

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 SEPTEMBER 2012

**TABLE OF CONTENTS****PAGES**

<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....</b>	<b>1-2</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF INCOME.....</b>	<b>3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....</b>	<b>6</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>7-39</b>
NOTE 1 ORGANIZATIONS AND OPERATIONS OF THE GROUP .....	7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS .....	7-13
NOTE 3 INTEREST IN JOINT VENTURES .....	14-15
NOTE 4 CHANGES IN OPERATIONAL SEASON.....	15
NOTE 5 EARNINGS PER SHARE .....	15
NOTE 6 SEGMENTAL INFORMATION .....	16-21
NOTE 7 CASH AND CASH EQUIVALENTS .....	22
NOTE 8 FINANCIAL INVESTMENTS .....	23
NOTE 9 FINANCIAL LIABILITIES .....	24-25
NOTE 10 TRADE RECEIVABLES AND PAYABLES .....	26
NOTE 11 INVENTORIES.....	27
NOTE 12 COST AND BILLINGS ON UNCOMPLETED CONTRACTS .....	27
NOTE 13 INVESTMENT PROPERTIES .....	28
NOTE 14 PROPERTY PLANT AND EQUIPMENT .....	28
NOTE 15 COMMITMENTS AND CONTINGENCIES .....	28-29
NOTE 16 OTHER ASSETS AND LIABILITIES .....	30
NOTE 17 DIVIDENDS .....	30
NOTE 18 RELATED PARTY BALANCES AND TRANSACTIONS .....	30
NOTE 19 SHARE CAPITAL .....	30-31
NOTE 20 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS .....	31
NOTE 21 TAXATION ON INCOME .....	32-35
NOTE 22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES .....	36-39
NOTE 23 SUBSEQUENT EVENTS .....	39

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

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

<b>ASSETS</b>	<b>Notes</b>	<b>30 September 2012</b>	<b>31 December 2011</b>
<b>Current Assets</b>		<b>2,959,437</b>	<b>2,751,144</b>
Cash and cash equivalents	7	905,329	756,187
Financial investments	8	744,702	633,954
Trade receivables	10	536,141	584,571
Other receivables		1,104	1,139
Inventories	11	328,236	269,158
Costs and estimated earnings in excess of billings on uncompleted contracts	12	34,399	52,273
Other current assets		125,299	79,685
Group's share in current assets of joint ventures	3	280,256	253,657
		<b>2,955,466</b>	<b>2,630,624</b>
Assets held for sale and discontinued operations	20	3,971	120,520
<b>Non-Current Assets</b>		<b>4,929,600</b>	<b>4,709,189</b>
Trade receivables	10	14,685	19,213
Financial investments	8	917,906	774,585
Investment properties	13	2,044,915	1,942,767
Property, plant and equipment		1,821,966	1,841,866
- Group	14	1,765,647	1,781,698
- Group's share in joint ventures	3, 14	56,319	60,168
Intangible assets		29,954	29,424
Goodwill		63,560	63,560
Deferred tax assets	21	15	95
Other non-current assets		27,710	28,966
Group's share in non-current assets of joint ventures	3	8,889	8,713
<b>TOTAL ASSETS</b>		<b>7,889,037</b>	<b>7,460,333</b>

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 SEPTEMBER 2012

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>30 September 2012</b>	<b>31 December 2011</b>
<b>Current Liabilities</b>		<b>1,228,724</b>	<b>1,196,079</b>
Financial liabilities		194,974	214,953
- Bank loans	9	192,920	212,233
- Obligations under finance leases		2,054	2,720
Trade payables	10	421,244	437,048
Other payables		194,119	125,614
Billings in excess of costs and estimated earnings on uncompleted contracts	12	29,844	3,805
Taxation on income	21	33,156	28,275
Provisions		39,783	32,737
Provisions for employee benefits		33,123	30,096
Other current liabilities		82,288	87,814
Group's share in current liabilities of joint ventures	3	200,193	235,737
<b>Non-Current Liabilities</b>		<b>1,468,988</b>	<b>1,489,641</b>
Financial liabilities		251,943	253,254
- Bank loans	9	196,252	201,680
- Obligations under finance leases		55,691	51,574
Trade payables	10	5,336	6,734
Other payables		35,335	24,384
Provisions for employee benefits		14,942	13,048
Deferred tax liabilities	21	343,718	324,579
Other non-current liabilities	16	810,932	860,798
Group's share in non-current liabilities of joint ventures	3	6,782	6,844
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>		<b>4,940,261</b>	<b>4,532,507</b>
Share capital	19	1,829,192	1,666,060
Revaluation surplus		182,267	201,631
Currency translation difference		(169,053)	(232,357)
Other reserves		1,946	1,838
Legal reserves and accumulated profit		3,095,909	2,895,335
<b>Non-controlling interests</b>		<b>251,064</b>	<b>242,106</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,889,037</b>	<b>7,460,333</b>

