

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

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2011

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**INDEPENDENT AUDITOR’S REPORT  
ON THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2011**

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

We have audited the accompanying consolidated financial statements of Enka İnşaat ve Sanayi A.Ş. (Enka İnşaat), its subsidiaries and joint ventures (together the “Group”) which comprise the consolidated balance sheet as of 31 December 2011, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

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

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

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

***Opinion***

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial positions of the Group as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

İstanbul, 19 March 2012

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

### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

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

ASSETS	Notes	31 December 2011	31 December 2010
<b>Current Assets</b>		<b>2.751.144</b>	<b>2.400.551</b>
Cash and cash equivalents	6	756.187	599.079
Financial investments	7	633.954	722.228
Trade receivables	9	584.571	569.847
Other receivables	10	1.139	960
Inventories	11	269.158	199.571
Costs and estimated earnings in excess of billings on uncompleted contracts	12	52.273	9.912
Other Current Assets	20	79.685	59.317
Company's share in current assets of joint ventures	4	253.657	234.166
		<u>2.630.624</u>	<u>2.395.080</u>
Assets held for sale and discontinued operations	28	120.520	5.471
<b>Non-Current Assets</b>		<b>4.709.189</b>	<b>4.714.137</b>
Trade receivables	9	19.213	34.775
Financial investments	7	774.585	648.652
Investment properties	13	1.942.767	1.918.673
Property, plant and equipment		1.841.866	1.908.502
- Group	14	1.781.698	1.847.044
- Group's share in joint ventures	4	60.168	61.458
Intangible assets	15	29.424	29.933
Goodwill	16	63.560	115.269
Deferred tax assets	29	95	14.289
Other non-current assets	20	28.966	36.393
Group's share in non-current assets of joint ventures	4	8.713	7.651
<b>TOTAL ASSETS</b>		<b><u>7.460.333</u></b>	<b><u>7.114.688</u></b>

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

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

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
<b>Current Liabilities</b>		<b>1.196.079</b>	<b>1.102.436</b>
Financial borrowings		214.953	220.218
- Bank loans	8	212.233	217.517
- Obligations under finance leases	8	2.720	2.701
Trade payables	9	437.048	376.494
Other payables	10	125.614	109.814
Billings in excess of costs and estimated earnings on uncompleted contracts	12	3.805	10.105
Taxation on income	29	28.275	28.875
Provisions	17	32.737	14.703
Provisions for employee benefits	19	30.096	27.418
Other current liabilities	20	87.814	65.853
Group's share in current liabilities of joint ventures	4	235.737	248.956
<b>Non-Current Liabilities</b>		<b>1.489.641</b>	<b>1.598.348</b>
Financial borrowings		253.254	376.796
- Bank loans	8	201.680	321.626
- Obligations under finance leases	8	51.574	55.170
Trade payables	9	6.734	6.627
Other payables	10	24.384	17.092
Provisions for employee benefits	19	13.048	14.992
Deferred tax liabilities	29	324.579	290.430
Other non-current liabilities	20	860.798	892.096
Group's share in non-current liabilities of joint ventures	4	6.844	315
<b>EQUITY</b>			
<b>Equity Attributable to equity holders of the parent</b>		<b>4.532.507</b>	<b>4.172.270</b>
Share capital	21	1.666.060	1.476.498
Revaluation surplus	21	201.631	138.694
Currency translation difference	21	(232.357)	(119.230)
Other reserves		1.838	1.519
Legal reserves and accumulated profit	21	2.895.335	2.674.789
<b>Non-controlling interests</b>		<b>242.106</b>	<b>241.634</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7.460.333</b>	<b>7.114.688</b>

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

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

**CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

	<b>Notes</b>	<b>1 January- 31 December 2011</b>	<b>1 January- 31 December 2010</b>
<b>CONTINUING OPERATIONS</b>			
Revenue	5, 22	5.036.837	4.596.106
Cost of sales (-)	5, 22	<u>(4.183.403)</u>	<u>(3.816.482)</u>
<b>GROSS PROFIT</b>		<b>853.434</b>	<b>779.624</b>
Marketing, selling and distribution expenses (-)	5, 23, 24	(33.815)	(43.363)
Administrative expenses (-)	5, 23, 24	(125.170)	(109.256)
Other operating income	5, 25	86.622	56.431
Other operating expenses (-)	5, 25	<u>(35.439)</u>	<u>(19.154)</u>
<b>PROFIT FROM OPERATIONS</b>		<b>745.632</b>	<b>664.282</b>
Financial income	5, 26	108.351	114.592
Financial expenses (-)	5, 27	<u>(162.983)</u>	<u>(104.614)</u>
<b>PROFIT BEFORE TAX</b>		<b>691.000</b>	<b>674.260</b>
Current tax expense	29	(106.658)	(89.095)
Deferred tax expense	29	<u>(57.140)</u>	<u>(30.147)</u>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>527.202</b>	<b>555.018</b>
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations, net of tax	28	106	4.742
<b>NET PROFIT FOR THE YEAR</b>		<b>527.308</b>	<b>559.760</b>
<b>Attributable to:</b>			
Non-controlling interest		18.765	13.550
Equity holders of the parent		<u>508.543</u>	<u>546.210</u>
		<b>527.308</b>	<b>559.760</b>
<b>Basic earnings per share attributable to equity holders of the parent - U.S. Dollar</b>			
- ordinary share certificate (full cent)	30	0,20	0,22
<b>Weighted average number of shares</b>		250.000.000.000	250.000.000.000

The accompanying notes form an integral part of these consolidated financial

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

	<b>1 January- 31 December 2011</b>	<b>1 January- 31 December 2010</b>
<b>NET PROFIT FOR THE YEAR</b>	<u>527.308</u>	<u>559.760</u>
<b>Other Comprehensive Income / (Expense):</b>		
Changes in cash flow hedge		
Gain arising during the year	397	78
Tax effect	<u>(80)</u>	<u>(16)</u>
	317	62
Changes in revaluation fund of property		
Gain arising during the year	93.565	29.010
Tax effect	<u>(11.184)</u>	<u>(3.758)</u>
	82.381	25.252
Changes in currency translation difference	(127.600)	(39.449)
<b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>	<u><b>(44.902)</b></u>	<u><b>(14.135)</b></u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><b>482.406</b></u>	<u><b>545.625</b></u>
<b>Attributable to:</b>		
Non-controlling interest	20.569	12.248
Equity holders of the parent	<u>461.837</u>	<u>533.377</u>
	<u><b>482.406</b></u>	<u><b>545.625</b></u>

The accompanying notes form an integral part of these consolidated financial

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011**

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

	Notes	Share capital	Revaluation surplus	Currency translation difference	Other reserves	Legal reserves and accumulated profit	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2010</b>		<b>1.214.907</b>	<b>119.710</b>	<b>(80.633)</b>	<b>27.186</b>	<b>2.461.234</b>	<b>3.742.404</b>	<b>246.190</b>	<b>3.988.594</b>
The effect of the change in accounting policy for the classification and measurement of financial assets		-	-	-	(25.730)	25.730	-	-	-
<b>Balance at 1 January 2011 (restated)</b>		<b>1.214.907</b>	<b>119.710</b>	<b>(80.633)</b>	<b>1.456</b>	<b>2.486.964</b>	<b>3.742.404</b>	<b>246.190</b>	<b>3.988.594</b>
Total other comprehensive income		-	26.089	(38.985)	63	-	(12.833)	(1.302)	(14.135)
Profit for the year		-	-	-	-	546.210	546.210	13.550	559.760
Total comprehensive income		-	26.089	(38.985)	63	546.210	533.377	12.248	545.625
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(5.647)	-	-	5.647	-	-	-
Share capital increase from general reserve	21	261.591	-	-	-	(261.591)	-	-	-
Dividends paid		-	-	-	-	(102.581)	(102.581)	(17.734)	(120.315)
Scope change		-	(1.458)	388	-	140	(930)	930	-
<b>Balance at 31 December 2010</b>	<b>21</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>
<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		-	66.102	(113.127)	319	-	(46.706)	1.804	(44.902)
Profit for the year		-	-	-	-	508.543	508.543	18.765	527.308
Total comprehensive income		-	66.102	(113.127)	319	508.543	461.837	20.569	482.406
Transfer of depreciation difference (net of deferred tax) of revaluation effect		-	(3.165)	-	-	3.165	-	-	-
Share capital increase from general reserve	21	189.562	-	-	-	(189.562)	-	-	-
Dividends paid		-	-	-	-	(101.600)	(101.600)	(20.097)	(121.697)
<b>Balance at 31 December 2011</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>

The accompanying notes form an integral part of these consolidated financial

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

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

		<b>1 January - 31 December 2011</b>	<b>1 January - 31 December 2010</b>
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Profit for the year		527.308	559.760
Adjustments to reconcile net income to net cash used in operating activities:			
- Depreciation and amortization of non-current assets	24	116.270	128.411
- Provision for employment termination benefits	19	1.251	3.955
- Allowance for doubtful receivables	25	7.401	3.967
- Provision for litigations	25	1.550	2.000
- Revenue levelization adjustment		(30.288)	36.552
- Loss from fair value of forward transactions	26,27	7.183	727
- Interest expense	27	86.063	30.082
- Interest income	26	(44.427)	(29.784)
- Dividend income	26	(5.866)	(2.551)
- Provision for inventory impairment, net		480	(123)
- Gain on disposal of property, plant and equipment, net	25	(4.735)	(2.686)
- Fair value increase in investment properties	13	(44.472)	(19.704)
- Bargain purchase gains	3	-	(13.573)
- Interest accrual		250	309
- Tax Expense	28,29	163.832	119.285
		<u>781.800</u>	<u>816.627</u>
Movements in working capital			
(Increase) / decrease in trade and other receivables		(3.954)	18.150
Increase in cost and estimated earnings in excess of billings on uncompleted contracts		(42.361)	(8.350)
(Increase) / decrease in Company's share in assets of joint ventures		(20.554)	59.858
(Increase) / decrease in inventory		(77.531)	73.193
(Increase) / decrease in other current assets and other non current assets		(11.787)	81.706
Increase / (decrease) in trade and other payables		60.661	(10.527)
Decrease in billings in excess of cost and estimated earnings on uncompleted contracts		(6.300)	(53.756)
Company's share in current and non current liabilities of joint ventures		(6.690)	(9.905)
Increase / (decrease) in provision for liabilities and other liabilities		56.026	(158.257)
		<u>(52.490)</u>	<u>(7.888)</u>
Income taxes paid	29	(107.258)	(86.931)
Employee termination benefits paid	19	(1.418)	(689)
<b>Net cash generated from operating activities</b>		<b><u>620.634</u></b>	<b><u>721.119</u></b>
<b>Cash flows from investing activities</b>			
Time deposits with maturities over 3 months		-	25.000
Financial investments		(37.659)	(349.157)
Investments in associates accounted with equity method		-	(52)
Proceeds from sale of property, plant and equipment		30.735	12.908
Purchases of property, plant and equipment, intangible assets investment properties		(120.601)	(52.771)
Interest received		43.928	29.167
Cash used in acquisition of subsidiary net of cash acquired	3	-	(18.826)
Dividend income	26	5.866	2.551
<b>Net cash used in investing activities</b>		<b><u>(77.731)</u></b>	<b><u>(351.180)</u></b>
<b>Cash flows from financing activities</b>			
Addition to current and non-current borrowings		301.259	143.183
Payments of current and non-current borrowings		(432.704)	(387.816)
Interest paid		(82.479)	(25.276)
Changes in finance lease obligations		(1.718)	(123)
Dividends paid to non-controlling interests		(20.097)	(17.734)
Dividends paid		(101.600)	(102.581)
<b>Net cash used in financing activities</b>		<b><u>(337.339)</u></b>	<b><u>(390.347)</u></b>
Translation differences		(48.456)	(27.676)
Net increase in cash and cash equivalents		157.108	(48.084)
Cash and cash equivalents at beginning of the year	6	598.079	646.163
<b>Cash and cash equivalents at end of the year</b>	<b>6</b>	<b><u>755.187</u></b>	<b><u>598.079</u></b>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(Amounts are expressed as 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 June 28, 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of 31 December 2011, 12,71% of the shares of Enka İnşaat and 15,95% of the shares of Pimaş Plastik Malzemeleri Anonim Şirketi (Pimaş), subsidiary of Enka İnşaat, are traded publicly in İstanbul Stock Exchange (ISE).

As of 31 December 2011, the average numbers of white and blue-collar personnel are respectively 3.201 and 10.357 (31 December 2010 – 3.208 and 11.598).

