

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2016
AND INDEPENDENT AUDITOR'S REPORT

**(CONVENIENCE TRANSLATION OF THE FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Batsöke Söke Çimento Sanayii T.A.Ş.**

Report on the Financial Statements

We have audited the accompanying financial statements of Batsöke Söke Çimento Sanayii T.A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards ("TAS"), and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Batisöke Söke Çimento Sanayii T.A.Ş. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 (“TCC”), the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 1 March 2017.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company’s set of accounts and financial statements prepared for the period 1 January - 31 December 2016 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

Volkan Becerik
Partner

Istanbul, 1 March 2017

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BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.**AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

	<u>Notes</u>	<u>Current Period</u> <u>31 December 2016</u>	<u>Prior Period</u> <u>31 December 2015</u>
ASSETS			
Current Assets		102.954.459	164.291.685
Cash and cash equivalents	31	50.098.618	118.854.264
Trade receivables	7	26.869.075	23.862.963
- Trade receivables from related parties	6	1.960.316	72.698
- Trade receivables from third parties		24.908.759	23.790.265
Other receivables	8	154.746	100.246
- Other receivables from related parties	6	15.040	26.747
- Other receivables from third parties		139.706	73.499
Inventories	9	22.932.032	19.758.044
Prepaid expenses	10	1.011.206	802.550
Assets related to current tax	25	1.888.782	-
Other current assets		-	913.618
Non-Current Assets		552.530.319	264.734.745
Financial investments	3	21.665.034	19.812.454
Other receivables		322.053	452.840
- Other receivables from third parties	8	322.053	452.840
Investments accounted for using the equity method	4	44.887.055	50.623.659
Property, plant and equipment	11	411.479.030	178.959.010
Intangible assets	12	546.361	635.476
Prepaid expenses	10	56.446.574	14.251.306
Other non-current assets	16	17.184.212	-
TOTAL ASSETS		655.484.778	429.026.430

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

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.**AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

		Current Period	Prior Period
	Notes	31 December 2016	31 December 2015
LIABILITIES			
Current Liabilities			
		97.398.517	49.124.093
Short-term portion of long-term borrowings	5	31.132.826	12.035.625
Trade payables	7	55.356.331	28.314.077
- Trade payables to related parties	6	11.121.544	2.095.327
- Trade payables to third parties		44.234.787	26.218.750
Payables related to employee benefits	15	1.295.596	1.067.366
Other payables	8	2.195.786	1.140.230
- Other payables to related parties	6	1.083.000	71.600
- Other payables to third parties		1.112.786	1.068.630
Derivative financial instruments	27	3.720.993	-
Current tax liabilities	25	-	163.169
Short-term provisions		3.068.316	5.803.598
- Short-term provisions for employee benefits	15	1.726.196	1.061.532
- Other short-term provisions	13	1.342.120	4.742.066
Other current liabilities	16	628.669	600.028
Non-Current Liabilities			
		340.925.749	147.392.044
Long-term borrowings	5	331.230.193	135.019.647
Long-term provisions		8.923.706	8.402.073
- Long-term provisions for employee benefits	15	6.330.990	6.013.123
- Other long-term provisions	13	2.592.716	2.388.950
Deferred tax liabilities	25	771.850	3.970.324
EQUITY			
		217.160.512	232.510.293
Share capital	17	78.750.000	78.750.000
Adjustments to share capital	17	59.824.631	59.824.631
Re-acquired shares (-)	17	(65.954)	-
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation and remeasurement			
- (Loss)/gain on remeasurement of defined benefit plans		133.054	(73.294)
Other comprehensive income or expenses that will be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation and reclassification			
- The gain (losses) from the change in the fair value of the financial assets that is charged to other comprehensive income		1.237.708	(537.120)
Restricted reserves appropriated from profit	17	15.050.482	13.681.039
Prior years' profit/losses		79.495.594	61.423.756
Net (loss) profit for the period		(17.265.003)	19.441.281
TOTAL LIABILITIES AND EQUITY		655.484.778	429.026.430

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

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.**AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

		Current Period	Prior Period
	Notes	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
PROFIT OR LOSS			
Revenue	18	119.537.146	126.379.053
Cost of sales (-)	18	(95.285.941)	(85.956.644)
GROSS PROFIT FROM BUSINESS ACTIVITIES		24.251.205	40.422.409
GROSS PROFIT		24.251.205	40.422.409
Administrative expenses (-)	19	(11.148.220)	(8.635.342)
Marketing expenses (-)	19	(5.580.742)	(6.130.095)
Other income from operating activities	21	26.378.074	25.984.040
Other expenses from operating activities (-)	22	(9.511.208)	(16.265.456)
OPERATING PROFIT (LOSS)		24.389.109	35.375.556
Income from investing activities	23	2.028.037	2.551.000
Expense from investing activities (-)	23	(3.720.993)	-
Share of loss of investments accounted for using the equity method	4	(5.736.604)	(1.004.191)
OPERATING PROFIT BEFORE FINANCE EXPENSES		16.959.549	36.922.365
Finance expenses (-)	24	(37.037.716)	(11.466.584)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(20.078.167)	25.455.781
Profit (Loss) Before Tax (Expense) from Continuing Operations Income		2.813.164	(6.014.500)
- Current tax (expense) income	25	(530.309)	(6.772.054)
- Deferred tax (expense) income	25	3.343.473	757.554
PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(17.265.003)	19.441.281
PROFIT / (LOSS) FOR THE PERIOD		(17.265.003)	19.441.281
(Loss) / Earning per Share	26	(0,2192)	0,2469
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items that will not be reclassified subsequently to profit or loss		206.348	(426.605)
Gain / (Loss) on remeasurement of defined benefit plans		257.935	(533.256)
Gain / (Loss) on remeasurement of defined benefit plans, tax effect		(51.587)	106.651
Items that will be reclassified subsequently to profit or loss		1.774.828	(3.892.168)
The gain (losses) from the change in the fair value of the financial assets that is charged to other comprehensive income		1.868.240	(4.097.019)
The change in the fair value of the financial assets that is charged to other comprehensive income, tax effect		(93.412)	204.851
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		(15.283.827)	15.122.508

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

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

	Share capital	Adjustments to share capital	Re-acquired Shares (-)	Accumulated gain/(loss) on remeasurement of defined benefit plans	Accumulated gain/loss on revaluation of available for sale financial assets	Restricted reserves appropriated from profit	Retained earnings		Total equity
							Prior years' profit / (losses)	Net profit for the year (loss)	
Balances as of 1 January 2015 (Opening)	78.750.000	59.824.631	-	353.311	3.355.048	11.817.010	41.937.910	30.763.026	226.800.936
Transfers	-	-	-	-	-	1.864.029	28.898.997	(30.763.026)	-
Total comprehensive income (expenses)	-	-	-	(426.605)	(3.892.168)	-	-	19.441.281	15.122.508
<i>Profit (loss)</i>	-	-	-	-	-	-	-	19.441.281	19.441.281
<i>Other comprehensive income (expenses)</i>	-	-	-	(426.605)	(3.892.168)	-	-	-	(4.318.773)
Dividends paid (Note 17.d)	-	-	-	-	-	-	(9.413.151)	-	(9.413.151)
Balances as of 31 December 2015 (Closing)	78.750.000	59.824.631	-	(73.294)	(537.120)	13.681.039	61.423.756	19.441.281	232.510.293
Balances as of 1 January 2016 (Opening)	78.750.000	59.824.631	-	(73.294)	(537.120)	13.681.039	61.423.756	19.441.281	232.510.293
Transfers	-	-	-	-	-	1.369.443	18.071.838	(19.441.281)	-
Total comprehensive income (expenses)	-	-	-	206.348	1.774.828	-	-	(17.265.003)	(15.283.827)
<i>Profit (loss)</i>	-	-	-	-	-	-	-	(17.265.003)	(17.265.003)
<i>Other comprehensive income (expenses)</i>	-	-	-	206.348	1.774.828	-	-	-	1.981.176
Decrease related to re-acquired shares Note 17.c)	-	-	(65.954)	-	-	-	-	-	(65.954)
Balances as of 31 December 2016 (Closing)	78.750.000	59.824.631	(65.954)	133.054	1.237.708	15.050.482	79.495.594	(17.265.003)	217.160.512

