-term borrowings				<u><u>178,106</u></u>

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9. FINANCIAL LIABILITIES (cont'd)

Short-term borrowings:

	31 December 2011			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	(Libor+1.75%)+7.40%	USD	17,965	17,965
	(Euribor+2.00%)+5.85%	EUR	5,136	6,645
	10.05%	TL	1,280	678
	10.50%	RBL	20,000	616
				<u>25,904</u>
Current portion of long-term borrowings				186,329
Total short-term borrowings				<u>212,233</u>

Long-term borrowings:

	31 December 2011			
	Interest rate	Currency Type	Original Currency	U.S Dollar Equivalent
Eximbank loans	Libor +0.10% - 4.26%	USD	91,538	91,538
OPIC loan	7.54%-7.90%	USD	63,607	63,607
Hermes loan	Libor + 0.625%	USD	5,584	5,584
OND loan	Libor + 0.70%	USD	9,512	9,512
Hermes loan	Euribor + 0.23% - 0.65%	EUR	37,661	48,725
Other long-term bank borrowings	Libor +1.45% - 3.90%	USD	14,380	14,380
	Euribor +1.45% - 4.70%	EUR	24,720	31,983
	Libor +1.45% - 3.34%	JPY	9,419,013	121,373
	10.00% - 10.30%	TL	2,469	1,307
				<u>388,009</u>
Less: Current portion of long-term borrowings				(186,329)
Total long-term borrowings				<u>201,680</u>

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

	30 June 2012	31 December 2011
Less than 1 year	162,780	186,329
1 - 2 years	102,601	109,800
2 - 3 years	54,652	80,321
3 - 4 years	11,385	9,350
More than 4 years	9,468	2,209
Less : Current portion of long-term borrowings	(162,780)	(186,329)
	<u>178,106</u>	<u>201,680</u>

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10. TRADE RECEIVABLES AND PAYABLES

	30 June 2012	31 December 2011
<u>Short-term trade receivables</u>		
Trade receivables	352,183	434,019
Discount on trade receivables (-)	(232)	(271)
Notes and cheques receivables	80,802	83,453
Discount on notes and cheques receivables (-)	(1,137)	(1,337)
Contract receivables	81,246	69,838
Retention receivables (*)	25,857	29,062
	<u>538,719</u>	<u>614,764</u>
Less: Allowance for doubtful receivables	(22,033)	(30,193)
	<u>516,686</u>	<u>584,571</u>

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

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

	30 June 2012	31 December 2011
<u>Long-term trade receivables</u>		
Notes and cheques receivables	7,956	10,106
Discount on notes and cheques receivables (-)	(164)	(249)
Trade receivables	9,119	9,387
Discount on trade receivables (-)	(3)	(31)
	<u>16,908</u>	<u>19,213</u>

	30 June 2012	31 December 2011
<u>Short-term trade payables</u>		
Trade payables	417,025	430,554
Discount on trade payables (-)	(45)	(35)
Notes payable	6,408	6,418
Discount on notes payable (-)	(34)	(31)
Other trade payables	8,217	142
	<u>431,571</u>	<u>437,048</u>

	30 June 2012	31 December 2011
<u>Long term trade payables</u>		
Trade payables	5,701	6,734
	<u>5,701</u>	<u>6,734</u>

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11. INVENTORIES

	30 June 2012	31 December 2011
Raw materials and spare parts	140,573	128,056
Trade goods (machinery and others)	91,352	78,691
Finished goods	33,436	20,298
Goods in transit	14,094	26,191
Work in progress	10,026	8,439
Construction materials	8,164	8,950
Allowance for impairment on inventory (*)	(928)	(1,467)
	<u>296,717</u>	<u>269,158</u>

(*) As of 30 June 2012 and 31 December 2011, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 30 June 2012, there is no pledge on inventories (31 December 2011: None).

12. COST AND BILLINGS ON UNCOMPLETED CONTRACTS

	30 June 2012	31 December 2011
Costs incurred on uncompleted contracts	881,872	839,117
Estimated earnings	130,878	106,855
	<u>1,012,750</u>	<u>945,972</u>
Less: Billings to date	(1,021,140)	(897,504)
	<u>(8,390)</u>	<u>48,468</u>

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

	30 June 2012	31 December 2011
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	46,620	52,273
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(55,010)	(3,805)
	<u>(8,390)</u>	<u>48,468</u>

As of 30 June 2012, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 115,150 (31 December 2011: USD 148,729).