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 SEPTEMBER 2012

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

	Notes	1 January - 30 September 2012	1 July - 30 September 2012	1 January - 30 September 2011	1 July - 30 September 2011
<b>CONTINUING OPERATIONS</b>					
Revenue	6	3,943,355	1,471,567	3,637,404	1,302,876
Cost of revenues (-)	6	(3,344,556)	(1,246,134)	(3,026,665)	(1,092,069)
<b>GROSS PROFIT</b>		<b>598,799</b>	<b>225,433</b>	<b>610,739</b>	<b>210,807</b>
Marketing, selling and distribution expenses (-)	6	(27,383)	(9,102)	(24,928)	(7,912)
Administrative expenses (-)	6	(98,875)	(33,930)	(86,730)	(32,381)
Other operating income	6	12,111	3,231	48,018	3,273
Other operating expenses (-)	6	(27,333)	(11,959)	(17,824)	(5,740)
<b>PROFIT FROM OPERATIONS</b>		<b>457,319</b>	<b>173,673</b>	<b>529,275</b>	<b>168,047</b>
Financial income	6	144,438	51,989	80,193	7,664
Financial expenses (-)	6	(44,593)	(4,472)	(128,961)	(28,104)
<b>PROFIT BEFORE TAX</b>		<b>557,164</b>	<b>221,190</b>	<b>480,507</b>	<b>147,607</b>
Current tax expense (-)	21	(85,884)	(34,957)	(68,232)	(30,782)
Deferred tax expense	21	(14,768)	(7,214)	(42,447)	(20,257)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>456,512</b>	<b>179,019</b>	<b>369,828</b>	<b>96,568</b>
<b>DISCONTINUED OPERATIONS</b>					
Profit for the period from discontinued operations, net of tax	20	30,901	-	360	764
<b>NET PROFIT FOR THE PERIOD</b>		<b>487,413</b>	<b>179,019</b>	<b>370,188</b>	<b>97,332</b>
<b>Attributable to:</b>					
Non-controlling interests		16,417	6,139	7,810	3,491
Equity holders of the parent		470,996	172,880	362,378	93,841
		<b>487,413</b>	<b>179,019</b>	<b>370,188</b>	<b>97,332</b>
<b>Earnings per share from discontinued operations</b>					
- ordinary share certificate (full cent)		0.01	-	-	-
<b>Earnings per share from continued operations</b>					
- ordinary share certificate (full cent)	5	0.16	0.06	0.13	0.03
<b>Weighted average number of shares</b>		<b>280,000,000,000</b>	<b>280,000,000,000</b>	<b>280,000,000,000</b>	<b>280,000,000,000</b>

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 SEPTEMBER 2012

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

	1 January- 30 September 2012	1 July- 30 September 2012	1 January- 30 September 2011	1 July- 30 September 2011
<b>NET PROFIT FOR THE PERIOD</b>	<b>487,413</b>	<b>179,019</b>	<b>370,188</b>	<b>97,332</b>
<b>Other Comprehensive Income / (Expense):</b>				
Changes in cash flow hedge				
Gain arising during the period	135	47	313	110
Tax effect	(27)	(9)	(63)	(22)
	108	38	250	88
Changes in revaluation fund of property				
Gain arising during the period	-	-	532	(74)
Tax effect	-	-	(106)	15
	-	-	426	(59)
Changes in currency translation difference	71,265	110,720	(72,471)	(225,999)
<b>OTHER COMPREHENSIVE INCOME / (LOSS) AFTER TAX</b>	<b>71,373</b>	<b>110,758</b>	<b>(71,795)</b>	<b>(225,970)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	<b>558,786</b>	<b>289,777</b>	<b>298,393</b>	<b>(128,638)</b>
<b>Attributable to:</b>				
Non-controlling interests	24,201	18,933	(2,250)	(23,414)
Equity holders of the parent	534,585	270,844	300,643	(105,224)
	<b>558,786</b>	<b>289,777</b>	<b>298,393</b>	<b>(128,638)</b>

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 SEPTEMBER 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
<b>Balance at 1 January 2011</b>		<b>1,476,498</b>	<b>138,694</b>	<b>(119,230)</b>	<b>1,519</b>	<b>2,674,789</b>	<b>4,172,270</b>	<b>241,634</b>	<b>4,413,904</b>
Total other comprehensive income		-	(410)	(61,576)	251	-	(61,735)	(10,060)	(71,795)
Profit for the period		-	-	-	-	362,378	362,378	7,810	370,188
Total comprehensive income		-	(410)	(61,576)	251	362,378	300,643	(2,250)	298,393
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(2,961)	-	-	2,961	-	-	-
Share capital increase		189,562	-	-	-	(189,562)	-	-	-
Dividends paid	17	-	-	-	-	(101,600)	(101,600)	(6,289)	(107,889)
<b>Balance at 30 September 2011</b>	<b>19</b>	<b>1,666,060</b>	<b>135,323</b>	<b>(180,806)</b>	<b>1,770</b>	<b>2,748,966</b>	<b>4,371,313</b>	<b>233,095</b>	<b>4,604,408</b>
<b>Balance at 1 January 2012</b>		<b>1,666,060</b>	<b>201,631</b>	<b>(232,357)</b>	<b>1,838</b>	<b>2,895,335</b>	<b>4,532,507</b>	<b>242,106</b>	<b>4,774,613</b>
Total other comprehensive income		-	177	63,304	108	-	63,589	7,784	71,373
Profit for the period		-	-	-	-	470,996	470,996	16,417	487,413
Total comprehensive income		-	177	63,304	108	470,996	534,585	24,201	558,786
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(1,923)	-	-	1,923	-	-	-
Share capital increase	19	163,132	-	-	-	(163,132)	-	-	-
Dividends paid	17	-	-	-	-	(126,831)	(126,831)	(15,243)	(142,074)
Transfer of revaluation surplus of sold buildings		-	(17,618)	-	-	17,618	-	-	-
<b>Balance at 30 September 2012</b>	<b>19</b>	<b>1,829,192</b>	<b>182,267</b>	<b>(169,053)</b>	<b>1,946</b>	<b>3,095,909</b>	<b>4,940,261</b>	<b>251,064</b>	<b>5,191,325</b>