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

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

AUDITED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

		Current Period 1 January- 31 December 2016	Prior Period 1 January- 31 December 2015
	Notes		
A. Cash Flows From Operating Activities			
Profit (Loss)		(17.265.003)	19.441.281
- Profit / (Loss) from continuing activities before tax		(17.265.003)	19.441.281
Adjustments to reconcile profit (loss) for the period			
- Adjustments related to depreciation and amortization	11,12	9.604.159	8.396.636
- Adjustments related with provisions		2.311.685	5.641.890
Adjustments related to employment benefits	15	2.107.919	2.054.574
Adjustment related to legal provisions	13	-	3.399.946
Adjustments related to industry specific provisions	13	203.766	187.370
- Dividends received (paid)	23	(284.330)	(301.380)
- Adjustments related with interest income (expenses)		2.383.099	(776.603)
Adjustments related with interest income	23	(1.696.817)	(1.730.620)
Adjustments related with interest expenses	24	5.091.334	2.034.462
Discount on trade payables	21	(2.787.235)	(1.944.741)
Discount on trade receivables	22	1.775.817	864.296
- Adjustments related to unrealized foreign exchange differences		29.913.259	(6.827.379)
- Adjustments related to loss (gain) on fair value		3.720.993	-
Adjustments related to loss (gain) on derivative financial instruments	27	3.720.993	-
- Share of profits from equity accounted investee	4	5.736.604	1.004.191
- Adjustments to tax (income) expense	25	(2.813.164)	6.014.500
- Adjustments related to loss (gain) on disposal of property, plant and equipment		(46.890)	(519.000)
Adjustments related to loss (gain) on disposal of property, plant and equipment	23	(46.890)	(519.000)
- Adjustment related to gain (loss) on investments in associates, business partnerships and financial statements		(11.140)	-
		50.514.275	12.632.855
Movements in working capital			
- Adjustments related with decrease (increase) in trade receivables	7	(2.894.311)	666.840
- Adjustments related to decrease (increase) in other receivables from operations		(1.875.911)	743.444
Adjustments related to the decrease (increase) in trade receivables from related parties	7	(1.887.618)	765.585
Adjustments related to the decrease (increase) in trade receivables from third parties	8	11.707	(22.141)
- Adjustments related to the decrease (increase) in inventories	9	(3.173.988)	(3.099.422)
- Decrease (increase) in prepaid expenses	10	704.962	246.008
- Adjustments related to increase (decrease) in trade payables	7	20.803.272	11.687.843
- Increase (decrease) in payables to employee benefits		228.230	76.054
- Adjustment related to increase (decrease) in other payables for operations		(7.102.439)	1.742.706
Adjustments related to the increase (decrease) in other payables from related parties	7,8	10.037.617	1.668.090
Adjustments related to the increase (decrease) in other payables from third parties	8,16	(17.140.056)	74.616
- Adjustments related to increase (decrease) in working capital		93.221	(823.394)
Decrease (increase) in other assets from operations		64.580	(913.618)
Increase (decrease) in other liabilities from operations	16	28.641	90.224
		6.783.036	11.240.079
Cash Generated From Operations			
Payments for employee benefit provisions	15	(867.453)	(804.806)
Payments for other provisions	13	(3.399.946)	(8.000)
Income tax return (paid)	25	(2.582.260)	(8.347.206)
		33.182.649	34.154.203
B. Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment and intangible assets		68.311	607.835
Proceeds from disposal of property, plant and equipment	11	68.311	607.835
Payments for acquisition of property, plant and equipment and intangible assets		(221.500.297)	(38.260.927)
Payments for acquisition of property, plant and equipment	11,24	(221.498.178)	(37.642.862)
Payments for acquisition of intangible assets	12	(2.119)	(618.065)
Cash inflows from sale of assets held for sale		26.800	-
Cash advances given and liabilities	10	(42.195.268)	(9.083.396)
Dividends received	23	284.330	301.380
		(263.316.124)	(46.435.108)
C. Cash Flows From Financing Activities			
Cash outflows on for the acquisition of own shares and other equity instruments		(65.954)	-
Cash outflows on the acquisition own shares	17	(65.954)	-
Cash inflows from borrowings		179.280.000	123.417.364
Proceeds from borrowings		179.280.000	123.417.364
Cash outflows on repayment of borrowings		(10.900.017)	(24.728.362)
Cash outflows on repayment of borrowings		(10.900.017)	(24.728.362)
Dividends paid	17	-	(9.413.151)
Interest paid		(8.633.017)	(1.539.352)
Interest received	23	1.681.128	1.730.620
		161.362.140	89.467.119
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(68.771.335)	77.186.214
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	31	118.854.264	41.668.050
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)		50.082.929	118.854.264

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

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Batisöke Söke Çimento Sanayii T.A.Ş. ("Company") was established in accordance with the Turkish Trade Law in 1955 in Aydın, Turkey.

The Company's headquarters is located at Ankara Caddesi No: 335, Bornova, İzmir. The Company performs its production activities at Atatürk Mahallesi Aydın Caddesi No: 234, Söke, Aydın. Also, the Company has a grinding and packaging facility at Çavdır, Burdur.

The Company is registered under the Capital Markets Board ("CMB") and since 2000 its stocks are traded in Borsa İstanbul Anonim Şirketi ("Borsa İstanbul"). The immediate parent and ultimate controlling party of the Company is Batıçim Batı Anadolu Çimento Sanayii A.Ş. ("Batıçim") with 74,62% share.

The Company's principal activities are production and marketing cement and clinker.

As of 31 December 2016, the Company has 303 employees (31 December 2015: 234).

The immediate parent and ultimate controlling party of the Company is Batıçim.

Detail of the Company's subsidiaries is as below:

<u>Subsidiaries</u>	<u>Stock Exchange Market</u>	<u>Operation Types</u>	<u>Operating Activities</u>
Batıçim Enerji Elektrik Üretim A.Ş. ("Batıçim Enerji")	-	Production	Electricity power production and sale
Financial Assets at Fair Value Through Other Comprehensive Income			
Batıçim Batı Anadolu Çimento Sanayii A.Ş. ("Batıçim")	Borsa İstanbul	Production	Clinker and cement production and sale

Approval of financial statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 1 March 2017. General Assembly has the authority to modify the financial statements.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the "illustrations of financial statements and application guidance".

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency Used

The results and financial position are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 "Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Comparative Information and Reclassifications of Prior Period Financial Statements

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Company did not make any re-classification on the prior year financial statements.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.1 Basis of Presentation (cont'd)

Investments in associates and joint ventures:

Details of the Company's subsidiaries and other financial assets as of 31 December 2016 and 31 December 2015 are as follows:

Subsidiaries	Main operations	Location	Proportional ownership interest and voting power held by the company (%)	
			31 December 2016	31 December 2015
Batıçim Enerji Elektrik Üretim A.Ş.	Production and sale of electricity	Izmir, Turkey	36,025	36,025
			Proportional ownership interest and voting power held by the company (%)	
Financial Assets at Fair Value Through Other Comprehensive Income	Main operations	Location	31 December 2016	31 December 2015
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	Clinker, cement and beton production and sale	Izmir, Türkiye	4,09	4,09
Batıbeton Beton Sanayi A.Ş.	Ready-mixed concrete service	Izmir, Turkey	-	0,05
Ash Plus Yapı Mal. San. Ve Tic. A.Ş.	Production and sale of ash	Manisa, Turkey	-	0,05
Batıçim Enerji Toptan Satış A.Ş.	Sales of electricity	Izmir, Turkey	-	< 0,01

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. The Company did not make any significant changes in its accounting policies.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates are for only one period, changes are applied on the current year but if the changes in accounting estimates are for the following periods, changes are applied both on the current and the following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Company.

Significant changes in accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly.

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

b) New and revised TAS applied with no material effect on the financial statements

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants</i> ¹
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1</i> ²
Amendments to TAS 1	<i>Disclosure Initiative</i> ²
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ²
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²
TFRS 14	<i>Regulatory Deferral Accounts</i> ²

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

Amendments to TAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 Regulatory Deferral Accounts

TFRS 14 *Regulatory Deferral Accounts* permits an entity, which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

c) New and revised TAS in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

TFRS 9 *Financial Instruments*

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

- a) A person or a close member of that person's family is related to a reporting entity if that person,
 - (i) has control or joint control over the reporting entity,
 - (ii) has significant influence over the reporting entity,
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated or realized customer returns, discounts, commissions, rebates, and taxes related to sales.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Mining Assets

Mining assets owned by the Company comprise discounted costs associated with the reclamation, rehabilitation and closure of mines. Mining assets are carried in the financial statements at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of mining assets, commences when mine production begins. Depreciation expenses related with mining assets are allocated to cost of production.

Amortization of mining assets commences when they reach full capacity and the physical condition to meet the production capacity determined by management.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

Mining Assets (cont'd)

In the presence of indicators of impairment, mining assets are tested against impairment in accordance with TAS 36, by being grouped into the smallest independent cash generating units and by comparing their recoverable amount and their carrying value in the financial statements. For purposes of assessing impairment, mining assets are recognized on the basis of cash-generating units. Impairment exists if the mining asset's or the cash generating unit's (which the asset belongs) carrying amount is higher than the amount recoverable from its sale after all costs associated with usage and selling have been deducted. Losses arising from impairment of mining assets are recognized as expenses in the statement of comprehensive income. The impairment loss is reviewed at each reporting period and subsequent increases in the recoverable amount of the asset impaired can be reversed by less than the original impairment amount, if the increase in the recoverable amount is related to an event occurring during the subsequent period.