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

The Group operates in geographical areas below:

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

As of 31 December 2011 Enka İnşaat has the following subsidiaries, whose business and country of incorporation are provided below:

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

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

The construction contracts are undertaken by Enka İnşaat alone or together with its affiliated companies or, in partnerships with other contractors through joint ventures. Enka İnşaat has the following joint ventures, which will be dissolved after the completion of the construction projects, as listed below:

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

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of presentation

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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on the historical cost convention, except for investment properties, buildings, available-for-sale (AFS) financial assets and derivative financial instruments which are measured at fair values. The consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group adopted all standards, which were mandatory as of 31 December 2011. The consolidated financial statements of Enka İnşaat were authorized for issue by the management on 19 March 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 and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board (CMB), (for publicly traded companies) and Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries where they are registered. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

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

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

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

**2.1 Basis of presentation (cont'd)**

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

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

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

The year-end and average Turkish Lira (TL) rates for 2011 and 2010 for one U.S. Dollar can be summarized as below:

	2011	2010
U.S. Dollars /TL – as of balance sheet date	1,8889	1,5460
U.S. Dollars /TL – yearly average	1,6708	1,4990

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

### 2.1 Basis of presentation (cont'd)

#### Comparative information and reclassification of prior year financial statements

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

As the Group has classified its retail operation to the discontinued operations in 2011, notes to the statement of income for the year ended 31 December 2010 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.

#### Basis of consolidation

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

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

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

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

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

##### 2.1 Basis of presentation (cont'd)

###### Basis of consolidation (cont'd)

The subsidiaries included in consolidation and their shareholding percentages at 31 December 2011 and 31 December 2010 are as follows:

Company name	Direct / Indirect ownership	
	31 December 2011	31 December 2010
Enka Holding B.V.	%100,00	%100,00
Enka Holding Investment S.A.	%100,00	%100,00
Edco Investment B.V.	%100,00	%100,00
Enru Development B.V.	%100,00	%100,00
Enka Power Systems B.V.	%100,00	%100,00
Covet B.V.	%100,00	%100,00
Enka Construction & Development B.V.	%100,00	%100,00
Far East Development B.V.	%100,00	%100,00
Enka Construction B.V.	%100,00	%100,00
Enmar	%100,00	%100,00
Entrade	%100,00	%100,00
Capital City Investment B.V.	%100,00	%100,00
City Center Investment B.V.	%100,00	%100,00
Enka Adapazarı Power Investment B.V.	%100,00	%100,00
Enka Gebze Power Investment B.V.	%100,00	%100,00
Enka İzmir Power Investment B.V.	%100,00	%100,00
Enka Power Investment B.V.	%100,00	%100,00
İzmir Elektrik	%100,00	%100,00
Adapazarı Elektrik	%100,00	%100,00
Gebze Elektrik	%100,00	%100,00
Enka LLC	%100,00	%100,00
Rumos S.A.	%100,00	%100,00
MCC Investment SA.	%100,00	%100,00
Enka TC LLC	%100,00	%100,00
Retmos Investment Ltd.	%100,00	%100,00
Emos LLC	%100,00	%100,00
Dmos LLC	%100,00	%100,00
Bmos B.V.	%100,00	%100,00
Cmos B.V.	%100,00	%100,00
Akkuyu Construction B.V.	%100,00	%100,00
Akkuyu Investment B.V.	%100,00	%100,00
Akkuyu B.V.	%100,00	%100,00
OOO Victoria	%100,00	%100,00
Enka Santral Hizmetleri A.Ş.	%100,00	%100,00
Maken	%100,00	%100,00
Enka Elektrik Üretim A.Ş.	%100,00	-
Enka International Construction Ltd.	%100,00	-
Enka Pazarlama	%99,99	%99,99
Enka Finansal Kiralama A.Ş.	%99,99	%99,99
Airenka	%99,97	%99,97
Metra Akdeniz Dış Ticaret A.Ş.	%99,93	%99,96
Entaş	%99,93	%99,93
Enka Enerji Üretim A.Ş.	%99,47	%99,47
Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş.	%97,31	%97,31
Kasktaş	%97,25	%97,25
Burkas Ltd. Şti	%97,25	%97,25
Kasktaş Arabia Ltd.	%97,25	%97,25
Çimtaş Borulama Sanayi ve Ticaret Ltd. Şti. (Çimtaş Borulama)	%96,97	%96,97
Çimtaş Çelik	%96,94	%96,94
Cimtas Mechanical Contracting B.V.	%96,94	%96,94
Cimtas (Ningbo) Steel Processing Company Ltd.	%96,94	%96,94
Cimtas Buildings Systems Ltd (CBSL)	%96,94	%96,94

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

### 2.1 Basis of presentation (cont'd)

#### Basis of consolidation (cont'd)

Company name (cont'd)	Direct / Indirect ownership	
	31 December 2011	31 December 2010
Cimtas Investment B.V.	%96,94	%96,94
Cimtas Caspian Development B.V.	%96,64	%96,64
IBH Engineering GmbH	%96,64	%96,64
Titaş	%91,91	%91,91
Pimaş	%81,65	%81,65
Pimapen Logistic Center SRL	%81,65	%81,65
Enwin Window Systems B.V.	%81,65	%81,65
Enwin Rus Ltd.	%81,65	%81,65
Mosenka	%80,00	%80,00
Enka Teknik	%77,40	%77,40
DKW Engineering GMBH	%72,26	-
OOO R-Avtam	%60,00	%60,00
MKH	%56,00	%56,00
Cimtas Boru İmalatları ve Ticaret A.Ş. (Cimtas Boru)	%50,00	%50,00
Poyraz Shipping B.V.	-	%100,00
Bogazici Shipping B.V.	-	%100,00
Doga Shipping B.V.	-	%100,00
Imbat Shipping B.V.	-	%100,00
TNY Shipping B.V.	-	%100,00
Alacante Shipping B.V.	-	%100,00
BRK Overseas Shipping B.V.	-	%100,00
MML Merchant Shipping B.V.	-	%100,00
Esta Construction B.V.	-	%100,00
Susanbaş Değirmencilik A.Ş.	-	%99,35

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The Group recognizes its interest in the joint venture using proportionate consolidation. The breakdown of the controlling interests of the joint ventures as of 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
Bechtel-Enka Joint Venture (Kazakistan) – Senimdy Kurylys	50,00%	50,00%
Bechtel-Enka Joint Venture Bautino (Kazakistan)	50,00%	50,00%
Caddell Construction Company Inc. (Caddell Avrupa, Afrika, Amerika)	50,00%	50,00%
Bechtel-Enka Technostroyexport Joint Venture (Sakhalin Adası/ Rusya)	-	50,00%
Bechtel-Enka Joint Venture (Romanya)	50,00%	50,00%
Bechtel-Enka Joint Venture (Arnavutluk)	50,00%	50,00%
Bechtel-Enka Joint Venture (Kosova)	50,00%	50,00%
AECO Development Limited Liability Company (Umman)	50,00%	50,00%
Bechtel-Enka Joint Venture (Umman)	50,00%	-
Poyraz Shipping B.V.	50,00%	-
Bogazici Shipping B.V.	50,00%	-
Doga Shipping B.V.	50,00%	-
Imbat Shipping B.V.	50,00%	-
TNY Shipping B.V.	50,00%	-
Alacante Shipping B.V.	50,00%	-
BRK Overseas Shipping B.V.	50,00%	-
MML Merchant Shipping B.V.	50,00%	-
Esta Construction B.V.	50,00%	-

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

##### 2.2 Changes in the accounting policies

Significant changes in accounting policies are applied retroactively and prior year financial statements are restated when necessary. The Group did not make any changes to its accounting policies.

##### 2.3 Changes and Errors in Accounting Estimates

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

##### 2.4 Adoption of New and Revised International Financial Reporting Standards

The following 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

###### ***Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)***

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in other comprehensive income and in the consolidated statement of changes in equity. The analysis is applied retrospectively.

###### (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, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard before 1 January 2011, comparative figures have not been restated.

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

###### **Amendments to IFRS 3 Business Combinations**

As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

The application of the amendments has not had material effect on the Group's consolidated financial statements as the Group did not have any business combination in the current year.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

###### *IAS 24 Related Party Disclosures (as revised in 2009)*

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. Adoption of revised standard is mandatory for annual periods beginning on or after 1 January 2011.

###### *Amendments to IAS 32 Classification of Rights Issues*

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

###### *Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement*

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

###### *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature

###### *Improvements to IFRSs issued in 2010*

Except for the amendments to IAS 1 described earlier in section (a) the application of *Improvements to IFRSs* issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

###### (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 – Transfers of Financial Assets</i> <sup>1</sup>
IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
IFRS 10	<i>Consolidated Financial Statements</i> <sup>5</sup>
IFRS 11	<i>Joint Arrangements</i> <sup>5</sup>
IFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>5</sup>
IFRS 13	<i>Fair Value Measurement</i> <sup>5</sup>
Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
Amendments to IAS 12	<i>Deferred Tax – Recovery of Underlying Assets</i> <sup>4</sup>
IAS 19 (as revised in 2011)	<i>Employee Benefits</i> <sup>5</sup>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements</i> <sup>5</sup>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i> <sup>5</sup>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>5</sup>
Amendments to IAS 32	<i>Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities</i> <sup>6</sup>

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.

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.

The group management does not anticipate that these amendments to IFRS 7 will 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.

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

Key requirements of these five Standards are described below.

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

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

**2.4 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 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 Group have not yet quantified the extent of the impact of the adoption of this amendment on the 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.

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 financial statements and result in more extensive disclosures in the financial statements.

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

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

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

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

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 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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 recognised immediately through other comprehensive income in order for the net pension asset or liability recognised 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. The Group does not expect any material impact of the adoption of this amendment on the financial statements.

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

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

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

### 2.5 Summary of significant accounting policies

#### Revenue

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

#### Construction contract activities

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

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

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

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

#### Energy activities

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

#### Sale of goods

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

#### Rental income

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

#### Rendering of services

Revenue is recognized by reference to the stage of completion.

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

**2.5 Summary of significant accounting policies (cont'd)**

**Revenue (cont'd)**

Interest income

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

Dividends

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

**Inventories**

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

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

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

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

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

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

**Property, plant and equipments**

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

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

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Property, plant and equipments (cont'd)**

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

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

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

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

**Intangible assets**

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

Trademarks

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

Contractual customer relationships

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

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Investment properties**

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

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

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

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

**Business combinations**

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

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

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

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Business combinations (cont'd)**

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

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

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

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

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

**Goodwill**

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

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

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

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Non-current assets held for sale**

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

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

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

**Discontinued operations**

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. The Group measured assets and liabilities related to the disposal group at the lower of their previous carrying amount and fair value less costs to sell. (Note 28)

**Impairment of non-financial assets**

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

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

**Borrowing costs**

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Financial instruments**

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

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

(a) Financial assets at amortised cost

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

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

(b) Financial assets at fair value

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

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

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

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

Impairment of financial assets

Financial assets at amortised cost

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Financial instruments (cont'd)**

Impairment of financial assets (cont'd)

Financial assets at amortised cost (cont'd)

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

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

The group first assesses whether objective evidence of impairment exists.

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

### 2.5 Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

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

#### a) Financial liabilities at fair value through profit and loss

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

#### b) Other financial liabilities

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

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

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

#### Derivative financial instruments and hedging

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

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

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Financial instruments (cont'd)**

Derivative financial instruments and hedging (cont'd)

*Cash flow hedges*

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

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

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

Accounting at the date of transaction

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

Offsetting

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

Derecognition of financial liabilities

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

**Effects of Changes in Foreign Exchange Rates**

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

**Earnings per share**

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

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Provisions, contingent liabilities, contingent assets**

Provisions

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

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

Contingent liabilities and assets

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

**Leases - The Group as lessee**

Finance leases

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

Operating lease

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

**Leases - The Group as lessor**

Operating lease

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Related parties**

Parties are considered related to the Group if;

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

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

**Income tax**

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

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

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

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

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

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

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

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

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

**2.5 Summary of significant accounting policies (cont'd)**

**Employee termination benefits**

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

Defined benefit plans

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

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

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

Defined contribution plans

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

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

**Statement of cash flows**

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

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

**Subsequent events**

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

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

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

**2.6 Significant accounting judgements, estimates and assumptions**

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the consolidated profit and loss statement and in the carrying value of assets and liabilities in the consolidated balance sheet, and in the disclosure of information in the notes to the consolidated financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the consolidated financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates. This may have a material effect on the consolidated financial statements.