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 SEPTEMBER 2012

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

	Notes	1 January - 30 September 2012	1 January - 30 September 2011
<b>Cash flows from operating activities</b>			
Profit for the period		487,413	370,188
Adjustments to reconcile net income to net cash used in operating activities:			
- Depreciation and amortization of non-current assets		79,996	90,390
- Provision for employment termination benefits		3,235	16
- Allowance for doubtful receivables		2,605	1,371
- Adjustments to deferred income from electricity sale		(48,994)	(15,538)
- Gain on sale of discontinued operations	20	(38,358)	-
- Loss from fair value of forward transactions		2,655	(36)
- Interest expense		12,980	79,410
- Interest income		(40,869)	(33,035)
- Dividend income		(3,936)	(4,762)
- Provision for inventory impairment, net		(352)	83
- Gain on sale or disposal of property, plant and equipment, net	14	(870)	(3,952)
- Tax expense		106,931	110,706
		<u>562,436</u>	<u>594,841</u>
Movements in working capital			
Decrease in trade and other receivables		49,922	38,420
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts		17,874	775
Increase in Group's share in assets of joint venture		(26,774)	(100,327)
Increase in inventory		(58,726)	(84,129)
Increase in other current assets and other non current assets		(44,310)	(24,563)
Increase/(decrease) in trade and other payables		(17,203)	38,773
Increase/(decrease) in billings in excess of cost and estimated earnings on uncompleted contracts		26,039	(6,814)
Increase/(decrease) in Group's share in current and non current liabilities of joint ventures		(35,607)	33,491
Increase in provision for liabilities and other liabilities		66,397	(2,401)
		<u>(22,388)</u>	<u>(106,775)</u>
Income taxes paid	21	(87,282)	(76,145)
Employee termination benefits paid		(1,640)	(1,009)
<b>Net cash generated from operating activities</b>		<u><b>451,126</b></u>	<u><b>410,912</b></u>
<b>Cash flows from investing activities</b>			
Financial investments		(254,068)	47,159
Proceeds on disposal or sale of property, plant and equipment	14	15,205	11,949
Purchases of property, plant and equipment, intangible assets and investment properties	6	(112,142)	(87,663)
Interest received		40,673	32,232
Proceeds from sale of discontinued operations	20	168,993	-
Dividend income		3,936	4,762
<b>Net cash used in investing activities</b>		<u><b>(137,403)</b></u>	<u><b>8,439</b></u>
<b>Cash flows from financing activities</b>			
Short-term borrowings, net		11,654	15,728
Addition to long-term borrowings		77,794	110,552
Repayments of long-term borrowings		(119,849)	(180,434)
Interest paid		(11,325)	(73,514)
Dividend paid to non-controlling interests		(15,243)	(6,289)
Dividend paid		(126,836)	(101,600)
<b>Net cash used in financing activities</b>		<u><b>(183,805)</b></u>	<u><b>(235,557)</b></u>
Translation reserve		19,224	729
<b>Net increase in cash and cash equivalents</b>		<u><b>149,142</b></u>	<u><b>184,523</b></u>
Cash and cash equivalents at beginning of the period	7	755,187	598,079
<b>Cash and cash equivalents at end of the period</b>	7	<u><b>904,329</b></u>	<u><b>782,602</b></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 SEPTEMBER 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 September 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 September 2012, the average numbers of white and blue-collar personnel are respectively 4,506 and 15,913 (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 development 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, Equatorial Guinea and Gabon 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 September 2012. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 14 November 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 SEPTEMBER 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 September 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 SEPTEMBER 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 September 2012, 31 December 2011 and 30 September 2011 for one U.S. Dollars can be summarized as below:

	<u>30 September 2012</u>	<u>31 December 2011</u>	<u>30 September 2011</u>
U.S. Dollars / TL – as of balance sheet date	1.7847	1.8889	1.8453
U.S. Dollars / TL – period average	1.7942	1.6708	1.6181

### 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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

### 2.5 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).

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

### 2.5 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.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

### 2.5 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.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)**

### **2.5 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 September 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 September 2012, the Group continued using estimations applied during the year ended 31 December 2011.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 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 September 2012	31 December 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	72,464	58,481
Trade receivables	156,892	162,066
Other current assets	22,214	23,543
Inventories	5,728	7,931
Costs and estimated earnings in excess of billings on uncompleted contracts	22,958	1,636
<b>Group's share in current assets of joint ventures</b>	<b>280,256</b>	<b>253,657</b>
<b>Non-Current Assets</b>		
Cost	169,653	180,036
Accumulated depreciation	(113,334)	(119,868)
<b>Group's share in joint ventures in property, plant and equipment</b>	<b>56,319</b>	<b>60,168</b>
Trade receivables	7,612	7,587
Other non-current assets	1,277	1,126
<b>Group's share in non-current assets of joint ventures</b>	<b>8,889</b>	<b>8,713</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade payables	34,998	39,124
Other current liabilities and accrued expenses	63,792	86,573
Billings in excess costs and estimated earnings on uncompleted contracts	101,403	110,040
<b>Group's share in current liabilities of joint ventures</b>	<b>200,193</b>	<b>235,737</b>
<b>Non-Current Liabilities</b>		
Other non-current liabilities	6,782	6,781
Deferred tax liability	-	63
<b>Group's share in non-current liabilities of joint ventures</b>	<b>6,782</b>	<b>6,844</b>



## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 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 September 2012	1 January - 30 September 2011
Revenue	383,701	415,074
Cost of revenue	(304,222)	(220,150)
General administrative expenses	(2)	(21)
Other operating income	147	121
Other operating expenses	-	45
Financial income	616	640
Financial expenses	(2,988)	(1,164)
Taxation charge	(5,361)	(9,464)
Net profit	<u>71,891</u>	<u>185,081</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 September 2012 and 30 September 2011.

