

(Convenience translation into English of the independent auditors' report and financial statements originally issued in Turkish – See Note 31)

## **Batisöke Söke Çimento**

### **Sanayii T.A.Ş.**

**Financial statements for the period between  
January 1 - December 31, 2017 and  
independent auditors' report**

(Convenience translation into English of the financial statements originally issued in Turkish – See Note 31)

**Batisöke Söke Çimento Sanayii T.A.Ş.**

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(Convenience translation of the independent auditors' report originally issued in Turkish)

## INDEPENDENT AUDITORS' REPORT

To the General Assembly of Batısöke Söke Çimento Sanayii Türk Anonim Şirketi;

### A) Report on the Audit of the Financial Statements

#### 1) Opinion

We have audited the financial statements of Batısöke Söke Çimento Sanayii Türk Anonim Şirketi ("the Company"), which comprise the statement of financial position as at December 31, 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

#### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and independent Auditing Standards (IAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Convenience translation into English of the financial statements originally issued in Turkish)

| Key audit matters   | How the key audit matter addressed in the Auditor's response   |
|---|--|
| <b><i>Capitalization of financing expenses</i></b>  |  |
| <p>The Company, as disclosed in Note 2.5 capitalizes significant qualifying borrowing costs in respect of major investment projects, including ongoing constructions in Söke. Given that there is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 23 can be inappropriately recorded on the balance sheet rather than expensed, this matter is considered as key audit matter.</p>                     | <p>We have tested the operating effectiveness of controls in respect of the processes and procedures which govern the capitalisation of borrowing costs. Furthermore, we have carried out substantive tests in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and considering whether they are consistent with the originality approved budget. In relation to borrowing costs, we obtained the supporting calculations, verified the inputs to the calculation including testing a sample of cash payments, tested the mathematical accuracy of the model, and reviewed the model to determine whether the borrowing costs for completed projects are no longer being capitalised.</p> <p>Details of capitalized borrowing costs are disclosed in Note 11.</p>   |
| <b><i>Accounting of property, plant and equipment by revaluation method</i></b>   |  |
| <p>The Company has decided to measure certain property, plant and equipment according to TAS 16 revaluation model. Starting from December 31, 2017 financial statement presentation, the Company applied the revaluation method for land by ceasing cost method under TAS 16. Due to the complexity of the valuation model and dependency on estimates and assumptions, we consider the transition to revaluation method as key audit matter.</p> | <p>We have evaluated the objectivity, independence and expertise of the external appraisal firms. We have evaluated the appropriateness of the information and assumptions used in the valuations. This includes the estimates by the external appraisal firms (such as market data). We analysed the results of the valuation process and the abovementioned factors that determine the valuations were discussed with the appraisal firms. In addition we used the expertise of our own internal property valuation experts. These specialists have supported us with our assessment of the assumptions, methods and developments in the valuations.</p> <p>In addition, within the scope of the above-mentioned qualifying accounting, the conformity of the information in the financial statements and explanatory footnotes in accordance with TAS 16 has been questioned.</p> <p>Detailed explanations on tangible assets are expressed in Note 11.</p> |

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#### **4) Other Matters**

Independent auditing of the Company's financial statements as of December 31, 2016 in accordance with TAS has been carried out by the other auditing company. The audit firm has expressed an unqualified opinion in its independent audit report dated March 1, 2017.

#### **5) Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **6) Auditor's Responsibilities for the Audit of the Financial Statements**

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and IAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and IAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

**(Convenience translation into English of the financial statements originally issued in Turkish)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter at when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**B) Report on Other Legal and Regulatory Requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 1, 2018.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – December 31, 2017 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Ethem Kutucular, SMMM  
Engagement Partner

March 1, 2018  
Istanbul, Turkey

(Convenience translation of the financial statements originally issued in Turkish)