The key assumptions concerning the future and other key resources of estimation at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- a) Determination of total estimated project costs, profitability and calculation of loss accruals under the scope of IAS 11 "Construction Contracts" (Note 12),
- b) Market valuations of investment properties under the scope of IAS 40 "Investment Property" and land and buildings under the scope of IAS 16 "property, plant and equipment" (Note 13 and 14)
- c) Estimation of impairment losses on financial assets and trade receivables (Note 7 and 9).
- d) Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 29).
- e) The Group management has made significant assumptions for determining the economic lives of tangible and intangible assets with the guidance of experienced technical staff (Note 4, 14, 15).
- f) In accordance with the determined accounting policies, the Group reviews carrying amount of goodwill for impairment annually, or more frequently in cases where the circumstances indicate impairment. As of 31 December 2011, the Group tested impairment of carrying amount of goodwill by comparing the recoverable amount which is determined by value in use calculations. These calculations are based on projected before-tax cash flows based on financial budgets/forecasts approved by the Board of Directors. Expected growth rates are used to discount projected cash flows for periods greater than five years. Operating market growth rates, per capita gross domestic product and pricing information such as indices, have been acquired from outside sources. Estimations related to parameters such as selling prices, working capital requirements and fixed assets investments are based on Group's predictions and previous period realizations.

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

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#### 3. BUSINESS COMBINATIONS

The Group does not have business combinations during the year 2011. The details of the Group's business combination in 2010 are as follows:

	Main subject of operations	Acquisition Date	Ownership in acquired capital (%)	Transferred amount
IBH Engineering GmbH	Engineering	21 April 2010	100%	13.254
Çimtaş Gemi İnşa ve Sanayi A.Ş.	Production	21 September 2010	100%	20.000
				<u>33.254</u>

The total cost of acquisition:

	IBH Engineering GmbH	Çimtaş Gemi İnşa ve Sanayi A.Ş.	Total
Cash	6.627	20.000	26.627
Amount to be paid in future	6.627	-	6.627
Total	<u>13.254</u>	<u>20.000</u>	<u>33.254</u>

Assets and liabilities acquired through business combinations:

	IBH Engineering GmbH	Çimtaş Gemi İnşa ve Sanayi A.Ş.	Total
<b>Current Assets</b>	<b>3.885</b>	<b>16.744</b>	<b>20.629</b>
Cash and cash equivalents	1.210	6.591	7.801
Trade and other receivables	1.732	124	1.856
Inventories	-	10.029	10.029
Construction in progress	943	-	943
<b>Non-current Assets</b>	<b>6.324</b>	<b>59.371</b>	<b>65.695</b>
Tangible assets (Note 14)	73	38.633	38.706
Intangible Assets (Note 15)	6.251	20.738	26.989
<b>Current Liabilities</b>	<b>3.718</b>	<b>42.541</b>	<b>46.259</b>
Bank loans and financial liabilities	-	8.553	8.553
Trade and other payables	3.718	33.988	37.706
<b>Long-term liabilities</b>	<b>1.834</b>	<b>-</b>	<b>1.834</b>
Deferred tax liabilities	1.834	-	1.834
	<u>4.657</u>	<u>33.574</u>	<u>38.231</u>

Goodwill arised at the acquisition:

	IBH Engineering GmbH	Çimtaş Gemi İnşa ve Sanayi A.Ş.	Total
Transferred amount	13.254	20.000	33.254
Less: Fair value of net assets of acquired companies	(4.657)	(33.574)	(38.231)
Goodwill	<u>8.597</u>	<u>(13.574)</u>	<u>(4.977)</u>

Total consideration paid for acquisition:

	31 December 2010
Paid in cash	26.627
Less: Cash and cash equivalents of acquired companies	(7.801)
	<u>18.826</u>

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**4. INTEREST IN JOINT VENTURES**

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

	31 December 2011	31 December 2010
Cash and cash equivalents	58.481	36.241
Trade receivables	162.066	182.126
Other current assets	23.543	7.746
Inventories	7.931	7.760
Costs and estimated earnings in excess of billings on uncompleted contracts	1.636	293
<b>Company's share in current assets of joint ventures</b>	<b>253.657</b>	<b>234.166</b>
Cost	180.036	205.442
Accumulated depreciation	(119.868)	(143.984)
<b>Group's share in joint ventures in property, plant and equipment</b>	<b>60.168</b>	<b>61.458</b>
Trade receivables	7.587	7.433
Deferred tax assets	-	147
Other non-current assets	1.126	71
<b>Group's share in non-current assets of joint ventures</b>	<b>8.713</b>	<b>7.651</b>
Trade payables	39.124	49.607
Other current liabilities and accrued expenses	86.573	24.025
Billings in excess of costs and estimated earnings on uncompleted contracts	110.041	175.324
<b>Group's share in current liabilities of joint ventures</b>	<b>235.737</b>	<b>248.956</b>
Other non-current liabilities	6.781	315
Deferred tax liability	63	-
<b>Group's share in non-current liabilities of joint ventures</b>	<b>6.844</b>	<b>315</b>

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

	31 December 2011	31 December 2010
Revenues	527.935	388.627
Cost of sales	(308.094)	(278.294)
General administrative expenses	(24)	(5)
Other operating income	244	1.432
Other operating expenses	(1.277)	(176)
Financial income	3.788	1.039
Financial expenses	(2.144)	(1.214)
Taxation charge	(22.597)	(17.436)
<b>Net profit</b>	<b>197.831</b>	<b>93.973</b>

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

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#### 5. SEGMENTAL INFORMATION

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

##### a) Business segments:

	1 January - 31 December 2011					
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenues	936.919	406.171	445.177	3.248.570	-	5.036.837
Inter-segment revenues	56.025	835	12.785	17.452	(87.097)	-
Cost of revenues	(644.266)	(122.085)	(387.070)	(3.029.982)	-	(4.183.403)
Inter-segment cost of revenues	(70.561)	-	(7.048)	(17.572)	95.181	-
<b>Gross profit</b>	<b>278.117</b>	<b>284.921</b>	<b>63.844</b>	<b>218.468</b>	<b>8.084</b>	<b>853.434</b>
Marketing, selling and distribution expenses	(9.243)	(3.594)	(20.978)	-	-	(33.815)
Administrative expenses	(74.904)	(24.674)	(14.142)	(13.005)	1.555	(125.170)
Other operating income	40.460	46.725	4.363	11.893	(16.819)	86.622
Other operating expenses	(21.717)	(1.390) (*)	(12.278)	(54)	-	(35.439)
<b>Profit from operations</b>	<b>212.713</b>	<b>301.988</b>	<b>20.809</b>	<b>217.302</b>	<b>(7.180)</b>	<b>745.632</b>
Financial income	96.760	500	2.642	15.899	(7.450)	108.351
Financial expenses (-)	(124.607)	(8.669)	(21.225)	(16.488)	8.006	(162.983)
<b>Profit before tax</b>	<b>184.866</b>	<b>293.819</b>	<b>2.226</b>	<b>216.713</b>	<b>(6.624)</b>	<b>691.000</b>
Taxation charge						
Current (-)	(42.807)	(34.435)	(3.104)	(26.312)	-	(106.658)
Deferred	2.437	(19.821)	(575)	(39.181)	-	(57.140)
Profit for the year from continuing operations	144.496	239.563	(1.453)	151.220	(6.624)	527.202
Profit for the year from discontinued operations	-	-	106	-	-	106
<b>Net profit for the year</b>	<b>144.496</b>	<b>239.563</b>	<b>(1.347)</b>	<b>151.220</b>	<b>(6.624)</b>	<b>527.308</b>

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

	31 December 2011				
	Construction contracts	Rental	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>

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

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

	1 January - 31 December 2011					
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated	
<b>Other segment information</b>						
<u>Capital expenditures</u>						
Investment property	-	6.558	-	-	6.558	
Property, plant and equipment	39.275	49.910	8.154	3.782	101.121	
Intangible assets	617	39	480	572	1.708	
<b>Total capital expenditures</b>	<b>39.892</b>	<b>56.507</b>	<b>8.634</b>	<b>4.354</b>	<b>109.387</b>	
Depreciation expense	45.488	3.556	6.182	54.425	109.651	
Amortisation	1.278	47	437	163	1.925	
Fair value adjustment to investment properties	-	(44.472)	-	-	(44.472)	
	1 January - 31 December 2010					
	Construction contracts	Rental	Trade and manufacturing	Energy	Eliminations	Consolidated
Revenues	1.137.370	371.780	402.902	2.684.054	-	4.596.106
Inter-segment revenues	32.734	-	13.409	19.348	(65.491)	-
Cost of revenues	(894.935)	(107.647)	(354.553)	(2.459.347)	-	(3.816.482)
Inter-segment cost of revenues	(37.993)	-	(3.557)	(19.502)	61.052	-
<b>Gross profit</b>	<b>237.176</b>	<b>264.133</b>	<b>58.201</b>	<b>224.553</b>	<b>(4.439)</b>	<b>779.624</b>
Marketing, selling and distribution expenses	(9.414)	(12.703)	(21.246)	-	-	(43.363)
Administrative expenses	(67.082)	(18.382)	(14.559)	(13.748)	4.515	(109.256)
Other operating income	29.897	21.480	487	7.644	(3.077)	56.431
Other operating expenses	(16.287)	(3.040) (*)	(2.113)	(961)	3.247	(19.154)
<b>Profit from operations</b>	<b>174.290</b>	<b>251.488</b>	<b>20.770</b>	<b>217.488</b>	<b>246</b>	<b>664.282</b>
Financial income	103.901	3.494	1.840	12.252	(6.895)	114.592
Financial expenses (-)	(65.636)	(6.733)	(13.585)	(22.282)	3.622	(104.614)
<b>Profit before tax</b>	<b>212.555</b>	<b>248.249</b>	<b>9.025</b>	<b>207.458</b>	<b>(3.027)</b>	<b>674.260</b>
Taxation charge						
Current (-)	(33.794)	(24.901)	(2.960)	(27.440)	-	(89.095)
Deferred	(1.862)	(12.622)	485	(16.148)	-	(30.147)
Profit for the year from continuing operations	176.899	210.726	6.550	163.870	(3.027)	555.018
Profit for the year from discontinued operations	-	-	4.742	-	-	4.742
<b>Net profit for the year</b>	<b>176.899</b>	<b>210.726</b>	<b>11.292</b>	<b>163.870</b>	<b>(3.027)</b>	<b>559.760</b>

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

	31 December 2010				
	Construction contracts	Rental	Trade and manufacturing	Energy	Consolidated
Segment assets	2.686.123	2.110.359	489.595	1.828.169	7.114.246
Unallocated assets	-	-	-	-	442
<b>Total assets</b>	<b>2.686.123</b>	<b>2.110.359</b>	<b>489.595</b>	<b>1.828.169</b>	<b>7.114.688</b>
Segment liabilities	580.675	369.960	266.483	1.482.586	2.699.704
Unallocated liabilities	-	-	-	-	1.080
<b>Total liabilities</b>	<b>580.675</b>	<b>369.960</b>	<b>266.483</b>	<b>1.482.586</b>	<b>2.700.784</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

Other segment information	1 January - 31 December 2010				Consolidated
	Construction contracts	Rental	Trade and manufacturing	Energy	
<u>Capital expenditures</u>					
Property, plant and equipment	35.442	1.336	13.063	1.296	51.137
Intangible assets	832	-	233	569	1.634
<b>Total capital expenditures</b>	<b>36.274</b>	<b>1.336</b>	<b>13.296</b>	<b>1.865</b>	<b>52.771</b>
Depreciation expense	57.017	3.544	7.834	54.626	123.021
Amortisation	409	93	252	161	915
Fair value adjustment to investment properties	-	(19.704)	-	-	(19.704)

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

For the year ended 31 December 2011, revenues amounting to USD 3.248.571 (31 December 2010: USD 2.684.054) is from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ), the share of which in consolidated revenue exceeds 10%. For the year ended 31 December 2011, cost of sales of the above mentioned revenues from TETAŞ, amounting to USD 2.871.327 (31 December 2010: USD 2.313.395) is related with the purchases from Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ), the share of which in consolidated cost of revenues exceeds %10.