	1 January- 30 September 2012	1 July - 30 September 2012	1 January- 30 September 2011	1 July- 30 September 2011
Earning per share				
- ordinary share certificate (full cent)	0.17	0.06	0.13	0.03
- 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.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 6. SEGMENTAL INFORMATION

##### a) Business segments

	1 January - 30 September 2012					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	868,019	325,100	328,481	2,421,755	-	3,943,355
Inter-segment revenue	77,100	771	9,128	14,270	(101,269)	-
Cost of revenue	(702,273)	(82,559)	(286,378)	(2,273,346)	-	(3,344,556)
Inter-segment cost of revenue	(88,043)	-	(4,337)	(14,374)	106,754	-
<b>Gross profit</b>	<b>154,803</b>	<b>243,312</b>	<b>46,894</b>	<b>148,305</b>	<b>5,485</b>	<b>598,799</b>
Marketing, selling and distribution expenses	(6,570)	(5,311)	(14,959)	(543)	-	(27,383)
Administrative expenses	(54,805)	(24,598)	(12,563)	(8,281)	1,372	(98,875)
Other operating income	9,686	1,010	2,646	2,434	(3,665)	12,111
Other operating expenses	(20,745)	(1,440) *	(4,546)	(602)	-	(27,333)
<b>Profit from operations</b>	<b>82,369</b>	<b>212,973</b>	<b>17,472</b>	<b>141,313</b>	<b>3,192</b>	<b>457,319</b>
Financial income	133,679	7,657	4,915	5,640	(7,453)	144,438
Financial expenses (-)	(29,331)	(3,337)	(8,119)	(11,545)	7,739	(44,593)
<b>Profit before tax</b>	<b>186,717</b>	<b>217,293</b>	<b>14,268</b>	<b>135,408</b>	<b>3,478</b>	<b>557,164</b>

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

	30 September 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
Segment assets	3,337,016	2,290,740	454,922	1,806,011	7,888,689
Unallocated assets					348
<b>Total assets</b>	<b>3,337,016</b>	<b>2,290,740</b>	<b>454,922</b>	<b>1,806,011</b>	<b>7,889,037</b>
Segment liabilities	642,582	412,134	313,268	1,328,300	2,696,284
Unallocated liabilities					1,428
<b>Total liabilities</b>	<b>642,582</b>	<b>412,134</b>	<b>313,268</b>	<b>1,328,300</b>	<b>2,697,712</b>

	1 January - 30 September 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
<b>Other segment information</b>					
<u>Capital expenditures</u>					
Property, plant and equipment & Investment Property	49,705	50,445	4,144	6,128	110,422
Intangible assets	422	69	740	489	1,720
<b>Total capital expenditures</b>	<b>50,127</b>	<b>50,514</b>	<b>4,884</b>	<b>6,617</b>	<b>112,142</b>
Depreciation expense	29,741	4,275	3,983	40,792	78,791
Amortization expense	854	54	178	119	1,205

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 6. SEGMENTAL INFORMATION (cont'd)

##### a) Business segments (cont'd)

	1 July - 30 September 2012					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	393,753	112,237	106,814	858,763	-	1,471,567
Inter-segment revenue	33,125	284	3,868	3,896	(41,173)	-
Cost of revenue	(317,766)	(23,554)	(95,304)	(809,510)	-	(1,246,134)
Inter-segment cost of revenue	(36,481)	-	(2,022)	(3,909)	42,412	-
<b>Gross profit</b>	<b>72,631</b>	<b>88,967</b>	<b>13,356</b>	<b>49,240</b>	<b>1,239</b>	<b>225,433</b>
Marketing, selling and distribution expenses	(2,889)	(1,671)	(4,437)	(105)	-	(9,102)
Administrative expenses	(20,867)	(6,407)	(4,655)	(2,886)	885	(33,930)
Other operating income	2,728	577	1,307	193	(1,574)	3,231
Other operating expenses	(9,834)	(917) *	(1,308)	100	-	(11,959)
<b>Profit from operations</b>	<b>41,769</b>	<b>80,549</b>	<b>4,263</b>	<b>46,542</b>	<b>550</b>	<b>173,673</b>
Financial income	51,716	80	97	1,568	(1,472)	51,989
Financial expenses (-)	(3,291)	945	(2,275)	(1,661)	1,810	(4,472)
<b>Profit before tax</b>	<b>90,194</b>	<b>81,574</b>	<b>2,085</b>	<b>46,449</b>	<b>888</b>	<b>221,190</b>

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

	1 July - 30 September 2012				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
<b>Other segment information</b>					
Capital expenditures					
Property, plant and equipment & investment property	19,440	18,823	1,107	478	39,848
Intangible assets	287	45	263	154	749
<b>Total capital expenditures</b>	<b>19,727</b>	<b>18,868</b>	<b>1,370</b>	<b>632</b>	<b>40,597</b>
Depreciation expense	9,589	1,179	1,488	13,679	25,935
Amortization expense	259	29	29	39	356

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 6. SEGMENTAL INFORMATION (cont'd)

##### a) Business segments (cont'd)

	1 January - 30 September 2011					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	687,253	301,759	348,806	2,299,586	-	3,637,404
Inter-segment revenue	19,656	-	11,426	13,216	(44,298)	-
Cost of revenue	(474,760)	(92,592)	(304,318)	(2,154,995)	-	(3,026,665)
Inter-segment cost of revenue	(23,893)	-	(3,976)	(13,298)	41,167	-
<b>Gross profit</b>	<b>208,256</b>	<b>209,167</b>	<b>51,938</b>	<b>144,509</b>	<b>(3,131)</b>	<b>610,739</b>
Marketing, selling and distribution expenses	(6,680)	(2,766)	(15,482)	-	-	(24,928)
Administrative expenses	(51,994)	(18,545)	(11,660)	(7,662)	3,131	(86,730)
Other operating income	47,862	1,930	3,067	10,855	(15,696)	48,018
Other operating expenses	(11,153)	(2,493) *	(4,139)	(39)	-	(17,824)
<b>Profit from operations</b>	<b>186,291</b>	<b>187,293</b>	<b>23,724</b>	<b>147,663</b>	<b>(15,696)</b>	<b>529,275</b>
Financial income	73,979	428	1,089	12,541	(7,844)	80,193
Financial expenses (-)	(98,554)	(6,309)	(18,849)	(12,981)	7,732	(128,961)
<b>Profit before tax</b>	<b>161,716</b>	<b>181,412</b>	<b>5,964</b>	<b>147,223</b>	<b>(15,808)</b>	<b>480,507</b>