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13. INVESTMENT PROPERTIES

As of 30 June 2012 and 2011, movement of investment properties is as follows:

	30 June 2012	30 June 2011
Opening balance as at 1 January	1,942,767	1,918,673
Currency translation difference	(26,094)	117,943
Transfers from property, plant and equipment and construction in progress	-	390
Additions	26,761	-
Change in present value of lease obligations	9,787	9,476
Closing balance as at 30 June	<u>1,953,221</u>	<u>2,046,482</u>

14. PROPERTY PLANT AND EQUIPMENT

During the period ended 30 June 2012 the Group purchased property plant and equipment amounting to USD 43,813 (30 June 2011: 52,658). In addition during the period ended 30 June 2012 net book value of USD 7,413 (30 June 2011: 4,256) property plant and equipment sold for USD 8,105(30 June 2011: 8,041).

15. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group as of 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012	31 December 2011
Within one year	1,029	8,301
After one year but not more than five years	766	25,020
More than 5 years	6,964	23,331
	<u>8,759</u>	<u>56,652</u>

Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012	31 December 2011
Within one year	294,671	300,700
After one year but not more than five years	623,596	731,660
More than 5 years	289,887	364,785
	<u>1,208,154</u>	<u>1,397,145</u>

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15. COMMITMENTS AND CONTINGENCIES (cont'd)

Litigations

During the period ended 30 June 2012, the Group does not have any legal claims or progress to existing legal claims that need additional explanation other than disclosed in 31 December 2011 consolidated financial statements. The Group properly records the provision related to these carried forward legal claims. Provision rates and probable outflows are considered while estimating the provisions. The Group does not record provision for the legal claims that would not result in a probable cash outflow.

Commitments and contingencies

During the period ended 30 June 2012 the Group does not have any new commitments and contingencies or progress to existing commitments and contingencies that need additional explanation other than disclosed in 31 December 2011 consolidated financial statements.

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 30 June 2012 and 31 December 2011 is as follows;

	30 June 2012		31 December 2011	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
Letters of guarantee, guarantee notes given, mortgage and pledges				
A. Total amount of guarantees provided by the Company on behalf of itself		3,087,296		2,951,272
-USD	2,777,844	2,777,844	2,630,385	2,630,385
-EUR	123,495	155,468	133,205	172,336
-TL	25,774	14,267	35,881	18,996
-Others (*)		139,717		129,555
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		356,629		360,737
-USD	4,435	4,435	4,435	4,435
-EUR	109,478	137,822	105,369	136,324
-TL	1,738	962	1,738	920
-Others (*)		213,410		219,058
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)		-		-
D. Other guarantees given		400		400
i. Total amount of guarantees given on behalf of the parent company		-		-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C		400		400
-USD	400	400	400	400
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C		-		-
		<u>3,444,325</u>		<u>3,312,409</u>

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

As of 30 June 2012 the portion of other guarantess given to shareholders' equity is 0.01% (31 December 2011: 0.01%).

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16. OTHER ASSETS AND LIABILITIES

	30 June 2012	31 December 2011
Other non- current liabilities		
Deferred revenue (*)	826,343	857,834
Deferred rent revenue	2,143	2,964
	<u>828,486</u>	<u>860,798</u>

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

17. DIVIDENDS

Based on the Group's Ordinary General Assembly held on 18 April 2012; regarding the distribution of the year 2011 profit, it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.0840 gross / 0.0743 net (as being 8.40% gross, 7.43% net of the issued share capital) in total TL 210,000 (2011: TL 160,000); further it has been resolved to distribute TL 18,105 (2011: TL 13,620) as cash dividend to founder shares and the distribution is completed on 17 May 2012.