#### b) Geographical segments

	1 January - 31 December 2011					Consolidated
	Turkey	Russian Federation, Kazakhstan	Europe	Other	Eliminations	
Net sales	3.932.688	672.806	291.611	139.732	-	5.036.837
Inter-segment sales	63.069	24.028	-	-	(87.097)	-
Capital expenditures	28.035	62.276	2.111	16.965	-	109.387
	31 December 2011					
Segmental assets	4.091.502	2.592.372	633.265	142.860	-	7.459.999
	1 January - 31 December 2010					
Net sales	3.370.917	980.692	181.309	63.188	-	4.596.106
Inter-segment sales	60.989	4.502	-	-	(65.491)	-
Capital expenditures	22.644	23.692	4.552	1.883	-	52.771
	31 December 2010					
Segmental assets	4.009.693	2.549.883	479.913	74.757	-	7.114.246

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**6. CASH AND CASH EQUIVALENTS**

	31 December 2011	31 December 2010
Cash on hand	1.655	1.539
Cash in bank		
Demand deposits	314.093	147.184
Time Deposits	436.954	448.134
Other	3.485	2.222
	<u>756.187</u>	<u>599.079</u>
Less: restricted time deposits with maturity over three months and less than one year	(1.000)	(1.000)
Cash and cash equivalents at consolidated cash flow statement	<u>755.187</u>	<u>598.079</u>

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

	31 December 2011	31 December 2010
<i>Fixed interest rate</i>		
U.S. Dollars	0,10%-6,00%	0,15%-6,00%
Russian Ruble	4,25%-8,25%	2,50%-4,75%
Euro	0,25%-5,75%	0,25%-3,50%
TL	0,50%-12,50%	3,00%-9,05%
Japanese Yen	0,05%-2,05%	0,30%-1,00%
Chinese Yuan	2,85%-3,10%	1,71%

Time deposits with maturities over three months are as follows:

U.S. Dollars - Fixed interest rate	2,45%-6,00%	2,45%-6,00%
------------------------------------	-------------	-------------

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**7. FINANCIAL INVESTMENTS****Current financial investments**

Current financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2011 are detailed below:

<u>Financial assets at fair value through profit or loss</u>	<u>31 December 2011</u>	<u>31 December 2010</u>
Private sector bonds		
- International markets	6.447	8.162
Foreign Government bonds		
- International markets	430.473	505.477
Equity securities		
- International markets	119.372	141.265
- Domestic market	1.946	2.904
Turkish Government bonds		
- Domestic market	24.179	18.073
Mutual funds		
- International markets	27.714	28.675
- Domestic market	23.823	17.672
	<u>633.954</u>	<u>722.228</u>

**Non-current financial investments**

Non-current financial investments of the Group classified as financial assets at fair value through profit or loss as of 31 December 2011 are detailed below:

<u>Financial assets at fair value through profit or loss</u>	<u>31 December 2011</u>	<u>31 December 2010</u>
Private sector bonds		
- International markets	544.843	421.511
Foreign Government bonds		
- International markets	189.628	185.480
Turkish Government bonds		
- Domestic market	23.926	23.128
Turkish Government bonds		
- International markets	15.437	17.289
Equity securities	751	1.244
	<u>774.585</u>	<u>648.652</u>

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

	<u>31 December 2011</u>	<u>31 December 2010</u>
Private Sector Bonds - International markets	22 October 2049	10 December 2049
Foreign Government Bonds - International markets	15 February 2041	15 February 2040
Turkish Government Bonds		
- Domestic market	29 January 2014	1 April 2020
- International markets	14 February 2034	14 February 2034

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

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**8. FINANCIAL LIABILITIES**

**a) Bank loans**

**Short-term borrowings:**

31 December 2011				
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings	Libor+1,75%+7,4%	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 + 0,7%	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% - 4,7%	EUR	24.720	31.983
	Libor +1,45% - 3,34%	JPY	9.419.013	121.373
	10% - 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>

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**8. FINANCIAL LIABILITIES (cont'd)**

**a) Bank loans (cont'd)**

**Short-term borrowings:**

	31 December 2010			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Short-term bank borrowings				
	Libor + 1,90%	USD	14.142	14.142
	7,15%	TL	799	517
				<u>14.659</u>
Current portion of long-term borrowings				202.858
Total short-term borrowings				<u>217.517</u>

**Long-term borrowings:**

	31 December 2010			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Eximbank loans	Libor + 0,10% - 4,26%	USD	153.658	153.658
OPIC loan	7,54% - 7,90%	USD	90.593	90.593
Hermes loan	Libor + 0,625%	USD	15.084	15.084
OND loan	Libor + 0,70%	USD	16.072	16.072
Hermes loan	Euribor + 0,23% - 0,65%	EUR	34.618	45.884
	Libor + 1,30% - 3,00%	USD	8.103	8.103
Other long-term bank borrowings	Euribor + 1,55% - 4,70%	EUR	27.635	36.628
	0,75%	JPY	8.601.680	105.339
	10,00%	TL	2.036	1.317
Iraq related Eximbank loans (*)		USD	80.699	80.699
		EUR	2.241	2.970
				<u>556.347</u>
Less: Current portion of long-term borrowings				(202.858)
Less: Iraq related Eximbank loans - received from UNCC by Eximbank		USD	(31.863)	(31.863)
Total long-term borrowings				<u>321.626</u>

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

	31 December 2011	31 December 2010
Less than 1 year	186.328	202.858
1 - 2 years	109.800	124.732
2 - 3 years	80.322	84.576
3 - 4 years	9.350	56.912
4 - 5 years	2.209	3.600
Iraq related Eximbank loans	-	51.806
Less : Current portion of long-term borrowings	(186.329)	(202.858)
	<u>201.680</u>	<u>321.626</u>

(\*) The Group has restructured and paid Iraq related Eximbank loans provided by Development and Subsidization Fund which is executed by Turkish Export Credit Bank (Eximbank) according to law no 6111 "Restructuring of Various Receivables" and paid USD 50.537 and EUR 2.241 principle amounts and USD 62.333 interest amount.

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**8. FINANCIAL LIABILITIES (cont'd)**

**a) Bank loans (cont'd)**

**Power companies Bank loans**

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

*Eximbank loans*

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

*OPIC loans*

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

*Hermes loans*

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

*OND loans*

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

**Other long-term bank borrowings**

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

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**8. FINANCIAL LIABILITIES (cont'd)**

**b) Finance lease obligations**

	31 December 2011			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	Libor +1,90%	USD	659	659
	3,00%	RBL	66.931	2.061
				<u>2.720</u>
Long-term	Libor +1,90%	USD	239	239
	3,00%	RBL	1.667.528	51.335
				<u>51.574</u>
				<u>54.294</u>

	31 December 2010			
	Interest rate	Currency Type	Original Currency	USD Equivalent
Current portion of long-term finance lease obligations	Libor+ 1,90%	USD	573	573
	3,00%	RUB	63.596	2.128
				<u>2.701</u>
Long-term	Libor+ 1,90%	USD	757	757
	3,00%	RUB	1.657.366	54.413
				<u>55.170</u>
				<u>57.871</u>

**c) Finance lease commitments**

As of 31 December 2011 and 2010, repayment schedule of finance lease obligations are as follows:

	31 December 2011	31 December 2010
Less than 1 year	2.740	2.743
1 - 5 years	7.083	8.218
More than 5 years	44.494	46.982
Total finance lease obligations	<u>54.317</u>	<u>57.943</u>
Interest	(23)	(72)
Present value of total finance lease obligations	<u>54.294</u>	<u>57.871</u>

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**9. TRADE RECEIVABLES AND PAYABLES**

**a) Trade receivables**

	31 December 2011	31 December 2010
<u>Short-term trade receivables</u>		
Trade receivables	434.019	413.805
Discount on trade receivables (-)	(271)	(201)
Contract Receivables	69.838	56.419
Notes and cheques receivables	83.453	101.478
Discount on notes and cheques receivables (-)	(1.337)	(1.369)
Retention receivables (*)	29.062	27.551
	<u>614.764</u>	<u>597.683</u>
Less: Allowance for doubtful receivables	(30.193)	(27.836)
	<u>584.571</u>	<u>569.847</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.

As of 31 December 2011 and 2010, movement of allowance for doubtful receivables is as follows:

	31 December 2011	31 December 2010
Balance at beginning of the year	27.836	25.973
Additional provision	7.073	3.967
Foreign currency translation effect	(2.645)	2.137
Amounts recovered during the year	(1.317)	(680)
Write-offs (*)	(754)	(3.561)
Closing balance	<u>30.193</u>	<u>27.836</u>

(\*) Allowances of the previous periods which were decided as bad debts were written-off as of 31 December 2011 and 2010.

	31 December 2011	31 December 2010
<u>Long-term trade receivables</u>		
Notes and cheques receivables	10.106	31.723
Discount on notes and cheques receivables (-)	(249)	(565)
Trade receivables	9.387	3.653
Discount on trade receivables (-)	(31)	(36)
Receivables from Iraq	-	115.116
Money received from UNNC by Eximbank – 1 (*)	-	(30.160)
Money received from UNNC by Eximbank – 2 (**)	-	(31.863)
Allowance for receivables from Iraq	-	(53.093)
	<u>19.213</u>	<u>34.775</u>

(\*) This amount is used for repayment of loans received.

(\*\*) Includes amount held by Eximbank for the loans lent.

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

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#### 9. TRADE RECEIVABLES AND PAYABLES (cont'd)

##### a) Trade receivables (cont'd)

The nature and level of the risks of the trade receivables are explained in Note 32.

##### *Allowance for receivables from Iraq*

The Group's operations in Iraq ceased since August 6, 1990, due to invasion of Iraqi forces to Kuwait. The Turkish Government provided long-term loan facilities through Turkish Eximbank (Eximbank) to companies, which suffered losses resulting from the invasion. Accordingly, loans due to various banks aggregating to USD 80.699 and Deutsche Marks 4.382 (EUR 2.241) were transferred to Eximbank and, additionally, with respect to certain other bank loans amounting to USD 30.160, Eximbank provided letters of guarantee for the same amount to the related banks.

The Group had accrued for Iraq receivables in its consolidated financial statements at an amount of USD 115.116 on a conservative basis keeping the total amount at the level of cash facilities provided by Eximbank. As a result of the claim amounting to USD 264.301 filed to the United Nations Compensation Commission (UNCC) to compensate for its losses, the Group was entitled to receive compensation at the amount of USD 62.023 that was received by Eximbank.

Accordingly, Eximbank closed the loans amounting to USD 30.160 secured by itself using the transferred amounts. The remaining amount of the compensation received is still kept in Eximbank against the bank borrowings provided to the Group.

As of 31 December 2010, the money received by Eximbank, after the closing down of the above mentioned secured loans, at an amount USD 31.863 was netted off from the receivable balance as well as the long term bank borrowings in the consolidated balance sheet. Also, the Group provided full provision for the receivable amount which was not compensated by UNCC at the amount of USD 53.093.

The Group has restructured and paid all Iraq related Eximbank loans provided by Development and Subsidization Fund which is executed by Turkish Export Credit Bank (Eximbank) according to law no 6111 "Restructuring of Various Receivables" in 2011.

##### b) Trade payables

	31 December 2011	31 December 2010
<u>Short-term trade payables</u>		
Trade payables	430.554	371.827
Discount on trade payables (-)	(35)	(33)
Notes Payable	6.418	4.014
Discount on notes payable (-)	(31)	(28)
Other trade payables	142	714
	<u>437.048</u>	<u>376.494</u>
	31 December 2011	31 December 2010
<u>Long term trade payables</u>		
Trade payables	6.734	6.627
	<u>6.734</u>	<u>6.627</u>

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**10. OTHER RECEIVABLES AND PAYABLES**

**a) Other receivables**

	31 December 2011	31 December 2010
<u>Short-term other receivables</u>	<u>2011</u>	<u>2010</u>
Deposits and guarantees given	862	569
Other receivables from related parties (Note 31)	277	391
	<u>1.139</u>	<u>960</u>

**b) Other payables**

	31 December 2011	31 December 2010
<u>Short-term other payables</u>	<u>2011</u>	<u>2010</u>
Advances taken	107.451	90.505
Deposits and guarantees taken	17.408	18.227
Other payables to related parties (Note 31)	755	1.082
	<u>125.614</u>	<u>109.814</u>

	31 December 2011	31 December 2010
<u>Long-term other payables</u>	<u>2011</u>	<u>2010</u>
Deposits and guarantees taken	24.384	17.092
	<u>24.384</u>	<u>17.092</u>

**11. INVENTORIES**

	31 December 2011	31 December 2010
Raw materials and spare parts	128.056	97.918
Work in progress	8.439	14.190
Finished goods	20.298	20.985
Trade goods (machinery and others)	78.691	45.183
Construction materials	8.950	10.352
Goods in transit	26.191	11.930
Allowance for impairment on inventory (*)	(1.467)	(987)
	<u>269.158</u>	<u>199.571</u>

(\*) As of 31 December 2011 and 2010, allowance for impairment on finished goods and trade goods is recognized as an expense in cost of sales.

As of 31 December 2011, there is not any pledge on inventories (31 December 2010 - None).

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#### 12. CONSTRUCTION CONTRACTS

	31 December 2011	31 December 2010
<u>Contracts in progress at balance sheet date</u>		
Costs incurred on uncompleted contracts	839.117	1.930.253
Estimated earnings	106.855	48.961
	<u>945.972</u>	<u>1.979.214</u>
Less: Billings to date	(897.504)	(1.979.407)
	<u>48.468</u>	<u>(193)</u>

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

	31 December 2011	31 December 2010
<u>Costs and estimated earnings in excess of billings on uncompleted contracts (net)</u>	52.273	9.912
<u>Billings in excess of costs and estimated earnings on uncompleted contracts (net)</u>	(3.805)	(10.105)
	<u>48.468</u>	<u>(193)</u>

As of 31 December 2011, the amount of advances received of subsidiaries and companies shares in joint ventures is USD 148.729 (31 December 2010 – USD 73.572).