(\*). 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
<b>Total assets</b>	<b>2,938,812</b>	<b>2,202,929</b>	<b>483,908</b>	<b>1,834,350</b>	<b>7,460,333</b>
Segment liabilities	587,098	391,248	294,807	1,411,814	2,684,967
Unallocated liabilities					753
<b>Total liabilities</b>	<b>587,098</b>	<b>391,248</b>	<b>294,807</b>	<b>1,411,814</b>	<b>2,685,720</b>

	1 January - 30 September 2011				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
<b>Other segment information</b>					
Capital expenditures					
Property, plant and equipment & Investment Property	28,200	46,969	7,191	3,473	85,833
Intangible assets	900	39	475	416	1,830
<b>Total capital expenditures</b>	<b>29,100</b>	<b>47,008</b>	<b>7,666</b>	<b>3,889</b>	<b>87,663</b>
Depreciation expense	37,523	2,138	3,658	40,741	84,060
Amortization expense	1,404	36	433	122	1,995

(\*). Depreciation expense of discontinued operations amounting to USD 4,335 is not included.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 6. SEGMENTAL INFORMATION (cont'd)

##### a) Business segments (cont'd)

	1 July - 30 September 2011					
	Construction contracts	Real estate	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenue	287,107	99,775	123,404	792,590	-	1,302,876
Inter-segment revenue	6,342	-	4,829	3,624	(14,795)	-
Cost of revenue	(204,742)	(26,680)	(107,949)	(752,698)	-	(1,092,069)
Inter-segment cost of revenue	(7,793)	-	(2,294)	(3,654)	13,741	-
<b>Gross profit</b>	<b>80,914</b>	<b>73,095</b>	<b>17,990</b>	<b>39,862</b>	<b>(1,054)</b>	<b>210,807</b>
Marketing, selling and distribution expenses	(2,268)	(841)	(4,803)	-	-	(7,912)
Administrative expenses	(19,831)	(6,659)	(4,576)	(2,367)	1,052	(32,381)
Other operating income	3,917	1,107	453	532	(2,736)	3,273
Other operating expenses	(1,656)	(1,427) *	(2,657)	-	-	(5,740)
<b>Profit from operations</b>	<b>61,076</b>	<b>65,275</b>	<b>6,407</b>	<b>38,027</b>	<b>(2,738)</b>	<b>168,047</b>
Financial income	13,124	(3,033)	(3,298)	5,569	(4,698)	7,664
Financial expenses (-)	(12,602)	(3,638)	(11,619)	(4,817)	4,572	(28,104)
<b>Profit before tax</b>	<b>61,598</b>	<b>58,604</b>	<b>(8,510)</b>	<b>38,779</b>	<b>(2,864)</b>	<b>147,607</b>

(\* Includes other operating expense of investment properties.

	1 July - 30 September 2011				
	Construction contracts	Real estate	Trade and manufacturing	Energy	Consolidated
<b>Other segment information</b>					
Capital expenditures					
Property, plant and equipment & Intangible assets	10,757	9,148	3,397	397	23,699
	93	8	243	123	467
<b>Total capital expenditures</b>	<b>10,850</b>	<b>9,156</b>	<b>3,640</b>	<b>520</b>	<b>24,166</b>
Depreciation expense	10,512	40	778 *	13,711	25,041
Amortization expense	315	12	69	41	437

(\* Depreciation expense of discontinued operations amounting to USD 1,244 is not included.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 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 September 2012, revenue amounting to USD 2,421,755 (30 September 2011: USD 2,299,586) is from Türkiye Elektrik Taahhüt A.Ş. (TETAŞ), which exceeds 10% of consolidated revenue. For the period ended 30 September 2011, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 2,152,452 (30 September 2011: USD 2,036,657) 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 September 2012					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Net sales	2,983,899	510,000	131,174	318,282	-	3,943,355
Inter-segment sales	67,456	33,813	-	-	(101,269)	-
Capital expenditures	31,530	55,452	10,827	14,333	-	112,142

  

	30 September 2012					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Segmental assets	4,265,200	2,617,705	756,576	249,208	-	7,888,689

  

	1 July - 30 September 2012					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Net sales	1,068,613	188,346	42,211	172,397	-	1,471,567
Inter-segment sales	28,743	12,430	-	-	(41,173)	-
Capital expenditures	8,713	19,986	3,632	8,266	-	40,597

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 6. SEGMENTAL INFORMATION (cont'd)

##### b) Geographical segments (cont'd)

	1 January - 30 September 2011					
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	Consolidated
Net sales	2,805,611	515,423	218,136	98,234	-	3,637,404
Inter-segment sales	41,167	3,131	-	-	(44,298)	-
Capital expenditures	21,572	50,864	5,230	9,997	-	87,663

  

	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 July - 30 September 2011					
	Turkey	Russian Federation, Kazakhstan	Europe (*)	North Africa and Asia (*)	Eliminations	Consolidated
Net sales	987,805	207,608	66,443	41,020	-	1,302,876
Inter-segment sales	13,742	1,053	-	-	(14,795)	-
Capital expenditures	6,146	11,029	1,602	5,389	-	24,166

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 7. CASH AND CASH EQUIVALENTS

	30 September 2012	31 December 2011
Cash on hand	2,012	1,655
Cash in bank		
Demand deposits	465,986	314,093
Time deposits	432,567	436,954
Other	4,764	3,485
	<u>905,329</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>904,329</u>	<u>755,187</u>

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

	30 September 2012	31 December 2011
<i>Fixed interest rate</i>		
USD	0.10%-4.00%	0.10%-6.00%
Russian Ruble	5.50%-7.25%	4.25%-8.25%
EUR	0.25%-3.50%	0.25%-5.75%
TL	6.00%-9.00%	0.50%-12.50%
Japanese Yen	0.10%-2.25%	0.05%-2.05%
Chinese Yuan	1.35%-2.85%	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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## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 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 September 2012 and 31 December 2011 are detailed below:

Financial assets at fair value through profit or loss	30 September 2012	31 December 2011
Private sector bonds		
- International markets	12,180	6,447
Foreign Government bonds		
- International markets	497,687	430,473
Equity securities		
- International markets	154,321	119,372
- Domestic market	2,256	1,946
Turkish Government bonds		
- Domestic market	11,321	24,179
Mutual funds		
- International markets	46,419	27,714
- Domestic market	20,518	23,823
	<u>744,702</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 September 2012 and 31 December 2011 are detailed below:

Financial assets at fair value through profit or loss	30 September 2012	31 December 2011
Private sector bonds		
- International markets	763,520	544,843
Foreign Government bonds		
- International markets	107,700	189,628
Turkish Government bonds		
- Domestic market	27,558	23,926
Turkish Government bonds		
- International markets	18,516	15,437
Equity securities	612	751
	<u>917,906</u>	<u>774,585</u>

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

	30 September 2012	31 December 2011
Private Sector Bonds - International markets	31 December 2049	22 October 2049
Foreign Government Bonds - International markets	29 March 2049	15 February 2041
Turkish Government Bonds		
- Domestic market	23 February 2022	29 January 2014
- International markets	14 January 2041	14 February 2034

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 9. FINANCIAL LIABILITIES

##### Short-term borrowings:

	30 September 2012			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	(Euribor+2.75%)+5.85%	EUR	5,996	7,756
	(Libor+1.26%)+6.5%	USD	20,046	20,046
	13.75%	TL	570	319
	10.37%	RBL	30,000	960
	2.30%	JPY	685,134	8,812
				<u>37,893</u>
Current portion of long-term borrowings				155,027
Total short-term borrowings				<u><u>192,920</u></u>

##### Long-term borrowings:

	30 September 2012			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Eximbank loans	Libor +0.10% - 4.26%	USD	70,913	70,913
OPIC loan	7.54%-7.90%	USD	51,082	51,082
Hermes loan	Libor +0.625%	USD	3,075	3,075
OND loan	Libor +0.70%	USD	7,355	7,355
Hermes loan	Euribor +0.23+0.80%	EUR	28,293	36,597
Other long-term bank borrowings	Libor +1.45% - 6.10%	USD	15,823	15,823
	Euribor +1.45% - 7.30%	EUR	16,112	20,841
	Libor +1.45% - 3.34%	JPY	11,150,785	143,417
	12.80% - 13.75%	TL	3,883	2,176
				<u>351,279</u>
Less: Current portion of long-term borrowings				(155,027)
Total long-term borrowings				<u><u>196,252</u></u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 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 September 2012	31 December 2011
Less than 1 year	155,027	186,329
1 - 2 years	109,334	109,800
2 - 3 years	56,303	80,321
3 - 4 years	15,168	9,350
More than 4 years	15,447	2,209
Less : Current portion of long-term borrowings	(155,027)	(186,329)
	<u>196,252</u>	<u>201,680</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 10. TRADE RECEIVABLES AND PAYABLES

	30 September 2012	31 December 2011
<u>Short-term trade receivables</u>		
Trade receivables	394,081	434,019
Discount on trade receivables (-)	(231)	(271)
Notes and cheques receivables	73,885	83,453
Discount on notes and cheques receivables (-)	(1,099)	(1,337)
Contract receivables	62,377	69,838
Retention receivables (*)	28,783	29,062
	<u>557,796</u>	<u>614,764</u>
Less: Allowance for doubtful receivables	(21,655)	(30,193)
	<u>536,141</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 September 2012	31 December 2011
<u>Long-term trade receivables</u>		
Notes and cheques receivables	5,554	10,106
Discount on notes and cheques receivables (-)	(69)	(249)
Trade receivables	9,231	9,387
Discount on trade receivables (-)	(31)	(31)
	<u>14,685</u>	<u>19,213</u>

	30 September 2012	31 December 2011
<u>Short-term trade payables</u>		
Trade payables	414,079	430,554
Discount on trade payables (-)	(13)	(35)
Notes payable	6,975	6,418
Discount on notes payable (-)	(34)	(31)
Other trade payables	237	142
	<u>421,244</u>	<u>437,048</u>

	30 September 2012	31 December 2011
<u>Long term trade payables</u>		
Trade payables	5,336	6,734
	<u>5,336</u>	<u>6,734</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 11. INVENTORIES

	30 September 2012	31 December 2011
Raw materials and spare parts	146,129	128,056
Trade goods (machinery and others)	98,370	78,691
Finished goods	20,262	20,298
Goods in transit	41,580	26,191
Work in progress	12,988	8,439
Construction materials	10,022	8,950
Allowance for impairment on inventory (*)	(1,115)	(1,467)
	<u>328,236</u>	<u>269,158</u>

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

#### 12. COST AND BILLINGS ON UNCOMPLETED CONTRACTS

	30 September 2012	31 December 2011
Costs incurred on uncompleted contracts	992,066	839,117
Estimated earnings	154,194	106,855
	<u>1,146,260</u>	<u>945,972</u>
Less: Billings to date	(1,141,705)	(897,504)
	<u>4,555</u>	<u>48,468</u>

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

	30 September 2012	31 December 2011
Costs and estimated earnings in excess of billings on uncompleted contracts (net)	34,399	52,273
Billings in excess of costs and estimated earnings on uncompleted contracts (net)	(29,844)	(3,805)
	<u>4,555</u>	<u>48,468</u>

As of 30 September 2012, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 160,464 (31 December 2011: USD 148,729).

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 13. INVESTMENT PROPERTIES

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

	30 September 2012	30 September 2011
Opening balance as at 1 January	1,942,767	1,918,673
Currency translation difference	57,074	(60,494)
Transfers from property, plant and equipment and construction in progress	6,529	345
Additions	40,885	-
Disposals	(2,340)	-
Change in present value of lease obligations	-	7,920
Closing balance as at 30 September	<u>2,044,915</u>	<u>1,866,444</u>

#### 14. PROPERTY PLANT AND EQUIPMENT

During the period ended 30 September 2012 the Group purchased property plant and equipment amounting to USD 69,537 (30 September 2011: 87,663). In addition during the period ended 30 September 2012 net book value of USD 14,335 (30 September 2011: 7,997) property plant and equipment sold for USD 15,205(30 September 2011: 11,949).