Cost of reclamation, rehabilitation and closure of mines comprise the provisioned amount for costs that are considered as highly probable to be incurred during the closure and rehabilitation of mines, discounted and recognized on the reporting date of the financial statements. These provisions are discounted at the reporting date with the discount rates, which are non-taxable and risk free rates for the future expected cash flows, taking into consideration the market interest rate and the risk associated with the liability. The calculations are reviewed at each reporting date. The changes arising from the changes in the management estimates used for the calculation of the provision related to the conditioning, rehabilitation and closure of mining areas, are recognized in the reclamation of mining areas, rehabilitation and closure costs. On the other hand in determining the costs related to the reclamation, rehabilitation and closure of mines the depreciation rate used is the lower of; the remaining economic life of the mine, or the quantity of the mined amount during the period divided by the reserves left in the mine at the end of the period. Based on the scope of existing programs to prevent environmental pollution and protection of the environment is reflected in the statement of comprehensive income as an expense in the period in which the costs are incurred.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. These assets are amortized over their estimated useful lives using the straight-line method. The estimated useful life and the depreciation method, in order to determine the possible effects of changes in estimates are reviewed each year and changes in estimates are accounted for prospectively. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss 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.

General borrowings of the Company are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Investments are recognised and derecognised on a trade date where the purchase or sale of an investments under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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. The Company's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

Recognition and derecognition of financial assets

The Company recognizes a financial asset or a financial liability in its financial position when, and only, the entity becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method

Derivative financial instruments

The Company uses forward contracts in international markets. According to the risk management policies of the Company, these forward contracts are classified as derivatives held-for trading in the accompanying financial statements, since they do not satisfy the conditions for hedge accounting in TAS 39 (*Financial Instruments: Recognition and Measurement*). Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

Fair value is generally determined by using the quoted prices in an active market, otherwise it is determined by using either discounted cash flow model or option pricing model. If fair value is positive, the derivative is recognized as an asset and if fair value is negative, it is recognized as a liability in the statement of financial position.

Effect of Foreign Currency Transactions

Foreign Currency Balances and Transactions

For the purpose of the financial statements, the results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on reporting date. 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.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Effect of Foreign Currency Transactions (cont'd)

Foreign Currency Balances and Transactions (cont'd)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Earnings Per Share

Earnings per share disclosed in the statement of profit or loss is determined by dividing net income by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Events After the Reporting Period

Events after the reporting period are those events that occur between the reporting date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the reporting date.

Provisions, Contingent Assets and Liabilities

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segmental Information

The Company operates in a single operating segment. Thus, additional segmental information is not given. The Company's all significant assets, production process and distribution channels are located in Turkey. The business activities of the Company is being managed and organized according to the contents of the output that the Company either provide or serve.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Taxation on Income

Taxation on income is composed of current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Tax is recognized in profit or loss, except when this relate to items that are recognized directly in equity, in which case, tax is also recognized directly in equity.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Employee Benefits

Retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

Statement of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Company's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Income taxes

Significant judgment is required to determine the Company provision for income taxes. The Company estimates its liabilities for tax obligations as well as the utilization of available loss carry forwards. When the final tax outcome is known, the actual positions may vary from these estimates and adjustments to deferred income tax positions may be required.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and TAS basis of assets and liabilities. The main factors which are considered include future earnings potential and tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Company's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

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NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

Critical judgments in applying the Company's accounting policies (cont'd)

Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. When determining useful lives the Company takes into consideration the intended use of the property, plant and equipment. This estimation depends on the Company's past experiences of similar property, plant and equipments. The Company also considers the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may cause the property, plant and equipment is not useful any longer.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows (Note 29).

Provision for mine site rehabilitation

The Company calculates for stone and earth-based land degraded by mining activities within the scope of reintegration for mine site rehabilitation. The provision is discounted to the present value of the and the related expense for the period, is included in financial expenses as the cost of rehabilitation.

3. FINANCIAL INVESTMENTS

As of 31 December 2016, details of the Company's financial assets are shown below:

	Share %	31 December 2016	Share %	31 December 2015
Other financial assets				
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	4,09	21.665.034	4,09	19.796.793
Ash Plus Yapı Mal. San. Ve Tic. A.Ş.	-	-	0,05	14.905
Batıbeton Beton Sanayi A.Ş.	-	-	0,05	750
Batıçim Enerji Toptan Satış A.Ş.	-	-	<0,01	6
		<u>21.665.034</u>		<u>19.812.454</u>

The Company owns 4,09% of Batıçim (31 December 2015: 4,09%) shares and these shares are listed in Borsa Istanbul. Fair value of these shares are determined based on the announcement of Borsa Istanbul's data as of the reporting date. Due to the application of TFRS 9 in the current period, losses arised from valuation of Batıçim's shares are recognized in other comprehensive expense as at 31 December 2016.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

4. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

The share of loss from equity accounted investment for the year ended 31 December 2016 is TL 5.736.604 (31 December 2015 is TL 1.004.191 loss).

The carrying amount of the Company's equity accounted investee "Batıçim Enerji" is TL 44.887.055 (31 December 2015: TL 50.623.659).

The detail of summarized financial information related to Batıçim Enerji is as follows:

	31 December 2016	31 December 2015
Current Assets	25.946.363	18.101.074
Non-Current Assets	168.097.950	169.521.507
Current Liabilities	(56.063.847)	(36.837.448)
Non-Current Liabilities	(57.577.359)	(54.458.074)
Net Equity	80.403.107	96.327.059
Company's Share	%36,025	%36,025
Equity Share of Company's Interest	28.965.219	34.701.823
Goodwill	15.921.836	15.921.836
	44.887.055	50.623.659
	1 January 2016- 31 December 2016	1 January 2015- 31 December 2015
Total Net Revenue	87.765.162	72.652.371
Net Loss for the Period	(15.922.895)	(2.805.558)
Other Comprehensive Income / (Expense)	(1.057)	18.073
Total Comprehensive Expense	(15.923.952)	(2.787.485)
Company's Share	%36,025	%36,025
Proportion of net loss of the Company	(5.736.604)	(1.004.191)

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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5. FINANCIAL LIABILITIES

	31 December 2016	31 December 2015
Short-term portion of long-term borrowings	31.132.826	12.035.625
Long-term borrowings	331.230.193	135.019.647
	<u>362.363.019</u>	<u>147.055.272</u>

Currency	Weighted average effective of interest rate %	31 December 2016	
		Short-term	Long-term
US Dollar	4,20	6.575.634	12.797.113
Euro	4,49	24.557.192	318.433.080
		<u>31.132.826</u>	<u>331.230.193</u>

Currency	Weighted average effective of interest rate %	31 December 2015	
		Short-term	Long-term
US Dollar	4,12	5.472.972	15.859.647
Euro	3,40	6.562.653	119.160.000
		<u>12.035.625</u>	<u>135.019.647</u>

The borrowings are repayable as follows:

	31 December 2016	31 December 2015
To be paid within 1 year	31.132.826	12.035.625
To be paid between 1-2 years	42.260.906	7.560.984
To be paid between 2-3 years	42.260.941	19.661.397
To be paid between 3-4 years	35.862.367	19.661.397
To be paid between 4-5 years	32.770.783	17.018.156
5 years and longer	178.075.196	71.117.713
	<u>362.363.019</u>	<u>147.055.272</u>

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

6. RELATED PARTY DISCLOSURES

The details of balances with related parties are as follows:

	31 December 2016			
	Receivables		Payables	
	Short term		Short term	
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade
<u>Shareholders</u>				
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	-	5.650	3.090.499	395.000
<u>Others entities controlled by the parent company</u>				
Batıbeton Sanayi A.Ş.	1.960.316	9.390	7.356.433	688.000
Batıçim Enerji Toptan Satış A.Ş.	-	-	573.780	-
Batıbeton Beton Sanayi A.Ş.	-	-	43.284	-
Ash Plus Yapı Mal. San. ve Tic. A.Ş.	-	-	57.548	-
	<u>1.960.316</u>	<u>15.040</u>	<u>11.121.544</u>	<u>1.083.000</u>
	31 December 2015			
	Receivables		Payables	
	Short term		Short term	
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade
<u>Shareholders</u>				
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	72.698	4.926	2.083.524	71.600
<u>Others entities controlled by the parent company</u>				
Batıçim Enerji Toptan Satış A.Ş.	-	18.433	11.803	-
Ash Plus Yapı Mal. San. ve Tic. A.Ş.	-	3.388	-	-
	<u>72.698</u>	<u>26.747</u>	<u>2.095.327</u>	<u>71.600</u>

The receivables from related parties arise mainly from sales transactions and turnover for these receivables is 120 days. The receivables are unsecured in nature and bear interest based on time deposit ratios in the related period.

Non-trade receivables from related parties bear interest based on time deposit ratios in the related period.

The payables to related parties arise mainly from purchase transactions and average turnover for these payables is 120. The payables bear interest based on time deposit ratios in the related period.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
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6. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January - 31 December 2016					
	Inventory or service purchases	Sale of goods	Interest income	Interest expense	Dividend income	Other income
<u>Shareholders</u>						
Batıçım Batı Anadolu Çimento Sanayii A.Ş.	7.620.011	-	5.719	88.749	278.597	219.375
<u>Others entities controlled by the parent company</u>						
Batıbeton Sanayi A.Ş. (*)	27.738.005	31.211.477	5.410	96.735	-	8.997
Batıçım Enerji Tопtan Satış A.Ş.	6.013.363	-	26.224	-	-	-
Ash Plus Yapı Mal. San. ve Tic. A.Ş.	51.872	-	-	-	4.867	-
Batıbeton Beton Sanayi A.Ş.	-	-	-	57.952	868	-
	<u>41.423.251</u>	<u>31.211.477</u>	<u>37.353</u>	<u>243.436</u>	<u>284.332</u>	<u>228.372</u>

(*) The company has purchased ready-mixed concrete for the amount of TL 27.532.806 to be used in the 3th Clinker Line Investment.