#### 13. INVESTMENT PROPERTIES

As of 31 December 2011 and 2010, movement of investment properties is as follows:

	31 December 2011	31 December 2010
Opening balance as at January 1	1.918.673	1.891.271
Currency translation difference	(76.722)	(10.969)
Change in fair value, net	44.472	19.704
Transfers from fixed assets (Note 14)	38.571	23.531
Transfers from land leases	12.589	-
Additions	6.558	-
Change in present value of lease obligations	(1.374)	(4.455)
Transfers to assets held for sale	-	(409)
Closing balance as at December 31	<u>1.942.767</u>	<u>1.918.673</u>

Investment properties include mainly real estate properties in Russia and Turkey which are leased to tenants. As of 31 December 2011 and 2010 investment properties consist of real estates in Russia from which rent income is obtained and lands and buildings held as investment in Turkey amounting to USD 12.432 (31 December 2010: USD 12.432).

Investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been revalued at fair value. Fair values of such investment properties are reviewed every year through the report of independent valuers. As of 31 December 2011, the fair values of investments properties of the consolidated subsidiaries MKH, Mosenka and Enka TC have been set respectively as follows: MKH; 11,8 million RUB equivalent to USD 366.555 (31 December 2010 – 11,3 million RUB equivalent to USD 370.889), Mosenka; 4,1 million RUB equivalent to USD 128.101 (31 December 2010 – 3,8 billion RUB equivalent to USD 124.781), Enka TC; 28,4 billion RUB equivalent to USD 884.750 (31 December 2010 – 26,9 billion RUB equivalent to USD 883.439).

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

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#### **13. INVESTMENT PROPERTIES (cont'd)**

The fair values of the investment properties of the Company in Russia, determined at 31 December 2011 as USD 533.000 (31 December 2010: USD 525.000) are used as business centers and residential property. The fair values of the investment properties of the Group located in Moscow includes land leased from Moscow City Authorities under a 49 year operating lease agreement, which are renewable at the option of the Group.

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

For the circumstances that the fair value of the properties have not been determined based on transactions observable in the market because of the nature of the property and the lack of comparable data, a valuation model based on income capitalisation method has been applied. The fair value of the investment properties of the Group are estimated by using income capitalization method, with capitalization and discount rates ranging between %9,5 to 9,75% and 9,00% to 10,5% (31 December 2010: 12-16% and 8-18%), respectively.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 14. PROPERTY, PLANT AND EQUIPMENTS

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2011	133.158	299.905	1.962.558	21.948	61.127	31.712	19.232	12.502	12.514	2.554.656
Currency translation differences	(3.894)	(16.164)	(11.129)	78	(2.323)	1.210	87	(628)	(272)	(33.035)
Revaluation (**)	50.326	41.592	-	-	-	-	-	-	-	91.918
Additions	2.470	2.557	11.445	2.153	7.942	-	-	1.161	58.286	86.014
Disposals	(63)	(14.031)	(24.994)	(1.948)	(5.613)	(271)	-	(6.730)	(2.537)	(56.187)
Transfers to investment properties (Note 13)	-	-	(313)	-	(31)	-	-	(3.209)	(35.017)	(38.570)
Transfers from construction in progress	3.594	2.807	4.307	-	7	-	-	1.811	(12.526)	-
Transfers to assets held for sale (Note 28)	-	(62.226)	-	-	-	-	-	-	-	(62.226)
Closing balance as of 31 December 2011	185.591	254.440	1.941.874	22.231	61.109	32.651	19.319	4.907	20.448	2.542.570
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2011	(17.217)	(4.379)	(591.078)	(14.389)	(44.683)	(25.637)	(5.322)	(4.907)	-	(707.612)
Currency translation differences	(175)	(725)	9.637	394	3.559	(759)	-	650	-	12.581
Revaluation (**)	-	1.646	-	-	-	-	-	-	-	1.646
Charge of the year	(2.851)	(8.742)	(72.115)	(2.371)	(6.155)	(1.650)	(1.799)	(975)	-	(96.658)
Disposals	-	8	18.524	1.603	5.613	223	-	2.280	-	28.251
Transfers to assets held for sale (Note 28)	-	920	-	-	-	-	-	-	-	920
Closing balance as of 31 December 2011	(20.243)	(11.272)	(635.032)	(14.763)	(41.666)	(27.823)	(7.121)	(2.952)	-	(760.872)
Carrying value as of 31 December 2011	165.348	243.168	1.306.842	7.468	19.443	4.828	12.198	1.955	20.448	1.781.698

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

(\*\*) As of 31 December 2011, lands of İzmir Elektrik, Pimaş and Enka İnşaat, hotel building and office part of MKH and office part of Mosenka are revalued by independent qualified valuers. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Lands of İzmir Elektrik, Pimaş and Enka İnşaat are revalued by Artı Gayrimenkul Değerleme A.Ş. Investment properties of MKH, Enka TC, City Center Investment and Mosenka are revalued by "Kras Consult". Revaluations are made by "precedent value" and "discounted cash flow" methods. In case the precedent value and discounted cash flow methods can not be established, revaluations are made by cost method.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

	Land and land improvements	Buildings and barracks	Machinery and equipment	Motor vehicles	Furniture and fixtures	Scaffolding and formworks	Aircrafts (*)	Others	Construction in progress	Total
<u>Cost</u>										
Opening balance as of 1 January 2010	117.072	287.740	1.956.960	23.954	58.819	33.152	19.212	13.518	28.221	2.538.648
Currency translation differences	(1.538)	(259)	(4.571)	(648)	496	742	-	(994)	599	(6.173)
Property, plant and equipment acquired through business combinations (Note 3)	10.346	16.224	11.571	232	275	-	-	-	58	38.706
Revaluation (**)	10.107	(9.447)	-	-	-	-	-	-	-	660
Additions	201	723	9.120	1.475	4.335	416	20	638	18.548	35.476
Disposals	(336)	(3.697)	(10.746)	(3.065)	(2.917)	(2.598)	-	(660)	(466)	(24.485)
Transfers to investment properties (Note 13)	-	(4.763)	-	-	-	-	-	-	(19.173)	(23.936)
Transfers from construction in progress	1.077	13.853	224	-	119	-	-	-	(15.273)	-
Transfers to assets held for sale	(3.771)	(469)	-	-	-	-	-	-	-	(4.240)
Closing balance as of 31 December 2010	133.158	299.905	1.962.558	21.948	61.127	31.712	19.232	12.502	12.514	2.554.656
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2010	(16.053)	(24.580)	(525.457)	(13.251)	(39.502)	(22.591)	(4.034)	(5.715)	-	(651.183)
Currency translation differences	116	334	1.645	237	(546)	(289)	-	902	-	2.399
Revaluation (**)	1.263	27.365	-	-	-	-	-	-	-	28.628
Charge of the year	(2.551)	(9.296)	(75.132)	(2.978)	(6.990)	(4.336)	(1.721)	(342)	-	(103.346)
Disposals	8	1.393	7.866	1.603	2.355	1.579	433	248	-	15.485
Transfers to investment properties (Note 13)	-	405	-	-	-	-	-	-	-	405
Closing balance as of 31 December 2010	(17.217)	(4.379)	(591.078)	(14.389)	(44.683)	(25.637)	(5.322)	(4.907)	-	(707.612)
Carrying value as of 31 December 2010	115.941	295.526	1.371.480	7.559	16.444	6.075	13.910	7.595	12.514	1.847.044

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

(\*\*) As of 31 December 2010, lands and buildings of Enka Pazarlama, Pimaş, Çimtaş and Çimtaş Boru, hotel building of MKH, buildings of Enka İnşaat are revalued by independent qualified valuers. Revaluation difference arising from difference between book value and fair value is netted off with the related deferred tax and classified as revaluation surplus and included under equity. Land and buildings of Enka Pazarlama are revalued by Turyap Gayrimenkul Değerleme A.Ş., land and buildings of Pimaş, Çimtaş and Enka İnşaat are revalued by Artı Gayrimenkul Değerleme A.Ş., hotel building of MKH is revalued by Russian branch of American Appraisal, real estates of Enka TC, City Center Investment and Mosenka are revalued by "K.O.M.I.T. Invest". Revaluations are made by "precedent value" method. In case the precedent value can not be established, revaluations are made by cost method

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

As of 31 December 2011, total cost of property, plant and equipment obtained via finance lease and the related accumulated depreciation amounts to USD 9.921 (31 December 2010: USD 9.391) and USD 5.669 (31 December 2010: USD 5.492).

The property, plant and equipment of the Group are pledged for security at the amount of USD 2.259.998 (31 December 2010: USD 2.373.779).

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

	31 December 2011	31 December 2010
Cost	314.289	378.408
Accumulated depreciation	(92.017)	(156.657)
Net book value	<u>222.272</u>	<u>221.751</u>

#### 15. INTANGIBLE ASSETS

	31 December 2011	31 December 2010
<u>Cost</u>		
Opening balance as of 1 January	35.488	7.871
Currency translation difference	301	(70)
Additions	1.707	1.634
Disposals	-	(936)
Intangible assets acquired through business combinations (Note 3) (*)	-	26.989
Closing balance as of 31 December	<u>37.496</u>	<u>35.488</u>
<u>Accumulated amortization</u>		
Opening balance as of 1 January	(5.555)	(5.310)
Currency translation difference	(592)	66
Charge of the year	(1.925)	(915)
Disposals	-	604
Closing balance as of 31 December	<u>(8.072)</u>	<u>(5.555)</u>
Carrying value as of 31 December	<u>29.424</u>	<u>29.933</u>

(\*) Intangible assets acquired through business combinations include trademarks and customer relationships based on contracts.

As of 31 December 2011, there is not any pledge on intangible assets (31 December 2010: None).

#### 16. GOODWILL

The Group had acquired the remaining 100% interest stake in the Power Companies between the years 2003 to 2005, where the Company had 40% shareholding. As a result of these acquisitions goodwill amounting to USD 55.151 (31 December 2010: USD 55.151) was recorded in the consolidated financial statements.

As of 31 December 2011, according to the sales decision taken by the board of directors, the Group has reclassified USD 47,406 (31 December 2010 USD 50,080) goodwill under assets held for sale, which was previously allocated on retail operations of the Enka TC, (Note 28).

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 16. GOODWILL (cont'd)

As explained in Note 3, Çimtaş, the subsidiary of the Company, acquired 100% shares of IBH Engineering GMBH in the amount of EUR 10.000 equivalent to USD 13.254 in 21 April 2010. Goodwill of EUR 6.486 equivalent to USD 8.597 was recognized in this acquisition.

As of 31 December 2011 and 2010, the movement of goodwill is as follows:

	31 December 2011	31 December 2010
Opening balance as of 1 January	115.269	107.057
Additions (Note 3)	-	8.597
Transfer to assets held for sale (Not 28)	(47.406)	-
Currency translation difference	(4.303)	(385)
Closing balance as of 31 December	<u>63.560</u>	<u>115.269</u>

#### 17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2011	31 December 2010
<u>Short-term accrued expenses</u>	<u>2011</u>	<u>2010</u>
Forward Accrual	8111	-
Accrual for construction costs	16.845	10.833
Accrued expenses	2.535	173
Provision for legal claims	5.246	3.688
Other liabilities (*)	-	9
	<u>32.737</u>	<u>14.703</u>

(\*) As of 31 December 2011, the Group's derivative assets and derivative liabilities formed from forward foreign-currency transactions are USD 758 and USD 8.111 (31 December 2010: None), respectively. There is no any derivative liability of joint ventures as of 31 December 2011 (31 December 2010: USD 920). These contracts are reflected in the consolidated financial statements as follows.

#### Derivative instruments / forward contracts purchase – sales agreements

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

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

As of 31 December 2011 and 2010, the fair value of financial instrument is calculated by using forward exchange rates at the balance sheet date.