#### 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 September 2012 and 31 December 2011 are as follows:

	30 September 2012	31 December 2011
Within one year	695	8,301
After one year but not more than five years	797	25,020
More than 5 years	7,046	23,331
	<u>8,538</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 September 2012 and 31 December 2011 are as follows:

	30 September 2012	31 December 2011
Within one year	176,482	300,700
After one year but not more than five years	688,485	731,660
More than 5 years	295,162	364,785
	<u>1,160,129</u>	<u>1,397,145</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 15. COMMITMENTS AND CONTINGENCIES (cont'd)

##### Litigations

During the period ended 30 September 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 September 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 September 2012 and 31 December 2011 is as follows;

	30 September 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		3,095,683		2,951,272
-USD	2,796,925	2,796,925	2,630,385	2,630,385
-EUR	121,215	156,791	133,205	172,336
-TL	24,824	13,909	35,881	18,996
-Others (*)		128,058		129,555
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		325,865		360,737
-USD	4,435	4,435	4,435	4,435
-EUR	78,710	101,810	105,369	136,324
-TL	1,738	974	1,738	920
-Others (*)		218,646		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>3,421,948</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 September 2012 the portion of other guarantess given to shareholders' equity is 0.01% (31 December 2011: 0.01%).

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 16. OTHER ASSETS AND LIABILITIES

	30 September 2012	31 December 2011
Other non- current liabilities		
Deferred revenue (*)	808,841	857,834
Deferred rent revenue	2,091	2,964
	<u>810,932</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.

Based on the Group's Extraordinary General Assembly held on 27 September 2012; it has been resolved to distribute dividend to its shareholders for each TL 1 (full TL) nominal valued share, 0.0286 gross / 0.0243 net (as being 2.86% gross, 2.43% net of the issued share capital) in total TL 80,000 as cash dividend from the extraordinary reserves, and the distribution is completed on 10 October 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 September 2012 and 31 December 2011 is as follows:

	30 September 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.



## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

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

#### 19. SHARE CAPITAL (cont'd)

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

	30 September 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 September 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 3,971 (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 September 2011
Revenue	23,953	85,582
Cost of sales (-)	(13,598)	(53,729)
Marketing, selling and distribution expenses (-)	(6,939)	(17,558)
Administrative expenses (-)	(4,666)	(14,873)
Other operating income	193	1,251
Other operating expenses (-)	(26)	(5)
Financial expenses (-)	(95)	(281)
Current tax expense (-)	(14)	(6,246)
Deferred tax income	10	6,219
Net loss from discontinued operations	<u>(1,182)</u>	<u>360</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>360</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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

##### **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.

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

##### 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 September 2012 and 31 December 2011 effective corporation tax rate in other countries are as follows:

	30 September 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 September 2012	30 September 2011
Balance at 1 January	28,275	28,875
Current year tax expense	92,163	74,478
Taxes paid	(87,282)	(76,145)
Balance at 30 September	33,156	27,208

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2012 and 31 December 2011, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	30 September 2012	31 December 2011
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(488,288)	(487,400)
Adjustment for percentage of completion method on construction projects	(36)	(22)
GE Inventory in the context of "PSA" (*)	(29,029)	(19,987)
IAS 39 adjustments on financial instruments and derivatives	(1,917)	-
Gross deferred income tax liabilities	<u>(519,270)</u>	<u>(507,409)</u>
Adjustment of revenue levelization	160,152	169,851
Allowance for doubtful receivables	2,480	2,351
Allowance for retirement pay liability	2,369	2,000
Allowance for inventories	400	886
Adjustments on financial instruments and derivatives	-	1,867
Deferred financial expenses	40	184
Others	10,126	5,786
Gross deferred income tax assets	<u>175,567</u>	<u>182,925</u>
Net deferred tax liability	<u>(343,703)</u>	<u>(324,484)</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 September 2012	31 December 2011
Deferred tax assets	15	95
Deferred tax liabilities	(343,718)	(324,579)
Net deferred tax liabilities	<u>(343,703)</u>	<u>(324,484)</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 (cont'd)

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

	30 September 2012	30 September 2011
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	10,354	36,228
Deferred income tax expense recognized in equity	27	169
Translation loss	8,775	(9,925)
Total net deferred tax liabilities as of 30 September	<u>343,703</u>	<u>302,613</u>
Of which:		
Balance at 30 September of Enka İnşaat and its subsidiaries	343,703	302,613
Balance at 30 September of the joint ventures, net	-	-
Total net deferred tax liabilities as of 30 September	<u><u>343,703</u></u>	<u><u>302,613</u></u>

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

	1 January - 30 September 2012			1 January - 30 September 2011		
	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	-	-	-	532	(106)	426
Changes in fair value of derivative assets	135	(27)	108	313	(63)	250
Changes in currency translation differences	71,265	-	71,265	(72,471)	-	(72,471)
	<u>71,400</u>	<u>(27)</u>	<u>71,373</u>	<u>(71,626)</u>	<u>(169)</u>	<u>(71,795)</u>

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2012 and 31 December 2011:

	<u>30 September 2012</u>	<u>31 December 2011</u>
A. Assets denominated in foreign currency	1,295,919	1,274,515
B. Liabilities denominated in foreign currency	(633,760)	(582,777)
Net foreign currency position (A+B)	662,159	691,738