18. RELATED PARTY BALANCES AND TRANSACTIONS

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

19. SHARE CAPITAL

The shareholders of the Group and their percentage of ownership as of 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012		31 December 2011	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	49.08%	897,767	48.99%	816,203
Tara and Gülçelik families	27.99%	511,991	27.99%	466,330
Publicly traded	12.61%	230,661	12.71%	211,756
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5.95%	108,837	5.94%	98,964
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4.37%	79,936	4.37%	72,807
	<u>100.00%</u>	<u>1,829,192</u>	<u>100.00%</u>	<u>1,666,060</u>

Based on the Group's Ordinary General Assembly held on 18 April 2012; the share capital has been increased from TL 2,500,000 to TL 2,800,000; and TL 300,000 has been covered from the 1st Dividend at an amount of TL 115,000, and from the 2nd Dividend at an amount of TL 185,000.

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19. SHARE CAPITAL (cont'd)

The movement of the share capital (in numbers and in historical TL) of the Group during 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012		31 December 2011	
	Number	TL	Number	TL
At 1 January,	250,000,000,000	2,500,000	220,000,000,000	2,200,000
Bonus shares issued out of general reserve	30,000,000,000	300,000	30,000,000,000	300,000
	<u>280,000,000,000</u>	<u>2,800,000</u>	<u>250,000,000,000</u>	<u>2,500,000</u>

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Lands and buildings held for sale

As of 30 June 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 4,103 (31 December 2011: USD 4,344).

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

	1 January- 3 April 2012	1 January- 30 June 2011
Revenue	23,953	58,173
Cost of sales (-)	(13,598)	(36,674)
Marketing, selling and distribution expenses (-)	(6,939)	(12,272)
Administrative expenses (-)	(4,666)	(9,948)
Other operating income	193	1,109
Other operating expenses (-)	(26)	(576)
Financial expenses (-)	(95)	(200)
Current tax expense (-)	(14)	(6,270)
Deferred tax income	10	6,254
Net loss from discontinued operations	<u>(1,182)</u>	<u>(404)</u>
Gain on sale of discontinued operations	38,358	-
Tax effect of sale of discontinued operations	(6,275)	-
Net profit	<u>30,901</u>	<u>(404)</u>

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21. TAXATION ON INCOME

Tax legislation in Turkey

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

In Turkey, the corporation tax rate is 20% (31 December 2011: 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 2011 – 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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21. TAXATION ON INCOME (cont'd)

Tax legislation in Turkey (cont'd)

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

Tax legislations in other countries

As of 30 June 2012 and 31 December 2011 effective corporation tax rate in other countries are as follows:

	30 June 2012	31 December 2011
Russia	20%	20%
Netherlands	25.5%	25.5%
Kazakhstan	28% - 32%	28% - 32%
Iraq	15%- 35%	15%- 35%
Romania	16%	16%
Albania	10%	10%
Oman	12%	12%
Libya	20%	20%
Kosovo	10%	10%

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

	30 June 2012	30 June 2011
Balance at 1 January	28,275	28,875
Current year tax expense	57,206	43,720
Taxes paid	(61,842)	(56,614)
Balance at 30 June	23,639	15,981

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

21. TAXATION ON INCOME (cont'd)

Deferred tax assets and liabilities

As of 30 June 2012 and 31 December 2011, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	30 June 2012	31 December 2011
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(475,866)	(487,400)
Adjustment for percentage of completion method on construction projects	(32)	(22)
GE Inventory in the context of "PSA" (*)	(30,009)	(19,987)
Gross deferred income tax liabilities	<u>(505,907)</u>	<u>(507,409)</u>
Adjustment of revenue levelization	163,618	169,851
Allowance for doubtful receivables	2,017	2,351
Allowance for retirement pay liability	1,242	2,000
Allowance for inventories	199	886
Adjustments on financial instruments and derivatives	354	1,867
Deferred financial expenses	84	184
Others	13,691	5,786
Gross deferred income tax assets	<u>181,205</u>	<u>182,925</u>
Net deferred tax liability	<u><u>(324,702)</u></u>	<u><u>(324,484)</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:

	30 June 2012	31 December 2011
Deferred tax assets	15	95
Deferred tax liabilities	(324,717)	(324,579)
Net deferred tax liabilities	<u><u>(324,702)</u></u>	<u><u>(324,484)</u></u>