	31 December 2011			
	Unrecognized (Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(7.353)	-	-	-
Forward contracts sales agreements	-	57.646	66.753	32.824
Forward contracts purchase agreements	-	56.118	63.102	31.051

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

	31 December 2010			
	Unrecognized (Loss)	1 to 12 months	1 to 2 years	2 to 5 years
Derivative instruments	(920)	-	-	-
Forward contracts sales agreements	-	31.395	-	-
Forward contracts purchase agreements	-	30.470	-	-

#### 18. COMMITMENTS

##### Operating lease commitments – Group as lessee

Future minimum lease payments under non-cancellable operating leases of the Group as of 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011	31 December 2010
Within one year	8.301	8.132
After one year but not more than five years	25.020	29.627
More than 5 years	23.331	28.781
	<u>56.652</u>	<u>66.540</u>

##### Operating lease commitments – Group as lessor

The minimum future rental income of the Group under non-cancelable operating leases at 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011	31 December 2010
Within one year	300.700	259.329
After one year but not more than five years	731.660	589.995
More than 5 years	364.785	332.319
	<u>1.397.145</u>	<u>1.181.643</u>

##### Litigations

- In the year 2004, a case is opened against Enka Pazarlama, one of the consolidated subsidiaries, regarding the non-compliance with respect to the payment of the period commissions of the guarantee given by Pamukbank T.A.Ş. in favor of Iran GTC Company. The case has been finalized by mutual withdrawal of parties without any effect on consolidated financial statements.
- In relation to two construction projects of the Group in Russia, due to losses incurred and due to receivable claims which have not been invoiced yet, the Group had two legal cases. One of these has been finalized during the year in favor of the Group and USD 11.343 and Euro 7.607 have been received. The other case amounting to USD 118.567 is on trial as of the report date. The job owner has also counter claim amounting to USD 66.906.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 18. COMMITMENTS (cont'd)

##### Litigations (cont'd)

-

In May 2009, the Group has opened a case against the job owner of Esentai Project in Kazakhstan for its progress claims approved as of 28 February 2009 amounting to USD 33.384 and EUR 4.203. As of 24 November 2009 the trial has been finalized in favor of the Group and the Group has started attachment procedures. On the other hand, the job owner filed a law suit for cancellation of the construction contracts of this project. This case which was held at Almaty Economic Court has been finalized in favor of the Group and appeal process is continuing as of the report date. The Group does not have any asset or liability related to this project in its consolidated financial statements.

- As of 31 December 2011 the Group withdrew the law suits related to royalties amounting to ALL 268.886 (USD 2.504) as the amounts has been collected from the job owner. Again, for the 2006-2009 period, during tax office audits which were realized at different dates, the Group has been exposed to tax, interest and penalties amounting to ALL 237.274 ( USD 1.278). Of this amount ALL 95.753 (USD 892) was paid. The Group has appealed against all these amounts and the appeal process is continuing as of the report date.

##### Others

- The Group has signed a pledge and assignment agreement dated as of 27 October 2000, with Westdeutsche Landesbank Girozentrale İstanbul Branch (Onshore Collateral Agent) in return of the loans obtained by the Power Companies. Furthermore, all the immovable properties of aforementioned subsidiaries are in mortgage and all removable fixed assets are pledged.
- As of 31 December 2011, the project of the Group managed by its joint venture in Oman has been ceased due to financial problems of the job owner and the Group is waiting for the job owner to find the necessary financing. As of 31 December 2011, total assets of the Group related with this project amounts to USD 18.038 (31 December 2010 USD 12.285). The Group management has the opinion that considering the priority of the project for this country the necessary financing will be provided.
- As of 31 December 2011, Pimaş has 4.500 USD and 5.100 Euro export commitments related with foreign currency loans with export commitments obtained from different domestic banks (31 December 2010 -None).
- As of 31 December 2011, the Group has outstanding letters of guarantee and collaterals amounting to USD 678.317 (31 December 2010: USD 588.388) obtained from various banks and given to local and foreign banks, custom authorities, local and foreign government institutions and contract parties for contract advances, project transactions and bank borrowings obtained, of which USD 262.156 (31 December 2010: USD 188.549) are related to joint ventures.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 18. COMMITMENTS (cont'd)

##### Others (cont'd)

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as Guarantees) by the Group as of 31 December 2011 and 2010 is as follows;

Letters of guarantee, guarantee notes given, mortgage and pledges	31 December 2011		31 December 2010	
	Original Currency	USD Equivalent	Original Currency	USD Equivalent
A. Total amount of guarantees provided by the Company on behalf of itself		2.951.272		2.962.164
-USD	2.630.385	2.630.385	2.731.139	2.731.139
-EUR	133.205	172.336	158.602	210.211
-TL	35.881	18.996	4.120	2.665
-Others (*)		129.555		18.149
B. Total amount for guarantees provided on behalf of subsidiaries accounted under full consolidation method		360.737		336.015
-USD	4.435	4.435	43.078	43.078
-EUR	105.369	136.324	63.453	84.101
-TL	1.738	920	1.000	647
-Others (*)		219.058		208.189
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>3.312.409</u>		<u>3.298.579</u>

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

As of 31 December 2011 the portion of other guarantees given to shareholders' equity is 0,01% (31December 2010: 0,01%).

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 19. PROVISIONS FOR EMPLOYEE BENEFITS

##### a) Short-term employee benefits

	31 December 2011	31 December 2010
Payroll payable	11.076	11.683
Bonus accrual	12.262	9.613
Vacation pay liability	6.758	6.122
	<u>30.096</u>	<u>27.418</u>

##### b) Long-term employee benefits

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2.731 equivalent to USD 1.446 and TL 2.427 equivalent to USD 1.570 at 31 December 2011 and 2010 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. Effective from 1 January 2012, the retirement pay ceiling has been increased from TL 2.623 (USD 1.697) to TL 2.805 (USD 1.485). (Amounts in this paragraph are not expressed in thousands).

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2011, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of % 4,66 and a discount rate of %10 (31 December 2010: Annual inflation rate %4,66 and discount rate 10 %).

Movements of the provision for employee termination benefits during years ended 31 December 2011 and 2010 are as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
Opening balance as of January 1	14.992	13.831
Service cost	24	2.608
Interest cost	1.227	1.347
Retirement benefits paid	(1.417)	(689)
Translation gain / loss	(1.778)	(2.105)
Closing balance as of 31 December	<u>13.048</u>	<u>14.992</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 20. OTHER ASSETS AND LIABILITIES

	31 December 2011	31 December 2010
<b>Other current assets</b>		
Advances given	34.095	8.927
Deferred VAT	24.038	15.703
Prepaid expenses	7.545	8.326
VAT receivable	5.250	16.336
Prepaid taxes and funds	3.664	3.491
Forward Accrual	757	-
Other	4.336	6.534
	<u>79.685</u>	<u>59.317</u>
	31 December 2011	31 December 2010
<b>Other non-current assets</b>		
Prepayment for land leases	24.229	30.266
Restricted cash (*)	2.211	3.801
Prepaid expenses	1.373	1.027
Other	1.153	1.299
	<u>28.966</u>	<u>36.393</u>

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

	31 December 2011	31 December 2010
<b>Other current liabilities</b>		
Deferred rent revenue	53.111	45.863
VAT payable	25.989	8.788
Taxes and funds payable	6.821	9.642
Other	1.893	1.560
	<u>87.814</u>	<u>65.853</u>
	31 December 2011	31 December 2010
<b>Other non- current liabilities</b>		
Deferred revenue (*)	857.834	888.122
Deferred rent revenue	2.964	3.974
	<u>860.798</u>	<u>892.096</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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 21. SHARE CAPITAL

##### a) Share capital

The shareholders of the Group and their percentage of ownership as of 31 December 2011 and 31 December 2010 is as follows:

	31 December 2011		31 December 2010	
	Percentage of ownership	Amount	Percentage of ownership	Amount
Tara Holding A.Ş.	48,99%	816.203	48,80%	720.531
Tara and Gülçelik families	27,99%	466.330	28,08%	414.601
Publicly traded	12,71%	211.756	12,79%	188.844
Enka Spor Eğitim ve Sosyal Yardım Vakfı	5,94%	98.964	5,96%	87.999
Alternatif Aksesuar Sanayi ve Ticaret Ltd. Şti.	4,37%	72.807	4,37%	64.523
	<u>100,00%</u>	<u>1.666.060</u>	<u>100,00%</u>	<u>1.476.498</u>

Based on the Group's Ordinary General Assembly held on April 21, 2011; the Group increased the share capital of the Group from TL 2.200.000 to TL 2.500.000; and covered the TL 300.000 from the 1st Dividend at an amount of TL 213.000, and from the 2nd Dividend at an amount of TL 87.000.

Regarding the distribution of the year 2010 profit, based on the resolution taken at the Group's Ordinary General Assembly, the Group distributed to its shareholders for each TL 1 (full TL) nominal valued share, 0,0727 gross / 0.0618 net (full TL) in total TL 160.000.

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

Group General Assembly decided to increase registered capital ceiling to TL 2.800.000 in the Extraordinary General Meeting which was made in 18 December 2009 according to article number 6 in relation to capital of the main agreement. This increase was declared and registered through publishing in the Trade Registry Gazette dated 25 December 2009.

##### b) Revaluation surplus

###### *Revaluation fund*

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

###### *Financial Risk Hedge Fund*

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

##### c) Legal reserves and accumulated profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

#### c) Legal reserves and accumulated profit (cont'd)

The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

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

In accordance with the CMB decision number 1/6 dated January 9, 2009, it was resolved that the distribution of the income from operations in 2008 of publicly traded companies would be applied as 20% which is the minimum dividend distribution rate as disclosed in Communiqué IV- 27 article No:5. Corresponding distribution could be made by means of cash, non-cash or bonus share according to resolution taken in annual general meetings.

It was also announced in the CMB decision number 1/6 that without considering the fact that a profit distribution has been declared in the general assemblies of the subsidiaries, joint ventures and associates, which are consolidated into the parent company's financial statements, the net income from these companies that are consolidated into the financial statements of the parent company can be considered when calculating the distributable amount, as long as the statutory reserves of these entities are sufficient for a such profit distribution. After completing these requirements, the parent company may distribute profit by considering the net income included in the consolidated financial statements prepared in accordance with Communiqué No. XI-29 of CMB.

In accordance with the CMB decision on January 27, 2010, it was decided that there will be no minimum dividend distribution requirement for the listed companies whose shares are traded in the stock exchange.

When net profit for the year ended 2011 based on consolidated financial statements prepared according to CMB and financial statements prepared in accordance with Turkish Trade Law are compared, distributable net profit for the year is determined as USD 299.856 (TL 566.398) after deduction of first legal reserve.

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

As of 31 December 2011, legal reserves and extraordinary reserves of Enka İnşaat are amounting to TL 237.335 equivalent to USD 125.647 (31 December 2010 – TL 201.615 – USD 130.411) and TL 104.112 equivalent to USD 55.118 (31 December 2010 – TL 31.629 – USD 20.459) respectively.

The movement of the share capital (in numbers and in historical TL) of the Group during 31 December 2011 and 31 December 2010 is as follows:

	31 December 2011		31 December 2010	
	Number	TL	Number	TL
At 1 January,	220.000.000.000	2.200.000	180.000.000.000	1.800.000
bonus shares issued out of general reserve	30.000.000.000	300.000	40.000.000.000	400.000
	<u>250.000.000.000</u>	<u>2.500.000</u>	<u>220.000.000.000</u>	<u>2.200.000</u>

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

##### c) Legal reserves and accumulated profit (cont'd)

###### Dividends

In 2011, the Group allocated first dividend in the amount of TL 373.000 (2010: TL 344.000) after the deduction of first legal reserve from net profit of 2010. The amount of TL 160.000 (2010: TL 144.000) was distributed as cash dividend and TL 213.000 (2010: TL 200.000) was added to share capital.

After the deduction of legal reserve TL 29.189 (2010: TL 26.681) and first dividend, 5% of the remaining amount is paid to the owners of founder shares of Enka İnşaat (one thousand founder shares), 2,5% of the remaining amount is paid to the owners of founder shares of Enka Holding Yatırım A.Ş. (one thousand founder shares). After the payments to share owners, 1% of the remaining amount is distributed to Board of Directors' members in equal shares.

Remaining amount of TL 87.000 is allocated as second dividend and added to share capital.