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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 September 2012						Total USD Equivalent
	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	
Cash and cash equivalents	31,510	17,655	119,267	154,271	186,185	82,223	440,334
Financial investments	87,652	49,113	28,960	37,459	70,750	196,409	353,731
Trade and other receivables	18,226	10,213	55,129	71,309	38,877	7,244	127,643
Other current assets	63,173	35,397	4	6	6,086	227	41,716
Company's share in current assets of joint ventures	-	-	23,346	30,198	57,431	156	87,785
<b>Current assets</b>	<b>200,561</b>	<b>112,378</b>	<b>226,706</b>	<b>293,243</b>	<b>359,329</b>	<b>286,259</b>	<b>1,051,209</b>
Financial investments	6,024	3,375	116,106	150,182	67,328	-	220,885
Trade and other receivables	-	-	4,876	6,307	1,106	5,816	13,229
Other non current assets	2,386	1,337	772	998	3,326	4,877	10,538
Company's share in non current assets of joint ventures	-	-	-	-	58	-	58
<b>Non-current assets</b>	<b>8,410</b>	<b>4,712</b>	<b>121,754</b>	<b>157,487</b>	<b>71,818</b>	<b>10,693</b>	<b>244,710</b>
<b>Total assets</b>	<b>208,971</b>	<b>117,090</b>	<b>348,460</b>	<b>450,730</b>	<b>431,147</b>	<b>296,952</b>	<b>1,295,919</b>
Short-term borrowings	851	477	28,954	37,451	60,955	20,370	119,253
Trade and other payables	31,878	17,862	67,355	87,124	56,027	8,257	169,270
Other current liabilities and accrued expenses	74,908	41,972	22,255	28,787	33,138	24,357	128,254
Company's share in current liabilities of joint ventures	37	21	274	354	67,591	285	68,251
<b>Current liabilities</b>	<b>107,674</b>	<b>60,332</b>	<b>118,838</b>	<b>153,716</b>	<b>217,711</b>	<b>53,269</b>	<b>485,028</b>
Trade and other payables	-	-	4,125	5,336	-	-	5,336
Long-term borrowings	-	-	21,448	27,743	102,813	5,500	136,056
Other non-current liabilities	-	-	143	184	87	287	558
Company's share in non current liabilities of joint ventures	-	-	-	-	6,782	-	6,782
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>25,716</b>	<b>33,263</b>	<b>109,682</b>	<b>5,787</b>	<b>148,732</b>
<b>Total liabilities</b>	<b>107,674</b>	<b>60,332</b>	<b>144,554</b>	<b>186,979</b>	<b>327,393</b>	<b>59,056</b>	<b>633,760</b>
<b>Net foreign currency position</b>	<b>101,297</b>	<b>56,758</b>	<b>203,906</b>	<b>263,751</b>	<b>103,754</b>	<b>237,896</b>	<b>662,159</b>
<b>Net notional amount of derivatives</b>	<b>11,152</b>	<b>6,249</b>	<b>83,304</b>	<b>107,753</b>	<b>(4,023)</b>	<b>-</b>	<b>109,979</b>
<b>Export</b>	<b>-</b>	<b>-</b>	<b>84,462</b>	<b>117,641</b>	<b>1,040</b>	<b>47,120</b>	<b>165,801</b>
<b>Import</b>	<b>-</b>	<b>-</b>	<b>131,564</b>	<b>183,246</b>	<b>59,935</b>	<b>100,404</b>	<b>343,585</b>

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

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

## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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
<b>Current assets</b>	<b>244,962</b>	<b>129,685</b>	<b>292,703</b>	<b>378,698</b>	<b>274,346</b>	<b>193,732</b>	<b>976,461</b>
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
<b>Non-current assets</b>	<b>47,645</b>	<b>25,224</b>	<b>168,543</b>	<b>218,062</b>	<b>43,863</b>	<b>10,905</b>	<b>298,054</b>
<b>Total assets</b>	<b>292,607</b>	<b>154,909</b>	<b>461,246</b>	<b>596,760</b>	<b>318,209</b>	<b>204,637</b>	<b>1,274,515</b>
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
<b>Current liabilities</b>	<b>108,130</b>	<b>57,245</b>	<b>100,902</b>	<b>130,547</b>	<b>223,158</b>	<b>50,690</b>	<b>461,640</b>
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	-	-	-	-	-	-	-
<b>Non-current liabilities</b>	<b>451</b>	<b>239</b>	<b>30,427</b>	<b>39,366</b>	<b>79,801</b>	<b>1,731</b>	<b>121,137</b>
<b>Total liabilities</b>	<b>108,581</b>	<b>57,484</b>	<b>131,329</b>	<b>169,913</b>	<b>302,959</b>	<b>52,421</b>	<b>582,777</b>
<b>Net foreign currency position</b>	<b>184,026</b>	<b>97,425</b>	<b>329,917</b>	<b>426,847</b>	<b>15,250</b>	<b>152,216</b>	<b>691,738</b>
<b>Net notional amount of derivatives</b>	14,906	7,891	94,211	121,890	(12,784)	-	116,997
<b>Export</b>	-	-	70,999	98,674	1,220	66,253	166,147
<b>Import</b>	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.



## ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2012 and 31 December 2011:

	30 September 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)	5,676	(5,676)	9,743	(9,743)
2- Portion hedged against TL risk (-)	625	(625)	789	(789)
<b>3- TL net effect (1+2)</b>	<b>6,301</b>	<b>(6,301)</b>	<b>10,532</b>	<b>(10,532)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	26,375	(26,375)	42,685	(42,685)
5- Portion hedged against Euro risk (-)	10,775	(10,775)	12,189	(12,189)
<b>6- Euro net effect (1+2)</b>	<b>37,150</b>	<b>(37,150)</b>	<b>54,874</b>	<b>(54,874)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	10,375	(10,375)	1,525	(1,525)
8- Portion hedged against other foreign currency risk (-)	(402)	402	(1,278)	1,278
<b>9- Other foreign currency net effect (7+8)</b>	<b>9,973</b>	<b>(9,973)</b>	<b>247</b>	<b>(247)</b>
<b>Total (3+6+9)</b>	<b>53,424</b>	<b>(53,424)</b>	<b>65,653</b>	<b>(65,653)</b>

#### 23. SUBSEQUENT EVENTS

None.