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

21. TAXATION ON INCOME (cont'd)

Deferred tax assets and liabilities (cont'd)

Movements of net deferred tax liability are as follows as of 30 June 2012 and 2011:

	<u>30 June 2012</u>	<u>30 June 2011</u>
Balance at 1 January of Enka İnşaat and its subsidiaries	324,484	276,141
Balance at 1 January of the joint ventures	63	-
Balance at 1 January	<u>324,547</u>	<u>276,141</u>
Deferred income tax expense recognized in income statement	3,140	15,936
Deferred income tax expense recognized in equity	18	162
Translation loss	(3,003)	16,007
Total net deferred tax liabilities as of 30 June	<u><u>324,702</u></u>	<u><u>308,246</u></u>
Of which:		
Balance at 30 June of Enka İnşaat and its subsidiaries	324,702	308,246
Balance at 30 June of the joint ventures, net	-	-
Total net deferred tax liabilities as of 30 June	<u><u>324,702</u></u>	<u><u>308,246</u></u>

As of 30 June 2012 and 30 June 2011, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	<u>1 January - 30 June 2012</u>			<u>1 January - 30 June 2011</u>		
	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	-	-	-	606	(121)	485
Changes in fair value of derivative assets	88	(18)	70	203	(41)	162
Changes in currency translation differences	(39,455)	-	(39,455)	153,528	-	153,528
	<u>(39,367)</u>	<u>(18)</u>	<u>(39,385)</u>	<u>154,337</u>	<u>(162)</u>	<u>154,175</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign currency risk

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

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

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

The following table details the Group's foreign currency position as at 30 June 2012 and 31 December 2011:

	<u>30 June 2012</u>	<u>31 December 2011</u>
A. Assets denominated in foreign currency	1,340,636	1,274,515
B. Liabilities denominated in foreign currency	(558,073)	(582,777)
Net foreign currency position (A+B)	782,563	691,738

ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

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

Foreign currency risk (cont'd)

The Group's foreign currency position at 30 June 2012 and 31 December 2011 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

	30 June 2012						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	45,959	25,441	201,068	253,124	139,771	57,111	475,447
Financial investments	64,722	35,827	45,165	56,858	65,444	185,574	343,703
Trade and other receivables	20,493	11,344	56,571	71,217	43,546	7,914	134,021
Other current assets	74,668	41,333	24,008	30,223	6,487	192	78,235
Company's share in current assets of joint ventures	-	-	3,971	4,999	43,977	172	49,148
Current assets	205,842	113,945	330,783	416,421	299,225	250,963	1,080,554
Financial investments	27,736	15,354	133,482	168,040	50,651	-	234,045
Trade and other receivables	-	-	5,960	7,503	2,152	5,802	15,457
Other non current assets	2,518	1,394	1,243	1,565	2,727	4,851	10,537
Company's share in non current assets of joint ventures	-	-	-	-	43	-	43
Non-current assets	30,254	16,748	140,685	177,108	55,573	10,653	260,082
Total assets	236,096	130,693	471,468	593,529	354,798	261,616	1,340,636
Short-term borrowings	1,028	569	37,211	46,845	51,447	22,627	121,488
Trade and other payables	32,012	17,721	54,943	69,168	26,252	8,109	121,250
Other current liabilities and accrued expenses	62,450	34,570	24,021	30,240	25,990	21,990	112,790
Company's share in current liabilities of joint ventures	38	21	117	147	70,055	1,327	71,550
Current liabilities	95,528	52,881	116,292	146,400	173,744	54,053	427,078
Trade and other payables	-	-	4,529	5,701	-	-	5,701
Long-term borrowings	-	-	20,348	25,616	87,754	4,618	117,988
Other non-current liabilities	54	30	139	175	90	229	524
Company's share in non current liabilities of joint ventures	-	-	-	-	6,782	-	6,782
Non-current liabilities	54	30	25,016	31,492	94,626	4,847	130,995
Total liabilities	95,582	52,911	141,308	177,892	268,370	58,900	558,073
Net foreign currency position	140,514	77,782	330,160	415,637	86,428	202,716	782,563
Net notional amount of derivatives	11,152	6,173	95,304	119,978	(6,947)	-	119,204
Export	-	-	45,996	64,064	541	31,483	96,088
Import	-	-	56,013	78,016	40,571	45,162	163,749