In 2011 and 2010, the Group distributed dividends as detailed below:

	2011		2010	
	Dividend	Dividends per share	Dividend	Dividends per share
Ordinary share owners	93.628	Full cent 0,04	94.556	Full cent 0,05
Enka İnşaat founder share owners	5.314	USD 5,3	5.350	USD 5,3
Enka Holding founder share owners	2.658	USD 2,6	2.675	USD 2,7
	<u>101.600</u>		<u>102.581</u>	

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 22. SALES AND COST OF SALES

	31 December 2011	31 December 2010
<b>Sales</b>		
Domestic sales	3.932.688	3.370.917
Export sales	1.104.149	1.225.189
	<u>5.036.837</u>	<u>4.596.106</u>
	31 December 2011	31 December 2010
<b>Cost of Sales</b>		
Cost of domestic sales	3.621.868	3.030.780
Cost of export sales	561.535	785.702
	<u>4.183.403</u>	<u>3.816.482</u>

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

#### 23. MARKETING, SALES, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	31 December 2011	31 December 2010
Administrative expenses	125.170	109.256
Marketing, sales and distribution expenses	33.815	43.363
	<u>158.985</u>	<u>152.619</u>

##### a) Marketing, sales and distribution expenses

	31 December 2011	31 December 2010
Employee benefit expenses	16.237	19.895
Business development expenses	5.103	5.917
Transportation expenses	4.615	5.392
Depreciation and amortization expenses	1.193	719
Office expenses	797	5.346
Others	5.870	6.094
	<u>33.815</u>	<u>43.363</u>

##### b) General administrative expenses

	31 December 2011	31 December 2010
Employee benefit expenses	70.161	66.347
Consulting and legal expenses	11.510	5.009
Depreciation and amortization expenses	7.521	8.494
Transportation expenses	5.661	5.220
Rent expenses	1.471	5.564
Others	28.846	18.622
	<u>125.170</u>	<u>109.256</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 24. EXPENSES BY NATURE

Depreciation and amortization expenses are detailed below:

	31 December 2011	31 December 2010
<u>Depreciation expenses</u>		
Cost of revenues	100.587	112.283
Selling and administrative expenses	7.319	9.213
Other operating expense	1.745	1.526
Discontinued Operations	4.694	4.474
	<u>114.345</u>	<u>127.496</u>
<u>Amortization expenses</u>		
Selling and administrative expenses	1.860	795
Cost of revenues	65	120
	<u>1.925</u>	<u>915</u>
	<u>116.270</u>	<u>128.411</u>

Employee benefit expenses are detailed below:

	31 December 2011	31 December 2010
Wages and salaries	198.138	241.660
Social security costs	32.618	38.702
Provision for employee termination benefits	1.251	4.079
Other benefits	8.075	5.673
	<u>240.082</u>	<u>290.114</u>

#### 25. OTHER OPERATING INCOME / EXPENSES

	31 December 2011	31 December 2010
<u>Other operating income</u>		
Gain from change in fair value of investment property, net	44.472	19.704
Compensation Income	11.445	58
Warranty income	7.061	7.530
Gain from sales of property, plant and equipment	4.880	2.692
Service income	3.456	342
Commission income	1.808	449
Machinery & other rent income	1.439	4.774
Insurance income	444	917
Collection of doubtful receivables	1.317	607
Bargain purchase (Note 3)	-	13.574
Other	10.300	5.784
	<u>86.622</u>	<u>56.431</u>

**ENKA İNŞAAT VE SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**25. OTHER OPERATING INCOME / EXPENSES (cont'd)**

	31 December 2011	31 December 2010
<b>Other operating expense</b>		
Donations	8.999	6.103
Provision for doubtful receivables	7.401	3.967
Basis Increase due to 6111 Law	4.207	-
Depreciation expense	1.745	1.526
Ligitation provisions	1.550	2.000
Capital increase expense	989	1.183
Commission expense	580	330
Loss from sales of property, plant and equipment	145	121
Bonus accrual	-	443
Other	9.823	3.481
	<u>35.439</u>	<u>19.154</u>

**26. FINANCIAL INCOME**

	31 December 2011	31 December 2010
Interest income	43.935	29.006
Income from financial assets at fair value through profit or loss	37.645	42.002
Foreign exchange gains	19.433	39.968
Dividend income	5.866	2.551
Forward income	931	-
Rediscount income	493	778
Others	48	287
	<u>108.351</u>	<u>114.592</u>

**27. FINANCIAL EXPENSES**

	31 December 2011	31 December 2010
Interest expenses	82.582	24.252
Foreign exchange losses	59.313	66.090
Forward losses	8.113	727
Bank commission expenses	6.953	5.874
Deferred financing cost	3.481	5.830
Commission expenses of letters of guarantee	2.153	1.508
Others	388	333
	<u>162.983</u>	<u>104.614</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 28. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

##### a) Lands and buildings held for sale

As of 31 December 2011 and 2010, assets held for sale comprise of lands and buildings obtained by Enka Pazarlama and Pimas in consideration of its doubtful receivables amounting to USD 4,344 and USD 5.471 respectively.

##### b) Discontinued operations

In 2011, Group management has taken a decision to sell assets related with the retail operations that is located in Russian Federation and a framework agreement has been signed with OOO Billa and OOO Billa Realty companies. Therefore, the related assets which are expected to be sold in 12 months have been classified to assets held for sale account and presented in balance sheet separately. In addition to these, discontinued operations of the Group have been separated from the trade and manufacturing segment in prior year's segmental reporting disclosure (Note 5).

Since the expectation on sales revenue from these assets is higher than their book value, no provision has been recorded for impairment for held for sale assets.

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

	31 Aralık 2011	
Property, plant and equipment	61.306	
Inventories	7.464	
Goodwill	47.406	
Group's total assets held for sale, net	<u>116.176</u>	
	1 Ocak- 31 Aralık 2011	1 Ocak- 31 Aralık 2010
Revenue	115.602	116.951
Cost of sales (-)	(72.844)	(75.484)
Marketing, selling and distribution expenses (-)	(23.041)	(11.548)
Administrative expenses (-)	(20.251)	(28.408)
Other operating income	1.282	3.618
Other operating expenses (-)	(235)	-
Financial expenses (-)	(373)	(344)
Current tax expense (-)	(7.553)	(10.591)
Deferred tax income	7.519	10.548
Net profit	<u>106</u>	<u>4.742</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 29. 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 2010: 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 2010 – 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

As of 31 December 2011 and 2010, components of tax expense are as follows:

	31 December 2011	31 December 2010
Consolidated income statement		
Current corporate tax	(106.658)	(89.095)
Deferred tax expense	(57.140)	(30.147)
	<u>(163.798)</u>	<u>(119.242)</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 29. TAXATION ON INCOME (cont'd)

##### Tax legislations in other countries

As of 31 December 2011 and 31 December 2010 effective corporation tax rate in other countries are as follows:

	31 December 2011	31 December 2010
Russia	20%	20%
Netherlands	25,5%	25,5%
Kazakhstan	28% - 32%	28% - 32%
Iraq	15%	-
Romania	16%	16%
Albania	10%	10%
Oman	12%	12%
Libya	20%	20%
Kosova	10%	10%

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

	2011	2010
1 January	28.875	16.120
Current year tax expense	106.658	99.686
Taxes paid	(107.258)	(86.931)
31 December	<u>28.275</u>	<u>28.875</u>

A reconciliation of the nominal (on the basis of the income tax rate of the Company and the Turkish subsidiaries) to the effective tax rate for the years ended 31 December 2011 and 2010 is provided below:

	31 December 2011		31 December 2010	
Profit before tax	691.203		674.260	
Tax per statutory tax rate 20%	138.241	20%	135.809	20%
Jobsites exempt from income tax	(20.812)	(3)%	(17.013)	(3)%
Effect of different functional currencies and others	46.369	7%	446	0%
Taxation charge	<u>163.798</u>	<u>24%</u>	<u>119.242</u>	<u>17%</u>

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

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#### 29. TAXATION ON INCOME (cont'd)

As of 31 December 2011 and 31 December 2010, the breakdown of temporary differences which give rise to deferred taxes is as follows:

	31 December 2011	31 December 2010
Remeasurement and revaluation of property, plant and equipment, intangible assets and investment property	(487.400)	(440.849)
Adjustment for percentage of completion method on construction projects	(22)	(30)
GE Inventory in the context of "PSA" (*)	(19.987)	(9.477)
IAS 39 adjustments on financial instruments and derivatives	-	(1.995)
Others	-	(4.850)
Gross deferred income tax liabilities	<u>(507.409)</u>	<u>(457.201)</u>
Adjustment of revenue levelization	169.851	175.848
Allowance for retirement pay liability	2.000	1.934
Allowance for doubtful receivables	2.351	1.784
Allowance for inventories	886	465
IAS 39 adjustments on financial instruments and derivatives	1.867	-
Deferred financial expenses	184	409
Others	5.786	620
Gross deferred income tax assets	<u>182.925</u>	<u>181.060</u>
Net deferred tax liability	<u>(324.484)</u>	<u>(276.141)</u>

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

Reflected as:

	31 December 2011	31 December 2010
Deferred tax assets	95	14.289
Deferred tax liabilities	(324.579)	(290.430)
Net deferred liabilities	<u>(324.484)</u>	<u>(276.141)</u>

Total amount of temporary differences and deferred tax liabilities which have not been recognized as of 31 December 2011 related with Group's shares in its subsidiaries, branches and associates is USD 1.053.727 (31 December 2010: USD 919.983)

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 29. TAXATION ON INCOME (cont'd)

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

	31 December 2011	31 December 2010
Balance at 1 January of Enka İnşaat and its subsidiaries	276.141	252.365
Balance at 1 January of the joint ventures	(147)	(674)
Balance at 1 January	<u>275.994</u>	<u>251.691</u>
Deferred income tax expense recognized in income statement	57.140	19.599
Deferred income tax expense recognized in equity	11.263	3.774
Translation loss	(19.850)	930
	<u>324.547</u>	<u>275.994</u>
Of which:		
Balance at 31 December of Enka İnşaat and its subsidiaries	324.484	276.141
Balance at 31 December of the joint ventures, net	63	(147)
Total net deferred tax liabilities	<u>324.547</u>	<u>275.994</u>

As of 31 December 2011 and 31 December 2010, the breakdown of deferred taxes which are recognised in other comprehensive income is as follows:

	31 December 2011			31 December 2010		
	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	93.565	(11.184)	82.381	29.010	(3.758)	25.252
Changes in fair value of derivative assets	397	(80)	317	78	(16)	62
Changes in currency translation differences	(127.600)		(127.600)	(39.449)	-	(39.449)
	<u>(33.638)</u>	<u>(11.264)</u>	<u>(44.902)</u>	<u>(10.361)</u>	<u>(3.774)</u>	<u>(14.135)</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 30. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through 31 December 2011.

	<u>31 December 2011</u>	<u>31 December 2010</u>
Earning per share		
- ordinary share certificate (full cent)	0,20	0,22
- Enka İnşaat founder shares (*)	-	5,31
- Enka Holding founder shares (*)	-	2,66
Weighted average number of share certificates (nominal value of 1 YKr each)		
- ordinary share certificate	250.000.000.000	250.000.000.000
- Enka İnşaat founder shares (*)	1.000	1.000
- Enka Holding founder shares (*)	1.000	1.000

(\*) Since 2011 profit distribution was not determined as of the date of the preparation date of the consolidated financial statements, total of the earnings per share is reflected on ordinary share certificates.

#### 31. RELATED PARTY BALANCES AND TRANSACTIONS

##### Related parties

The Group is controlled by Tara Holding (48,99%) (31 December 2010 - 48,80%) % and Tara and Gülçelik families (27,99%) (31 December 2010 - 28,08%). For the purposes of the consolidated financial statements, balances with the shareholder companies, individual shareholders, unconsolidated subsidiaries, associated companies, equity participations and their affiliates are referred to as "related parties". Related parties also include management and members of the Group's Board of Directors.

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

	<u>31 December 2011</u>		<u>31 December 2010</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
Shareholders	-	755	(*) 329	1.082
Enka Spor Kulübü	220	-	-	-
Derince Uluslararası Konteyner Terminal İşletmeciliği A.Ş.	(**) 58	-	(**) 62	-
	<u>278</u>	<u>755</u>	<u>391</u>	<u>1.082</u>

(\*) Funds provided by the Group (in USD) to shareholders with interest rates Libor + 2%.

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

As of 31 December 2011, the Group does not have any rent income (31 December 2010: None) and sales to related parties (31 December 2010: None) as of 31 December 2011.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### 31. RELATED PARTY BALANCES AND TRANSACTIONS

##### **Directors' remuneration**

The total wages paid for the members of Board of Directors of the Group is amounting to USD 9.520 (31 December 2010 - USD 10.809), the social security payments and retirement pay provisions are USD 1,051 (31 December 2010 – USD 1.071) and USD 616 (31 December 2010 – USD 715) respectively. Total wages paid for the general manager, general coordinators and vice general managers of the Group (except BOD members), is amounting to USD 9.769 (31 December 2010 - USD 10.180), the social security payment and retirement pay provisions are USD 405 (31 December 2010 – USD 374) and USD 1.058 (31 December 2010 – USD 1.061) respectively.

#### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

##### *Capital management*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital structure of the Group comprises from liabilities, cash and cash equivalents, paid-in capital and legal reserves explained in Note 21.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Group. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

##### *Interest risk*

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

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

	<u>31 December 2011</u>	<u>31 December 2010</u>
<u>Financial assets with floating rates</u>		
Financial assets	-	-
Financial liabilities	(2.318)	(2.970)

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

##### Foreign currency risk

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

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

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

The following table details the Group's foreign currency position as at 31 December 2011 and 31 December 2010:

	<u>31 December 2011</u>	<u>31 December 2010</u>
A. Assets denominated in foreign currency	1.274.515	1.261.620
B. Liabilities denominated in foreign currency	(582.777)	(475.638)
Net foreign currency position (A+B)	691.738	785.982

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

#### Foreign currency risk (cont'd)

The Group's foreign currency position at 31 December 2011 and 31 December 2010 is as follows (non monetary items are not included in the table as they don't have foreign currency risk):

31 December 2011	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
Cash and cash equivalents	53.690	28.424	171.849	222.338	113.422	33.262	397.446
Investments available-for-sale	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 non 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 assets	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 non 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

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

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

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

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

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

#### Foreign currency risk (cont'd)

31 December 2010	TL	USD Equivalent	Euro	USD Equivalent	Other USD (*)	USD (**)	Total USD Equivalent
	Cash and cash equivalents	66.400	42.950	151.403	200.670	69.428	58.469
Investments available-for-sale	59.172	38.274	79.732	105.677	33.507	124.354	301.812
Trade and other receivables	20.309	13.136	71.667	94.987	49.072	6.378	163.574
Other current assets	36.097	23.349	2.054	2.722	16.736	633	43.440
Company's share in non current assets of joint ventures	-	-	2.163	2.867	33.125	60	36.052
<b>Current assets</b>	<b>181.978</b>	<b>117.709</b>	<b>307.019</b>	<b>406.923</b>	<b>201.869</b>	<b>189.894</b>	<b>916.395</b>
Financial assets	35.756	23.128	186.058	246.601	34.774	-	304.503
Trade and other receivables	-	-	17.992	23.847	6.756	105	30.708
Other non current assets	2.061	1.333	685	908	2.763	4.996	10.000
Company's share in non current assets of joint ventures	-	-	-	-	14	-	14
<b>Non-current assets</b>	<b>37.817</b>	<b>24.461</b>	<b>204.735</b>	<b>271.356</b>	<b>44.307</b>	<b>5.101</b>	<b>345.225</b>
<b>Total assets</b>	<b>219.795</b>	<b>142.170</b>	<b>511.754</b>	<b>678.279</b>	<b>246.176</b>	<b>194.995</b>	<b>1.261.620</b>
Short-term borrowings	736	476	37.360	49.517	42.669	10.496	103.158
Trade and other payables	34.528	22.334	47.075	62.393	28.151	4.884	117.762
Other current liabilities and accrued expenses	52.528	33.977	15.337	20.328	16.820	18.116	89.240
Company's share in non current liabilities of joint ventures	1	1	22	29	47.977	2.046	50.053
<b>Current liabilities</b>	<b>87.793</b>	<b>56.787</b>	<b>99.794</b>	<b>132.267</b>	<b>135.617</b>	<b>35.542</b>	<b>360.213</b>
Trade payables	-	-	-	-	-	-	-
Long-term borrowings	1.086	702	26.569	35.215	75.513	3.251	114.681
Other non-current liabilities	-	-	188	249	-	416	665
Company's share in non current liabilities of joint ventures	-	-	-	-	79	-	79
<b>Non-current liabilities</b>	<b>1.086</b>	<b>702</b>	<b>26.757</b>	<b>35.464</b>	<b>75.592</b>	<b>3.667</b>	<b>115.425</b>
<b>Total liabilities</b>	<b>88.879</b>	<b>57.490</b>	<b>126.551</b>	<b>167.731</b>	<b>211.209</b>	<b>39.209</b>	<b>475.638</b>
<b>Net foreign currency position</b>	<b>130.916</b>	<b>84.680</b>	<b>385.203</b>	<b>510.548</b>	<b>34.967</b>	<b>155.786</b>	<b>785.982</b>
<b>Net notional amount of derivatives</b>	-	-	<b>698</b>	<b>925</b>	-	-	<b>925</b>
<b>Export</b>	-	-	<b>89.004</b>	<b>117.966</b>	<b>425</b>	<b>23.165</b>	<b>141.556</b>
<b>Import</b>	-	-	<b>66.937</b>	<b>88.718</b>	<b>79.844</b>	<b>54.047</b>	<b>222.609</b>

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

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

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

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

##### Foreign currency risk (cont'd)

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

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

The following table details the Group's foreign currency sensitivity as at 31 December 2011 and 31 December 2010:

	31 December 2011		31 December 2010	
	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)	9.743	(9.743)	8.468	(8.468)
2- Portion hedged against TL risk (-)	789	(789)	-	-
<b>3- TL net effect (1+2)</b>	<b>10.532</b>	<b>(10.532)</b>	<b>8.468</b>	<b>(8.468)</b>
<i>In the case of Euro gaining 10% value against US Dollar</i>				
4- Euro net asset / (liability)	42.685	(42.685)	51.055	(51.055)
5- Portion hedged against Euro risk (-)	12.189	(12.189)	92	(92)
<b>6- Euro net effect (1+2)</b>	<b>54.874</b>	<b>(54.874)</b>	<b>51.147</b>	<b>(51.147)</b>
<i>In the case of other foreign currencies gaining 10% value against US Dollar</i>				
7- Other foreign currency net asset / (liability)	1.525	(1.525)	3.497	(3.497)
8- Portion hedged against other foreign currency risk (-)	(1.278)	1.278	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>247</b>	<b>(247)</b>	<b>3.497</b>	<b>(3.497)</b>
<b>Total (3+6+9)</b>	<b>65.653</b>	<b>(65.653)</b>	<b>63.112</b>	<b>(63.112)</b>

##### Credit risk

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

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

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

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

##### Foreign currency risk (cont'd)

	Receivables				Bank deposits	Derivative instruments	Financial investments
	Trade receivables		Other receivables				
	Related party	3rd party	Related party	3rd party			
<b>31 December 2011</b>							
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)	-	603.784	278	861	756.187	-	1.408.539
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	341.223	-	-	-	-	-
A. Financial assets that are either past due or impaired	-	567.680	278	861	756.187	-	1.408.539
B. The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	5.714	-	-	-	-	-
C. The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	30.317	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	23.701	-	-	-	-	-
D. The amount of financial assets that are impaired	-	73	-	-	-	-	-
- Past due (Gross book value)	-	30.267	-	-	-	-	-
- The amount of impairment (-)	-	(30.193)	-	-	-	-	-
-The amount that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-	-
E. Off balance sheet credit risk amount	-	-	-	-	-	-	-

(\*) As of 31 December 2011, trade receivables from TETAŞ amounting to USD 354.441 are guaranteed by Turkish Treasury.

	Receivables				
	Trade receivables	Other receivables	Bank deposits	Derivative instruments	Other
<b>31 December 2011</b>					
Overdue between 1 to 30 days	7.285	-	-	-	-
Overdue between 1 to 3 months	2.850	-	-	-	-
Overdue between 3 to 12 months	8.375	-	-	-	-
Overdue between 1 to 5 years	11.807	-	-	-	-
Overdue over 5 years	-	-	-	-	-
	<u>30.317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

##### Foreign currency risk (cont'd)

31 December 2010	Receivables				Bank deposits	Derivative instruments	Financial investments
	Trade receivables		Other receivables				
	Related party	3rd party	Related party	3rd party			
<b>The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D+E)</b>	-	604.622	391	569	599.079	-	1.370.880
- Total receivable that have been secured with collaterals, other credit enhancements etc.*	-	358.213	-	-	-	-	-
<b>A.</b> Financial assets that are either past due or impaired	-	543.999	391	569	599.079	-	1.370.880
<b>B.</b> The amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	4.828	-	-	-	-	-
<b>C.</b> The amount of financial assets that are past due as at the end of the reporting period but not impaired.	-	51.593	-	-	-	-	-
- The amount that have been secured with collaterals, other credit enhancements etc.	-	40.899	-	-	-	-	-
<b>D.</b> The amount of financial assets that are impaired	-	4.202	-	-	-	-	-
- Past due (Gross book value)	-	32.039	-	-	-	-	-
- The amount of impairment (-)	-	(27.837)	-	-	-	-	-
-The amount that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-	-	-
- Not past due (Gross book value)	-	-	-	-	-	-	-
- The amount of impairment (-)	-	-	-	-	-	-	-
<b>E.</b> Off balance sheet credit risk amount	-	-	-	-	-	-	-

(\*) As of 31 December 2010, trade receivables from TETAŞ amounting to USD 317.314 are guaranteed by Turkish Treasury.

31 December 2010	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue between 1 to 30 days	14.867	-	-	-	-
Overdue between 1 to 3 months	6.972	-	-	-	-
Overdue between 3 to 12 months	9.032	-	-	-	-
Overdue between 1 to 5 years	18.919	-	-	-	-
Overdue over 5 years	1.803	-	-	-	-
	-	-	-	-	-
	51.593	-	-	-	-

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

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

#### *Liquidity risk*

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

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

#### Current liabilities

31 December 2011

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>Up to 1 month (I)</u>	<u>1 to 3 months (II)</u>	<u>3 to 12 months (III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	214.952	220.083	21.350	14.455	184.278
Trade payables	437.048	437.114	357.527	33.995	45.592
Other payables to related parties	755	755	755	-	-
Other payables	17.409	17.409	6	137	17.266
Company's share in current liabilities of joint ventures	125.696	125.696	44.834	14.320	66.542

#### Non-current liabilities

31 December 2011

<u>Contractual maturity analysis</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>1 to 3 years (I)</u>	<u>3 to 5 years (II)</u>	<u>More than 5 years (III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	253.254	256.230	241.492	12.801	1.937
Trade payables	6.734	6.734		6.734	-
Other payables	24.384	24.384	22.394	1.948	42
Company's share in non-current liabilities of joint ventures	6.844	6.844	6.844	-	-

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

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

*Liquidity risk (cont'd)*

**Current liabilities**

**31 December 2010**

<b><u>Contractual maturity analysis</u></b>	<b><u>Carrying value</u></b>	<b><u>Total cash outflow according to contract (I+II+III)</u></b>	<b><u>Up to 1 month (I)</u></b>	<b><u>1 to 3 months (II)</u></b>	<b><u>3 to 12 months (III)</u></b>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	220.218	226.580	10.765	24.261	191.554
Trade payables	376.494	376.554	309.840	26.680	40.034
Other payables to related parties	1.082	1.082	1.082	-	-
Other payables	18.228	18.228	296	75	17.856
Company's share in current liabilities of joint ventures	73.632	73.632	27.679	43.751	2.202

**Non-current liabilities**

**31 December 2010**

<b><u>Contractual maturity analysis</u></b>	<b><u>Carrying value</u></b>	<b><u>Total cash outflow according to contract (I+II+III)</u></b>	<b><u>1 to 3 years (I)</u></b>	<b><u>3 to 5 years (II)</u></b>	<b><u>More than 5 years (III)</u></b>
<b>Non-derivative financial liabilities</b>					
Financial liabilities and finance lease obligations	376.796	380.470	232.832	61.795	85.843
Trade payables	6.627	6.627	-	-	6.627
Other payables	17.092	17.092	14.990	1.861	241
Company's share in non-current liabilities of joint ventures	315	315	315	-	-

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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#### 33. FINANCIAL INSTRUMENTS – FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK

##### *Fair value of financial assets and liabilities*

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

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

##### *Financial assets*

The fair values of cash, amounts due from banks and other monetary assets are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables are estimated to be their fair values due to their short-term nature.

##### *Financial liabilities*

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of bank borrowings are considered to approximate their respective carrying values, since initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.

##### *Fair value hierarchy*

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

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

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

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

31 December 2011	Level 1	Level 2	Level 3
Private sector bonds	551.290	-	-
Equity securities	122.069	-	-
Foreign government bonds	620.101	-	-
Turkish government bonds	63.542	-	-
Mutual funds	51.537	-	-
<b>Financial assets at fair value through profit or loss</b>	<b>1.408.539</b>	-	-
Derivative instruments	-	7.353	-
<b>Financial liabilities at fair value through profit or loss</b>	-	<b>7.353</b>	-

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

##### *Fair value hierarchy (cont'd)*

31 December 2010	Level 1	Level 2	Level 3
Private sector bonds	429.673	-	-
Equity securities	144.917	-	-
Foreign government bonds	690.957	-	-
Turkish government bonds	58.490	-	-
Mutual funds	46.347	-	-
<b>Financial assets at fair value through profit or loss</b>	<b>1.370.384</b>	-	-
Derivative instruments	-	920	-
<b>Financial liabilities at fair value through profit or loss</b>	-	<b>920</b>	-

#### 34. SUBSEQUENT EVENTS

Based on Capital Market Board of Turkey (CMB) articles Series IV, No. 56 "Determination and Implementation of Corporate Governance Principles" dated 30 December 2011 and Series IV, No 57 "Amendments to Determination and Implementation of Corporate Governance Principles" dated 11 February 2012; the Board of Directors of the Group have decided to take necessary actions to amend the articles of incorporation of the Company. Accordingly the Company applied to CMB and obtained the necessary approval. The amendment for the articles of incorporation will be put on the agenda of General Assembly for the year 2011.

Enka İnşaat applied to CMB to increase its registered capital ceiling from 2.800.000 TL to 4.000.000 TL and obtained the authorization from CMB. The increase will be done after the approval by General Assembly.

The Group management decided to sell its assets related with the retail operations which are located in Russian Federation, and for that purpose a framework agreement has been signed with OOO Billa and OOO Billa Realty companies.