Transactions with related parties	1 January - 31 December 2015					
	Inventory or service purchases	Sale of goods	Interest income	Interest expense	Dividend income	Other income
<u>Shareholders</u>						
Batıçım Batı Anadolu Çimento Sanayii A.Ş.	3.270.925	17.597.552	2.272	-	294.985	5.000
<u>Others entities controlled by the parent company</u>						
Batıçım Enerji Elektrik Üretim A.Ş.	-	-	-	-	-	-
Batıçım Enerji Tопtan Satış A.Ş.	141.840	-	15.621	-	-	-
Ash Plus Yapı Mal. San. ve Tic. A.Ş.	10.377	-	-	-	5.801	-
Batıbeton Beton Sanayi A.Ş.	-	-	-	-	594	-
	<u>3.423.142</u>	<u>17.597.552</u>	<u>17.893</u>	<u>-</u>	<u>301.380</u>	<u>5.000</u>

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

6. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel:

The key management personnel consist of executive board members, general manager and deputy general manager. Benefits to key management personnel are wages, premiums, health insurance, transportation and etc. Benefits to the key management personnel during the period is as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Wages, premiums, social relief benefits	1.705.008	1.549.496
Seniority incentives, performance premium and other reliefs and payments	295.051	352.757
	<u>2.000.059</u>	<u>1.902.253</u>

7. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

The detail of the Company's trade receivables as of reporting date are as follows:

	31 December 2016	31 December 2015
Trade receivables	7.814.417	5.603.899
Note receivables	17.094.342	18.186.366
Trade receivables from related parties (Note 6)	1.960.316	72.698
	<u>26.869.075</u>	<u>23.862.963</u>

The average credit period on sale of goods is 90 days (31 December 2015: 90 days).

Guarantee letters received in relation to receivables that are not due and not doubtful as follows:

	31 December 2016	31 December 2015
Guarantee letters received	125.578.835	50.992.528
	<u>125.578.835</u>	<u>50.992.528</u>

Company management considers that there is no significant difference between par value and fair value of the guarantees received. There are no overdue trade receivables of the Company as of 31 December 2016 (31 December 2015: None). There are no doubtful receivables of the Company as of 31 December 2016 (31 December 2015: None).

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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7. TRADE RECEIVABLES AND PAYABLES (cont'd)**b) Trade Payables:**

The detail of the Company's trade payables as at reporting date are as follows:

	31 December 2016	31 December 2015
Trade payables	44.234.787	26.218.750
Trade payables to related parties (Note 6)	11.121.544	2.095.327
	<u>55.356.331</u>	<u>28.314.077</u>

The average credit period of trade payables is 70 days (31 December 2015: 74 days).

Guarantee letters given against the Company's trade payables is as follows:

	31 December 2016	31 December 2015
Guarantee letters given	8.626.959	8.577.008
	<u>8.626.959</u>	<u>8.577.008</u>

Company management considers that there is no significant difference between par value and fair value of the guarantees given.

8. OTHER RECEIVABLES AND PAYABLES**a) Other Receivables:**

	31 December 2016	31 December 2015
<u>Other Short-Term Receivables</u>		
Other receivables from related parties (Note 6)	15.040	26.747
Other receivables	139.706	73.499
	<u>154.746</u>	<u>100.246</u>
<u>Other Long-Term Receivables</u>		
Guarantee and deposits given	322.053	452.840
	<u>322.053</u>	<u>452.840</u>

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
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8. OTHER RECEIVABLES AND PAYABLES (cont'd)**b) Other Payables**

	31 December 2016	31 December 2015
Advances received	29.936	93.921
Other payables from related parties (Note 6)	1.083.000	71.600
Taxes and dues payable	1.082.850	974.709
	<u>2.195.786</u>	<u>1.140.230</u>

9. INVENTORIES

	31 December 2016	31 December 2015
Raw materials	2.062.041	1.694.627
Work in process inventories	7.212.835	7.371.070
Finished goods	193.863	69.626
Auxiliary materials and spare parts	13.463.293	10.622.721
	<u>22.932.032</u>	<u>19.758.044</u>

The cost of inventories recognized as expense and included in "cost of sales" amounted to TL 37.884.223 (31 December 2015: TL 38.467.893).

Auxiliary materials and spare parts are composed of unused firebricks and auxiliary materials and spare parts that may be used in manufacturing. When firebricks are used, they are classified as inventories and become depreciable for their useful lives.

10. PREPAID EXPENSES

	31 December 2016	31 December 2015
<u>Short-Term Prepaid Expenses</u>		
Order advances given for inventory purchases	217.147	53.744
Prepaid expenses	787.401	748.806
Business advances	6.658	-
	<u>1.011.206</u>	<u>802.550</u>
<u>Long-Term Prepaid Expenses</u>		
Advances given for fixed asset purchases (*)	56.446.574	14.251.306
	<u>56.446.574</u>	<u>14.251.306</u>

(*) The Company's advances given includes guarantee letter provision amounting to TL 56.084.314 for clinker production line investments with 1.650.000 tons / year production capacity as at 31 December 2016 (31 December 2015: TL 14.251.306).

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
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11. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land		Buildings	Machinery and Equipment	Vehicles	Furniture and Fixture	Mine Assets	Construction in Progress	Total
	Improvements	Land							
Opening balance as of 1 January 2016	14,499,038	29,230,505	56,025,788	135,136,379	551,955	9,652,716	862,029	59,627,942	305,586,352
Additions	9,060,626	43,710	1,080	1,599,791	71,499	1,500,412	-	229,777,248	242,054,366
Disposals	-	-	-	(58,994)	(61,050)	(21,708)	-	-	(141,752)
Transfers from construction in progress	-	-	6,508,108	48,605,896	-	149,383	-	(55,263,387)	-
Closing balance as of 31 December 2016	23,559,664	29,274,215	62,534,976	185,283,072	562,404	11,280,803	862,029	234,141,803	547,498,966
Accumulated Depreciation									
Opening balance as of 1 January 2016	-	(14,271,252)	(22,291,725)	(81,308,034)	(543,468)	(7,654,585)	(558,278)	-	(126,627,342)
Charge for the period	-	(954,881)	(1,029,517)	(5,939,770)	(7,362)	(1,454,351)	(127,044)	-	(9,512,925)
Disposals	-	-	-	38,978	61,050	20,303	-	-	120,331
Closing balance as of 31 December 2016	-	(15,226,133)	(23,321,242)	(87,208,826)	(489,780)	(9,088,633)	(685,322)	-	(136,019,936)
Net carrying value as of 31 December 2016	23,559,664	14,048,082	39,213,734	98,074,246	72,624	2,192,170	176,707	234,141,803	411,479,030

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11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Cost Value	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixture	Mine Assets	Construction in Progress	Total
Opening balance as of 1 January 2015	9.143.791	29.217.091	56.025.788	143.447.568	551.955	9.231.665	862.029	23.101.973	271.581.860
Additions	5.355.247	13.414	-	54.658	-	429.379	-	36.543.602	42.396.300
Disposals	-	-	-	(8.365.847)	-	(8.328)	-	-	(8.374.175)
Transfers from construction in progress	-	-	-	-	-	-	-	(17.633)	(17.633)
Closing balance as of 31 December 2015	14.499.038	29.230.505	56.025.788	135.136.379	551.955	9.652.716	862.029	59.627.942	305.586.352
Accumulated Depreciation									
Opening balance as of 1 January 2015	-	(13.382.056)	(21.270.904)	(84.598.744)	(536.440)	(6.405.516)	(439.106)	-	(126.632.766)
Charge for the period	-	(889.196)	(1.020.821)	(4.991.854)	(7.028)	(1.251.845)	(119.172)	-	(8.279.916)
Disposals	-	-	-	8.282.564	-	2.776	-	-	8.285.340
Closing balance as of 31 December 2015	-	(14.271.252)	(22.291.725)	(81.308.034)	(543.468)	(7.654.585)	(558.278)	-	(126.627.342)
Net carrying value as of 31 December 2015	14.499.038	14.959.253	33.734.063	53.828.345	8.487	1.998.131	303.751	59.627.942	178.959.010

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11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The useful lives of property, plant and equipment are as follows:

	<u>Useful life</u>
Land improvements	8-40 years
Buildings	43-50 years
Machinery and equipment	10-25 years
Vehicles	4-10 years
Furniture and fixtures	2-10 years
Mine assets	10-30 years

TL 9.394.964 (2015: TL 8.175.134) of depreciation expense was allocated to cost of sales, TL 44.711 (2015: TL 43.111) of depreciation expense was allocated to marketing expenses, TL 73.250 (2015: TL 61.071) of depreciation expense was allocated to administrative expenses.