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

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

Foreign currency risk (cont'd)

	31 December 2011						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	53,690	28,424	171,849	222,338	113,422	33,262	397,446
Financial investments	94,286	49,916	44,769	57,922	42,640	151,628	302,106
Trade and other receivables	20,699	10,958	65,770	85,093	40,773	8,232	145,056
Other current assets	76,287	40,387	3,068	3,969	6,434	215	51,005
Company's share in current assets of joint ventures	-	-	7,247	9,376	71,077	395	80,848
Current assets	244,962	129,685	292,703	378,698	274,346	193,732	976,461
Financial investments	45,195	23,927	160,312	207,412	38,402	-	269,741
Trade and other receivables	-	-	7,473	9,669	2,496	5,692	17,857
Other non current assets	2,450	1,297	758	981	2,841	5,213	10,332
Company's share in non current assets of joint ventures	-	-	-	-	124	-	124
Non-current assets	47,645	25,224	168,543	218,062	43,863	10,905	298,054
Total assets	292,607	154,909	461,246	596,760	318,209	204,637	1,274,515
Short-term borrowings	876	464	42,693	55,236	52,810	18,829	127,339
Trade and other payables	36,990	19,583	38,681	50,045	34,661	11,076	115,365
Other current liabilities and accrued expenses	70,226	37,178	19,369	25,060	33,747	20,448	116,433
Company's share in current liabilities of joint ventures	38	20	159	206	101,940	337	102,503
Current liabilities	108,130	57,245	100,902	130,547	223,158	50,690	461,640
Trade and other payables	-	-	5,205	6,734	-	-	6,734
Long-term borrowings	451	239	24,953	32,284	79,743	1,500	113,766
Other non-current liabilities	-	-	269	348	58	231	637
Company's share in non current liabilities of joint ventures	-	-	-	-	-	-	-
Non-current liabilities	451	239	30,427	39,366	79,801	1,731	121,137
Total liabilities	108,581	57,484	131,329	169,913	302,959	52,421	582,777
Net foreign currency position	184,026	97,425	329,917	426,847	15,250	152,216	691,738
Net notional amount of derivatives	14,906	7,891	94,211	121,890	(12,784)	-	116,997
Export	-	-	70,999	98,674	1,220	66,253	166,147
Import	2,058	1,090	127,709	177,489	131,630	122,665	432,874

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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

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

Foreign currency risk (cont'd)

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

The following table details the Group's foreign currency sensitivity as at 30 June 2012 and 31 December 2011:

	30 June 2012		31 December 2011	
	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)	7,778	(7,778)	9,743	(9,743)
2- Portion hedged against TL risk (-)	617	(617)	789	(789)
3- TL net effect (1+2)	8,395	(8,395)	10,532	(10,532)
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	41,564	(41,564)	42,685	(42,685)
5- Portion hedged against Euro risk (-)	11,998	(11,998)	12,189	(12,189)
6- Euro net effect (1+2)	53,562	(53,562)	54,874	(54,874)
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	8,643	(8,643)	1,525	(1,525)
8- Portion hedged against other foreign currency risk (-)	(695)	695	(1,278)	1,278
9- Other foreign currency net effect (7+8)	7,948	(7,948)	247	(247)
Total (3+6+9)	69,905	(69,905)	65,653	(65,653)

23. SUBSEQUENT EVENTS

On 13 August 2012 the Board of Directors have resolved to hold an Extraordinary General Assembly on 27 September 2012 at 11:00pm at the address of Zincirlikuyu Yolu, Enka III. Binası, Konferans Salonu Balmumcu-Beşiktaş / İSTANBUL in order to approve the Partial Spin-off Agreement which has been signed by the Board of directors and prepared for the transaction related to the transfer of the partnership shares of the S.S. Makine ve İmalat Sanayicileri Toplu İşyeri Yapı Kooperatifi, to Enka Elektrik Üretim A.Ş. of which is 99,99% held subsidiary of the company, as capital in-kind over their book value through partial spin-off.