As of 31 December 2016, mine assets included in property, plant and equipment consist of discounted costs related to closing of mines and their subsequent rehabilitation. Depreciation of related mine assets has been allocated to cost of sales.

The amount of borrowing costs capitalized on property, plant and equipment as of 31 December 2016 is TL 20.556.188 (31 December 2015: TL 4.735.805).

There are no property, plant and equipment acquired through financial leases (31 December 2015: None).

There is no mortgage or pledge on property, plant and equipment.

12. INTANGIBLE ASSETS

	<u>Rights</u>	<u>Assets subject to amortization</u>	<u>Total</u>
<u>Cost Value</u>			
Opening balance as of 1 January 2016	1.701.052	595.266	2.296.318
Additions	2.119	-	2.119
Closing balance as of 31 December 2016	1.703.171	595.266	2.298.437
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2016	(1.065.576)	(595.266)	(1.660.842)
Charge for the period	(91.234)	-	(91.234)
Closing balance as of 31 December 2016	(1.156.810)	(595.266)	(1.752.076)
Net carrying value as of 31 December 2016	546.361	-	546.361

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12. INTANGIBLE ASSETS (cont'd)

	<u>Rights</u>	<u>Assets subject to amortization</u>	<u>Total</u>
Cost Value			
Opening balance as of 1 January 2015	1.082.987	595.266	1.678.253
Additions	600.432	-	600.432
Transfers from constructions in progress	17.633	-	17.633
Closing balance as of 31 December 2015	<u>1.701.052</u>	<u>595.266</u>	<u>2.296.318</u>
Accumulated Amortization			
Opening balance as of 1 January 2015	(948.856)	(595.266)	(1.544.122)
Charge for the period	(116.720)	-	(116.720)
Closing balance as of 31 December 2015	<u>(1.065.576)</u>	<u>(595.266)</u>	<u>(1.660.842)</u>
Net carrying value as of 31 December 2015	<u>635.476</u>	<u>-</u>	<u>635.476</u>

Amortization expense of TL 91,234 (31 December 2015: TL 116,720) is charged to cost of sales. There is no amortization expense charged on work in progress and finished goods (2015: None).

The useful lives of intangible assets are as follows:

	<u>Useful life</u>
Rights	5-10 years
Assets subject to amortization	5 years

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13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2016	31 December 2015
Short-term provisions		
Legal claims (i)	1.342.120	1.342.120
Provision for Competition Authority's penalty (ii)	-	3.399.946
	<u>1.342.120</u>	<u>4.742.066</u>

- i. The Company has recorded a provision amounting to TL 1.342.120 related to penalty which was notified by Competition Authority Board as at 13 May 2005. Abatement of proceedings was approved by State Council's 13th Department decision numbered 2005/7506 until the lawsuit was concluded for the Company. However, the Company paid the penalty of TL 1.342.120 to bank account of Ankara 10th Administrative Court, decision numbered 2007990 E.2009/126 and dated 30 January 2009, the penalty payment was canceled as at 30 January 2009. On 20 April 2009, the payment was given back to the Company by Ankara Directorate of Tax Administration. Regarding this case, the appeal case filed by the Competition Authority against the Company has been concluded as of the date of the report. With the rejection of the request for correction of the decision, the case has been finalized with adverse consequence. From the company's management's perspective, as a consequence of the given legal opinion, regarding the forementioned case, the remuneration of a total TL 1.342.120 which was divided before, has been ongoing as of 31 December 2016. Yet, Competition Authority had delivered the document regarding the payment of the fine to the tax office that the company is subject to, and the company paid the Competition Authority fine on 13 February 2017.
- ii. Amounting to TL 4.533.261 of administrative fine have been notified by the Competition Authority on the date of 15 January 2016. The Company has recorded a provision amounting to TL 3.399.946 in 2015. In compliance with the law of misdemeanors numbered 5326, article 17/6 states that "If the debtor willing to pay the fine, the public officer who fine as a result of misdeed, makes collection immediately. If debtor pays the fine without litigation, the debtor will be charged $\frac{3}{4}$ of the fine. But, this payment does not affect the right to appeal to remedy for the fine". By considering this, $\frac{3}{4}$ of fine from Competition Authority will be paid in advance, and as a result, the Entity be exempt from $\frac{1}{4}$ of fine. The Company has paid in cash $\frac{3}{4}$ of the fine in 27 June 2016.

The provision amount is recognized in other expenses from operating activities in the statement of profit or loss. Management estimates that related legal claims will not lead to losses greater than the provision amounts recognized as of 31 December 2016.

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13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**a) Provisions (cont'd)**

	31 December 2016	31 December 2015
<u>Long-term provisions</u>		
Provision related to mine site rehabilitation (iii)	2.592.716	2.388.950
	<u>2.592.716</u>	<u>2.388.950</u>

iii. Provision recognized in order to rehabilitate land that has been damaged by the Company's quarry mining activities. Provision related to mine site rehabilitation expense has been charged to cost of sales.

The movement for provisions as of 31 December 2016 and 2015 are as follows:

	<u>Legal claims</u>	<u>Provision for Competition Authority's penalty</u>	<u>Provision for mine site rehabilitation</u>	<u>Total</u>
As of 1 January 2016	1.342.120	3.999.946	2.388.950	7.731.016
Provision for the period	-	-	203.766	203.766
Reversal of current year provision (-)	-	(3.999.946)	-	(3.999.946)
As of 31 December 2016	<u>1.342.120</u>	<u>-</u>	<u>2.592.716</u>	<u>3.934.836</u>

	<u>Legal claims</u>	<u>Provision for Competition Authority's penalty</u>	<u>Provision for mine site rehabilitation</u>	<u>Total</u>
As of 1 January 2015	1.350.120	-	2.201.580	3.551.700
Provision for the period	-	3.399.946	187.370	3.587.316
Reversal of current year provision (-)	(8.000)	-	-	(8.000)
As of 31 December 2015	<u>1.342.120</u>	<u>3.399.946</u>	<u>2.388.950</u>	<u>7.131.016</u>

b) Contingent Assets and Liabilities*Lawsuits filed against the Company:*

Total amount of lawsuits against the Company as of 31 December 2016 is TL 35.500 (2015: TL 244.779). Based on the management opinion, considering the legal opinions received, the management does not forecast any risk of outflow and thus no provision was recognized for the lawsuits.

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14. COMMITMENTS

Guarantees-Pledges-Mortgages ("GPM")

The table related to guarantees-pledges-mortgages position as of 31 December 2016 and 31 December 2015 is as below:

31 December 2016		TL Amount	Original Balance
A. Given GPMs on behalf of its own legal entity			
	TL	8.626.959	-
Total		<u>8.626.959</u>	<u>-</u>
31 December 2015		TL Amount	Original Balance
A. Given GPMs on behalf of its own legal entity			
	TL	8.577.008	-
Total		<u>8.577.008</u>	<u>-</u>

The ratio of other guarantees-pledges-mortgages to shareholder's equity is 0% as of 31 December 2016 (31 December 2015: 0%).

According to the Share Pledge Agreement signed on 1 December 2014, the Company used bank loan amounting to US Dollar 15.450.000 due to financing continued investment project operations and the Company put in pledge to 36,025% of capital of Batıçim Enerji Elektrik Üretim A.Ş. (36.025 number of shares) with TL 1.000 nominal value in favor of Akbank T.A.Ş.. Accordingly, there is a pledge right for almost 36,025% shares of the Company established in favor of Akbank T.A.Ş..

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15. EMPLOYEE BENEFITS

	31 December 2016	31 December 2015
Payables to personnel	523.536	672.344
Social security premium payables	772.060	395.022
	<u>1.295.596</u>	<u>1.067.366</u>
	31 December 2016	31 December 2015
Performance and seniority encouragement premium provision	1.126.811	588.800
Provision for unused vacation	599.385	472.732
	<u>1.726.196</u>	<u>1.061.532</u>

Performance and seniority encouragement premium provision expense of TL 531.067 (2015: TL 246.684), TL 448 (2015: TL 33.408) and TL 6.496 (2015: TL 308.708) has been allocated to cost of sales, administrative expenses, sales and marketing expenses, respectively.

Unused vacation provision expense of TL 51.928 (2015: TL 50.677), TL 3.800 (2015: TL 3.087) and TL 70.925 (2015: TL 43.889) has been allocated to cost of sales, administrative expenses, sales and marketing expenses, respectively.

Long-term provisions for employee benefits:

Provision for retirement pay liability:

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.297,21 (2015: TL 3.828,37) of service at 31 December 2016.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 *Employee Benefits* stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

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 2016, 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 reporting dates have been calculated with the assumption of 4,21% real discount rate calculated by using 7% annual inflation rate and 11,5% discount rate (31 December 2015: 3,74%).

Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 1,58% for employees with 0-15 years of service, and 0% for those with 16 or more years of service.

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15. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits (cont'd)

Provision for retirement pay liability (cont'd):

Ceiling amount of TL 4.426,16 which is in effect since 1 January 2017 is used in the calculation of Company's provision for retirement pay liability (1 January 2016: TL 4.092,53).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

- If the discount rate would have been 1% higher, provision for employee termination benefits would decrease by TL 586.778, if the discount rate would have been 1% lower, provision for employee termination benefits would increase by TL 685.236.
- If the probability of voluntary leaves had been 1% lower, provision for employee termination benefits would decrease by TL 80.460, if the probability of voluntary leaves had been 1% higher, provision for employee termination benefits would increase by TL 72.118.

	2016	2015
Provision at 1 January	6.013.123	4.929.154
Service cost	1.218.379	1.215.353
Interest cost	224.876	140.166
Termination benefits paid	(867.453)	(804.806)
Actuarial gain / (loss)	(257.935)	533.256
Provision at 31 December	<u>6.330.990</u>	<u>6.013.123</u>

Of the total charge TL 1.265.593 (2015: TL 1.259.960), TL 25.861 (2015: TL 28.247), and TL 151.801 (2015: TL 67.312), were included in cost of sales, administrative expenses and marketing expenses, respectively

16. OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
<u>Other Short-Term Liabilities</u>		
Mine tax accruals	601.146	492.891
Other	27.523	107.137
	<u>628.669</u>	<u>600.028</u>
	31 December 2016	31 December 2015
<u>Other Current Assets</u>		
Deffered VAT	17.184.212	-
	<u>17.184.212</u>	<u>-</u>

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17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2016 and 31 December 2015, the share capital held is as follows:

Shareholders	%	31 December		31 December	
		2016	%	2015	
Batçım	74,62	58.766.018	74,62	58.766.018	
Other	25,38	19.983.982	25,38	19.983.982	
Nominal capital	100,00	78.750.000	100,00	78.750.000	
Inflation adjustment		59.824.631		59.824.631	
Adjusted capital		138.574.631		138.574.631	

The Company is subject to registered capital system. Authorized capital is TL 150.000.000 and the total number of ordinary shares authorized is 15.000.000.000 shares with a par value of TL 0,01 per share.

The Company's shares amounted TL 14.956,13 are in the name of the holders. Nominal value of one share is TL 0,01. The total number of ordinary shares is 7.875.000.000 shares with a par value of TL 0,01 per share with total nominal value of TL 78.750.000.

The Company's capital consist of A and B Company shares.

The composition of the A Company shareholders (preferred stock) is as follows:

Shareholders	%	31 December		31 December	
		2016	%	2015	
Batçım	99,33	74.281	99,33	74.281	
Other	0,67	500	0,67	500	
	100,00	74.781	100,00	74.781	

Company A shareholders have the following rights in accordance with the Company's articles of association:

All members of the board of directors have to be appointed from among the candidates chosen by the majority of the holders of Company A shares.

The composition of the B Company shareholders (ordinary shareholders):

Shareholders	%	31 December		31 December	
		2016	%	2015	
Batçım	74,60	58.691.737	74,60	58.691.737	
Other	25,40	19.983.482	25,40	19.983.482	
	100,00	78.675.219	100,00	78.675.219	

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17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

b) Restricted Reserves Appropriated from Profit

	31 December 2016	31 December 2015
Legal Reserves	15.050.482	13.681.039
	<u>15.050.482</u>	<u>13.681.039</u>

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves can only be used if it does not exceed the capital or issued capital for close the losses, continue the business when business is not going well or end the unemployment and to take suitable precautions to reduce the results of unemployment.

Capital adjustment differences can only be added to the capital.

c) Re-acquired Shares

The Company re-acquired its TL 28.379 nominal shares for a consideration of TL 65.954 from its shareholders from Istanbul Stock Exchange. The amount presented as re-acquired shares within equity.

d) Profit Distribution

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after February 1, 2014.

Shareholders distributes their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

There has been no dividend distribution in the year 2016 (31 December 2015: TL 7.875.000 was paid to shareholders, TL 1.538.151 was paid to board of directories).

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18. REVENUE AND COST OF SALES**a) Revenue**

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic sales	110.837.002	111.622.171
Foreign sales	9.689.330	15.379.078
Other revenue	42.373	30.011
Sales discounts (-)	(478.694)	(369.021)
Other discounts (-)	(552.865)	(283.186)
	<u>119.537.146</u>	<u>126.379.053</u>

b) Cost of sales

	1 January - 31 December 2016	1 January - 31 December 2015
Raw materials used	(37.850.225)	(40.456.412)
Production overheads	(31.307.143)	(25.174.277)
Personnel expenses	(14.556.023)	(11.267.601)
Depreciation expenses (Note 11)	(9.394.964)	(8.175.734)
Provision of employee termination benefits (Note 15)	(1.265.593)	(1.259.960)
Mine rehabilitation provision expenses (Note 13)	(203.766)	(187.370)
Amortization expenses (Note 12)	(91.234)	(116.720)
Unused vacation accrual (Note 15)	(51.928)	(50.677)
Change in work-in progress and finished goods (Note 9)	(33.998)	1.988.519
Provision for performance and seniority encouragement premium (Note 15)	(531.067)	(246.684)
Cost of other sales	-	(1.009.728)
	<u>(95.285.941)</u>	<u>(85.956.644)</u>

19. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Administrative expenses	(11.148.220)	(8.635.342)
Marketing expenses	(5.580.742)	(6.130.095)
	<u>(16.728.962)</u>	<u>(14.765.437)</u>

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19. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES (cont'd)**a) Administrative expenses**

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	(4.788.994)	(3.091.839)
Real estate tax expenses	(2.457.621)	(1.560.805)
Consultancy expenses	(1.565.178)	(1.844.659)
Security expenses	(808.745)	(453.033)
Services expenses	(417.902)	(136.249)
Fuel expenses	(112.835)	(79.440)
Provision of employee termination benefits (Note 15)	(151.801)	(67.312)
Depreciation expenses (Note 11)	(73.250)	(61.071)
Unused vacation accrual (Note 15)	(70.925)	(43.889)
Vehicle rent expenses	(36.650)	(33.360)
Donations and charity expenses	(11.763)	(82.387)
Provision for performance and seniority encouragement premium (Note 15)	(6.496)	(308.708)
Other expenses	(646.060)	(872.590)
	<u>(11.148.220)</u>	<u>(8.635.342)</u>

b) Marketing expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Export expenses	(2.606.685)	(3.901.910)
Advertisement expenses	(1.226.117)	(239.486)
Transportation and loading expenses	(1.169.803)	(1.350.982)
Personnel expenses	(417.684)	(389.409)
Depreciation expenses (Note 11)	(44.711)	(43.111)
Provision of employee termination benefits (Note 15)	(25.861)	(28.247)
Unused vacation accrual (Note 15)	(3.800)	(3.087)
Provision for performance and seniority encouragement premium (Note 15)	(448)	(33.408)
Other expenses	(85.633)	(140.455)
	<u>(5.580.742)</u>	<u>(6.130.095)</u>

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20. EXPENSES BY NATURE

	1 January - 31 December 2016	1 January - 31 December 2015
Raw materials used	(37.850.225)	(40.456.412)
Production overheads	(31.307.143)	(25.657.023)
Personnel expenses	(19.762.701)	(14.748.849)
Depreciation expenses	(9.512.925)	(7.797.170)
Export expenses	(2.606.685)	(3.901.910)
Real estate tax expenses	(2.457.621)	(1.560.805)
Consultancy expenses	(1.565.178)	(1.844.659)
Advertisement expenses	(1.226.117)	(239.486)
Transportation and loading expenses	(1.169.803)	(1.350.982)
Provision of employee termination benefits	(1.443.255)	(1.355.519)
Security expenses	(808.745)	(453.033)
Mine rehabilitation provision expenses	(203.766)	(187.370)
Unused vacation accrual	(126.653)	(97.653)
Fuel expenses	(112.835)	(79.440)
Amortization expenses	(91.234)	(116.720)
Vehicle rent expenses	(36.650)	(33.360)
Change in work-in progress and finished goods inventories	(33.998)	1.988.519
Donations and charity expenses	(11.763)	(82.387)
Provision for performance and seniority encouragement premium	(538.011)	(588.800)
Cost of other sales	-	(1.009.728)
Other expenses	(1.149.595)	(1.149.294)
	<u>(112.014.903)</u>	<u>(100.722.081)</u>

21. OTHER INCOME FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange gains from operations	21.767.549	22.511.114
Discount interest income	2.787.235	1.944.741
Scrap sale income	456.973	377.108
Insurance damage income	690	180.559
Other	1.365.627	970.518
	<u>26.378.074</u>	<u>25.984.040</u>

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22. OTHER EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange losses from operations	(7.228.182)	(11.496.488)
Discount interest expenses	(1.775.817)	(864.296)
Provision for Competition Authority's penalty (Note 13)	-	(3.399.946)
Other	(507.209)	(504.726)
	<u>(9.511.208)</u>	<u>(16.265.456)</u>

23. INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
a) Income from investing activities		
Interest income	1.696.817	1.730.620
Gain on sale of property, plant and equipment	46.890	519.000
Dividend income	284.330	301.380
	<u>2.028.037</u>	<u>2.551.000</u>
b) Expenses from investing activities		
Loss on derivative instruments	(3.720.993)	-
	<u>(3.720.993)</u>	<u>-</u>

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24. FINANCE EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Interest expense on bank loans	(10.559.303)	(2.992.434)
Less: amounts included in the cost of property, plant and equipments	<u>5.467.969</u>	<u>957.972</u>
	<u>(5.091.334)</u>	<u>(2.034.462)</u>
Foreign exchange (losses) / gains, net	(46.398.879)	(12.746.036)
Less: amounts included in the cost of property, plant and equipments	15.088.219	3.777.833
Bank commission expenses	(410.846)	(323.753)
Interest expenses on employee termination benefits (Note 15)	<u>(224.876)</u>	<u>(140.166)</u>
	<u>(37.037.716)</u>	<u>(11.466.584)</u>

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2016	31 December 2015
<i>Current tax liabilities / (assets)</i>		
Current tax provision	530.309	6.772.054
Less: Prepaid taxes and funds	<u>(2.419.091)</u>	<u>(6.608.885)</u>
	<u>(1.888.782)</u>	<u>163.169</u>
<i>Income tax recognized in profit or loss</i>		
<u>Tax expense comprises:</u>	1 January- 31 December 2016	1 January- 31 December 2015
Current tax expense	(530.309)	(6.772.054)
Deferred tax income relating to the origination and reversal of temporary differences	<u>3.343.473</u>	<u>757.554</u>
Total tax expense	<u>2.813.164</u>	<u>(6.014.500)</u>

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25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

The tax rate used in the calculation of deferred tax assets and liabilities is 20% (31 December 2015: 20%).

<u>Deferred Tax Assets/(Liabilities)</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Depreciation / amortization differences		
of property, plant and equipment and other intangible assets	(4.161.550)	(6.410.235)
Provision for employee termination benefits, unused vacation, performance and seniority encouragement premium provision	1.611.437	1.414.931
Difference between tax base and carrying amount of financial assets	535.615	629.026
Effect of amortized cost method on receivables and payables	81.071	14.713
Difference between tax base and carrying amount of inventories	(101.164)	(96.549)
Mine rehabilitation provision	518.543	477.790
Remesaurment of derivative instruments	744.198	-
	<u>(771.850)</u>	<u>(3.970.324)</u>

As at 31 December 2016, tax rate that is used for deferred tax calculation arising from increase in value of financial assets is 5% (31 December 2015: 5%). The reason of change in tax rate used for deferred tax assets is related with exemption of profit with 75% that is gained from sale of marketable securities held more than two years.

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25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**Deferred Tax (cont'd)**

Movement of deferred tax (assets) / liabilities for years ended 31 December 2016 and 31 December 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
<u>Movement of deferred tax liabilities:</u>		
Opening balance	(3.970.324)	(5.039.380)
Charged to profit or loss	3.343.473	757.554
Charged to equity	(144.999)	311.502
Closing balance	<u>(771.850)</u>	<u>(3.970.324)</u>
	1 January- 31 December 2016	1 January- 31 December 2015
<u>Tax reconciliation:</u>		
Profit before tax	(20.078.167)	25.455.781
Tax at the domestic income tax rate of 20% (2015: 20%)	4.015.633	(5.091.156)
Tax effects of:		
- Competition authority penalty provision which is not subject to taxation	-	(679.989)
- tax exempt income	86.661	147.324
- expenses that are not deductible in determining taxable profit	(112.014)	(87.175)
- the tax effect of share of losses from equity accounted investees	(1.147.321)	(200.838)
- other	(29.795)	(102.666)
Income tax expense recognised in profit or loss	<u>2.813.164</u>	<u>(6.014.500)</u>

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26. EARNINGS PER SHARE

	1 January - 31 December 2016	1 January - 31 December 2015
Earnings per share		
Weighted number of ordinary shares with a TL 0,01 par value	7.875.000.000	7.875.000.000
(Loss) / Profit for the period (TL)	(17.265.003)	19.441.281
(Loss) / earnings per share (for the Group A and B shares with a par value of TL 1)	(0,2192)	0,2469

27. DERIVATIVES FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	-	(3.720.993)	-	-
Short term	-	(3.720.993)	-	-

Currency derivatives:

The Company utilizes currency derivatives to hedge significant future transactions and cash flows. The Company is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of The Company's principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which The Company is committed are as follows:

	31 December 2016	31 December 2015
Forward foreign exchange contracts	51.938.600	-
	51.938.600	-

These arrangements are designed to address significant exchange exposures for 2017, and are renewed on a revolving basis as required.

At 31 December 2016, the fair value of The Company's currency derivatives is estimated to be approximately TL 3.720.993 (2015: None). These amounts are based on quoted market prices for equivalent instruments at the reporting date. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to TL 3.720.993 (2015: None) has been deferred in the statement of profit or loss.

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company includes loans disclosed in Note 5, cash and cash equivalents, comprising issued capital, reserves and equity items include retained earnings.

The Company's board of directors review the capital structure semi-annually. The Company management considers the cost of capital and the risks associated with each class of capital. The management of the Company aims to balance its overall capital structure through new share issues, and by issue of new debt or the redemption of existing debt.

In addition and consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	31 December 2016	31 December 2015
Total borrowings	362.363.019	147.055.272
Less: Cash and cash equivalents	(50.098.618)	(118.854.264)
Net debt	312.264.401	28.201.008
Total equity	217.160.512	232.510.293
Total capital	529.424.913	260.711.301
Net debt / total capital ratio	%58,98	%10,82

b) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried under policies approved by the Board of Directors. Company identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

a) Capital risk management (cont'd)

b.1) Credit risk management

Details of credit risk by class of financial instruments

31 December 2016	Receivables					
	Trade Receivables		Other Receivables		Financial Investments	Bank Deposits
	Related Parties	Other Parties	Related Parties	Other Parties		
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (*)	1.960.316	24.908.759	15.040	139.706	21.665.034	50.090.125
- Secured portion of the maximum credit risk by guarantees (**)	-	20.618.668	-	-	-	-
A. Net book value of financial assets not past due and not impaired	1.960.316	24.908.759	15.040	139.706	21.665.034	50.090.125
B. Net book value of financial assets who conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**) Guarantees consist of guarantee letters and guarantee notes obtained from the customers.

Details of credit risk by class of financial instruments

31 December 2015	Receivables					
	Trade Receivables		Other Receivables		Financial Investments	Bank Deposits
	Related Parties	Other Parties	Related Parties	Other Parties		
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (*)	72.698	23.790.265	26.747	73.499	19.812.454	118.845.088
- Secured portion of the maximum credit risk by guarantees (**)	-	21.471.102	-	-	-	-
A. Net book value of financial assets not past due and not impaired	72.698	23.790.265	26.747	73.499	19.812.454	118.845.088
B. Net book value of financial assets who conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**) Guarantees consist of guarantee letters and guarantee notes obtained from the customers.

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors(cont'd)

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Allowances for doubtful receivables are recognized against financial assets based on estimated irrecoverable amounts determined by reference to past experience.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2016

<u>Expected terms</u>	<u>Carrying value</u>	<u>Contracted cash outflows (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non derivative financial liabilities						
Bank loans	362.363.019	438.928.930	-	28.154.729	171.506.731	239.267.470
Trade payables	55.356.331	55.422.272	55.422.272	-	-	-
Other payables to related parties	1.083.000	1.083.000	1.083.000	-	-	-
Total liabilities	418.802.350	495.434.202	56.505.272	28.154.729	171.506.731	239.267.470

31 December 2016

<u>Expected terms</u>	<u>Carrying value</u>	<u>Contracted cash outflows (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>
Derivative Financial Liabilities				
Derivative cash inflows	-	48.699.150	41.511.150	7.188.000
Derivative cash outflows	(3.720.993)	(52.392.159)	(44.779.864)	(7.612.295)

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2015

<u>Expected terms</u>	<u>Carrying value</u>	<u>Contracted cash outflows</u>			
		<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non derivative financial liabilities					
Bank loans	147.055.272	-	10.792.435	77.017.011	89.889.504
Total liabilities	28.314.077	28.384.193	-	-	-
Other payables to related parties	71.600	71.600	-	-	-
Total liabilities	175.440.949	206.154.743	10.792.435	77.017.011	89.889.504

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and non-monetary liabilities at the reporting period are as follows:

	31 December 2016		
	TL Amount (Functional currency)	US Dollars	Euro
1. Trade receivables	-	-	-
2a. Monetary financial assets	49.988.060	1.485.598	12.065.000
2b. Non-monetary financial assets	-	-	-
3. Other	13.629.201	-	3.673.738
4. CURRENT ASSETS	63.617.261	1.485.598	15.738.738
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	3.187.092	34.459	826.390
8. NON-CURRENT ASSETS	3.187.092	34.459	826.390
9. TOTAL ASSETS	66.804.353	1.520.057	16.565.128
10. Trade payables	13.922.637	1.565.243	2.268.048
11. Financial liabilities	31.132.826	1.868.503	6.619.367
12a. Other monetary liabilities	-	-	-
12b. Other non-monetary liabilities	-	-	-
13. SHORT-TERM LIABILITIES	45.055.463	3.433.747	8.887.415
14. Trade payables	-	-	-
15. Financial liabilities	331.230.193	3.636.369	85.833.333
16a. Other Monetary Liabilities	-	-	-
16b. Other Non-monetary Liabilities	-	-	-
17. LONG-TERM LIABILITIES	331.230.193	3.636.369	85.833.333
18. TOTAL LIABILITIES	376.285.656	7.070.116	94.720.748
19. Off-balance sheet derivative instruments net asset / liability position (19a-19b)	51.938.600	-	14.000.000
19a. Off-balance sheet foreign currency derivative assets	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	(51.938.600)	-	(14.000.000)
20. Net foreign currency assets / liability position	(309.481.303)	(5.550.059)	(78.155.620)
21. Monetary items net foreign currency assets/liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(326.297.596)	(5.584.518)	(82.655.748)

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	<u>31 December 2015</u>		
	<u>TL Amount (Functional currency)</u>	<u>US Dollars</u>	<u>Euro</u>
1. Trade receivables	-	-	-
2a. Monetary financial assets	107.939.837	3.828.515	30.465.775
2b. Non-monetary financial assets	-	-	-
3. Other	13.105.596	976.000	3.231.300
4. CURRENT ASSETS	121.045.433	4.804.515	33.697.075
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	20.305	-	6.390
8. NON-CURRENT ASSETS	20.305	-	6.390
9. TOTAL ASSETS	121.065.738	4.804.515	33.703.465
10. Trade payables	3.703.259	1.175.897	89.445
11. Financial liabilities	12.035.625	1.882.299	2.065.286
12a. Other monetary liabilities	-	-	-
12b. Other non-monetary liabilities	-	-	-
13. SHORT-TERM LIABILITIES	15.738.884	3.058.196	2.154.731
14. Trade payables	-	-	-
15. Financial liabilities	135.019.647	5.454.549	37.500.000
16a. Other Monetary Liabilities	-	-	-
16b. Other Non-monetary Liabilities	-	-	-
17. LONG-TERM LIABILITIES	135.019.647	5.454.549	37.500.000
18. TOTAL LIABILITIES	150.758.531	8.512.745	39.654.731
19. Off-balance sheet derivative instruments net asset / liability position (19a-19b)	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency assets / liability position	(29.692.793)	(3.708.230)	(5.951.266)
21. Monetary items net foreign currency assets/liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(42.818.694)	(4.684.230)	(9.188.956)

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars and Euro.

The following table details the Company's sensitivity to a 10% increase and decrease in US Dollars and Euro against TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

	31 December 2016	
	Profit / Loss	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
Increase of US Dollars by 10% against TL		
1 - US Dollars net assets / liabilities	(1.965.304)	1.965.304
2 - US Dollars hedges (-)	-	-
3 - US Dollars net effect (1+2)	<u>(1.965.304)</u>	<u>1.965.304</u>
Increase of Euro by 10% against TL		
4 - Euro net assets / liabilities	(30.664.456)	30.664.456
5 - Euro hedges (-)	-	-
6 - Euro net effect (4+5)	<u>(30.664.456)</u>	<u>30.664.456</u>
TOTAL (3 + 6)	<u><u>(32.629.760)</u></u>	<u><u>32.629.760</u></u>

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis (cont'd)

	31 December 2015	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Increase of US Dollars by 10% against TL		
1 - US Dollars net assets / liabilities	(1.078.205)	1.078.205
2 - US Dollars hedges (-)	-	-
3 - US Dollars net effect (1+2)	(1.078.205)	1.078.205
Increase of Euro by 10% against TL		
4 - Euro net assets / liabilities	(1.891.074)	1.891.074
5 - Euro hedges (-)	-	-
6 - Euro net effect (4+5)	(1.891.074)	1.891.074
TOTAL (3 + 6)	(2.969.279)	2.969.279

b.3.2) Interest rate risk management

Company is exposed to interest rate risk as entities in the Company borrow funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Interest Rate Sensitivity

	Interest Position Table	
	<u>31 December 2016</u>	<u>31 December 2015</u>
Fixed Rate Instruments		
Financial Assets	49.982.474	118.754.525
Financial Liabilities	328.780.073	111.583.415
Floating Rate Instruments		
Financial Liabilities	33.582.946	35.471.857

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28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.2) Interest rate risk management (cont'd)

Interest Rate Sensitivity (cont'd)

If TL interest rates had been 100 basis points higher/lower and all other variables were held constant, the profit before tax would decrease by TL 901.899 (31 December 2015: TL 358.810). Due to the effect of the same change in interest rates on equity without affecting profit/loss, other equity reserves would decrease by TL 901.899 (31 December 2015: TL 358.810).

If TL interest rates had been 100 basis points higher/lower and all other variables were held constant, the profit before tax would decrease by TL 860.498 (31 December 2015: TL 352.978). Due to the effect of the same change in interest rates on equity without affecting profit/loss, other equity reserves would decrease by TL 860.498 (31 December 2015: TL 352.978).

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29. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

31 December 2016	Loans and receivables (including cash and cash equivalent)		Fair value through other comprehensive income	Financial liabilities at amortized cost	Net book value	Note
Financial assets						
Cash and cash equivalents	50.098.618	-	-	-	50.098.618	31
Trade receivables	24.908.759	-	-	-	24.908.759	7
Trade receivables from related parties	1.960.316	-	-	-	1.960.316	6
Other receivables from related parties	15.040	-	-	-	15.040	6
Other receivables	139.706	-	-	-	139.706	8
Other financial assets	-	21.665.034	-	-	21.665.034	3,4
Financial liabilities						
Financial borrowings	-	-	-	362.363.019	362.363.019	5
Trade payables	-	-	-	44.234.787	44.234.787	7
Trade payables to related parties	-	-	-	11.121.544	11.121.544	6
Other payables to related parties	-	-	-	1.083.000	1.083.000	6
Other payables	-	-	-	29.936	29.936	8

(*) The Company management considers the carrying amount of financial assets approximate their fair values.

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29. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont'd)

Fair value and classification of financial instruments (cont'd)

31 December 2015	Loans and receivables (including cash and cash equivalent)		Fair value through other comprehensive income	Financial liabilities at amortized cost		Note
Financial assets						
Cash and cash equivalents	118.854.264	-	-	-	118.854.264	31
Trade receivables	23.790.265	-	-	-	23.790.265	7
Trade receivables from related parties	72.698	-	-	-	72.698	6
Other receivables from related parties	26.747	-	-	-	26.747	6
Other receivables	73.499	-	-	-	73.499	8
Other financial assets	-	19.812.454	19.812.454	-	19.812.454	3,4
Financial liabilities						
Financial borrowings	-	-	-	147.055.272	147.055.272	5
Trade payables	-	-	-	26.218.750	26.218.750	7
Trade payables to related parties	-	-	-	2.095.327	2.095.327	6
Other payables to related parties	-	-	-	71.600	71.600	6
Other payables	-	-	-	93.921	93.921	8

(*) The Company management considers the carrying amount of financial assets approximate their fair values.

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29. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont'd)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and Companied as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The Company's financial assets and liabilities' fair value levels are as follows:

Financial assets and liabilities	31 December 2016	Fair value level as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value				
through other comprehensive income	21.665.034	21.665.034	-	-
Foreign exchange forward contracts	(3.720.993)	-	(3.720.993)	-
Total	<u>17.944.041</u>	<u>21.665.034</u>	<u>(3.720.993)</u>	<u>-</u>

Financial assets and liabilities	31 December 2015	Fair value level as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value				
through other comprehensive income	19.796.793	19.796.793	-	-
Total	<u>19.796.793</u>	<u>19.796.793</u>	<u>-</u>	<u>-</u>

30. EVENTS AFTER THE REPORTING DATE

None.

BATISÖKE SÖKE ÇİMENTO SANAYİİ T.A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

31. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2016	31 December 2015
Cash on hand	8.493	9.176
Cash at banks	50.090.125	118.845.088
Demand deposits	107.651	90.563
Time deposits	49.982.474	118.754.525
	<u>50.098.618</u>	<u>118.854.264</u>

All time deposits have a maturity of less than 3 months and there are no blockage on deposits.

As of 31 December 2016 and 31 December 2015, details of the time deposit are as follows:

Currency	Interest rate (%)	Maturity	31 December 2016
US Dollar	1,25 - 3,80	January 2017	5.222.899
Euro	1,10 - 2,30	January - February 2017	44.759.575
			<u>49.982.474</u>

Currency	Interest rate (%)	Maturity	31 December 2015
TL	6,16 - 10,63	January 2016	10.814.688
US Dollar	1,12 - 2,62	January - February 2016	11.131.788
Euro	2,01	January - February 2016	96.808.049
			<u>118.754.525</u>

Cash and cash equivalents for statement for cash flows are as follows:

	31 December 2016	31 December 2015
Cash and cash equivalents	50.098.618	118.854.264
Less: interest accruals	(15.689)	-
	<u>50.082.929</u>	<u>118.854.264</u>