**Batisöke Söke Çimento Sanayii T.A.Ş**

**Statements of financial position**

**as at December 31, 2017**

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

|   |             | <b>Current period</b> | <b>Prior period</b> |
|---|-------------|-----------------------|---------------------|
|   |             | <b>Audited</b>        | <b>Audited</b>      |
|   | <b>Note</b> | <b>December 31,</b>   | <b>December 31,</b> |
|   |             | <b>2017</b>           | <b>2016</b>         |
| <b>Assets</b>                             |             |                       |                     |
| <b>Current assets</b>                     |             |                       |                     |
| Cash and cash equivalents                 | 3           | <b>3.771.655</b>      | 50.098.618          |
| Financial investments                     | 4           | <b>7.042.192</b>      | -                   |
| Trade receivables                         |             |                       |                     |
| - Trade receivables from related parties  | 26, 7       | <b>25.779.929</b>     | 12.756.348          |
| - Trade receivables from third parties    | 7           | <b>35.783.420</b>     | 14.112.727          |
| Other receivables                         |             |                       |                     |
| - Other receivables from related parties  | 26          | <b>176.114</b>        | 15.040              |
| - Other receivables from third parties    | 8           | <b>171.945</b>        | 139.706             |
| Inventories                               | 9           | <b>26.170.606</b>     | 22.932.032          |
| Prepaid expenses                          | 10          | <b>932.200</b>        | 1.011.206           |
| Current tax assets                        | 24          | <b>430.795</b>        | 1.888.782           |
| Other current assets                      | 15          | <b>14.684.344</b>     | -                   |
| <b>Total current assets</b>               |             | <b>114.943.200</b>    | 102.954.459         |
| <b>Non-current assets</b>                 |             |                       |                     |
| Financial investments                     | 4           | <b>33.918.105</b>     | 21.665.034          |
| Other receivables                         |             |                       |                     |
| - Other receivables from third parties    | 8           | <b>324.363</b>        | 322.053             |
| Investments accounted under equity method | 5           | <b>39.776.469</b>     | 44.887.055          |
| Property, plant and equipment             | 11          | <b>864.454.931</b>    | 411.479.030         |
| Intangible assets                         | 12          | <b>498.866</b>        | 546.361             |
| Prepaid expenses                          | 10          | <b>2.734.680</b>      | 56.446.574          |
| Deferred tax assets                       | 24          | <b>94.570</b>         | -                   |
| Other non-current assets                  | 15          | <b>15.413.981</b>     | 17.184.212          |
| <b>Total non-current assets</b>           |             | <b>957.215.965</b>    | 552.530.319         |
| <b>Total assets</b>                       |             | <b>1.072.159.165</b>  | 655.484.778         |

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

(Convenience translation of the financial statements originally issued in Turkish)

**Batisöke Söke Çimento Sanayii T.A.Ş**

**Statements of financial position**

**as at December 31, 2017**

**(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

|  |             | <b>Current period</b> | <b>Prior period</b> |
|--|-------------|-----------------------|---------------------|
|  |             | <b>Audited</b>        | <b>Audited</b>      |
|  | <b>Note</b> | <b>December 31,</b>   | <b>December 31,</b> |
|  |             | <b>2017</b>           | <b>2016</b>         |
| <b>Liabilities</b>   |             |                       |                     |
| <b>Current liabilities</b>   |             |                       |                     |
| Current portion of long-term borrowings  | 6           | <b>70.170.726</b>     | 31.132.826          |
| Trade payables   |             |                       |                     |
| - Trade payables to related parties  | 26, 7       | <b>9.044.848</b>      | 11.121.544          |
| - Trade payables to third parties  | 7           | <b>78.248.048</b>     | 44.234.787          |
| Liabilities for employee benefits  | 14          | <b>1.534.953</b>      | 1.295.596           |
| Other payables   |             |                       |                     |
| - Other payables to related parties  | 26          | <b>16.690.250</b>     | 1.083.000           |
| - Other payables to third parties  | 8           | <b>2.188.244</b>      | 1.112.786           |
| Derivative financial instruments   | 27          | -                     | 3.720.993           |
| Short-term provisions  |             |                       |                     |
| - Other short-term provisions  | 13          | -                     | 1.342.120           |
| Other short-term liabilities   | 15          | <b>629.139</b>        | 628.669             |
| <b>Total current liabilities</b>   |             | <b>178.506.208</b>    | 95.672.321          |
| <b>Non-current liabilities</b>   |             |                       |                     |
| Long-term financial liabilities  | 6           | <b>446.006.435</b>    | 331.230.193         |
| Long term provisions   |             |                       |                     |
| - Provisions for long-term employee benefits   | 14          | <b>10.212.677</b>     | 8.057.186           |
| - Other long-term provisions   | 13          | <b>2.902.148</b>      | 2.592.716           |
| Deferred tax liabilities   | 24          | -                     | 771.850             |
| <b>Total non-current liabilities</b>   |             | <b>459.121.260</b>    | 342.651.945         |
| <b>Total liabilities</b>   |             | <b>637.627.468</b>    | 438.324.266         |
| <b>Equity</b>  |             |                       |                     |
| Share capital  | 16          | <b>260.000.000</b>    | 78.750.000          |
| Adjustment to share capital  | 16          | <b>59.824.631</b>     | 59.824.631          |
| Treasury shares  |             | <b>(136.571)</b>      | (65.954)            |
| Share premium  |             | <b>381.989</b>        | -                   |
| Other comprehensive income / expense not to be reclassified to profit or loss        |             |                       |                     |
| - Revaluation surplus for tangible assets  |             | <b>57.547.395</b>     | -                   |
| - Remeasurement gain/(loss) arising from defined benefit plan                        |             | <b>(263.290)</b>      | 133.054             |
| Other comprehensive income / expense to be reclassified to profit or loss            |             |                       |                     |
| - Fair value through other comprehensive income of gain (loss) from financial assets |             | <b>11.419.619</b>     | 1.237.708           |
| Restricted reserves  |             | <b>20.177.875</b>     | 15.050.482          |
| Retained earnings  |             | <b>57.103.198</b>     | 79.495.594          |
| Net profit (loss) for the period   |             | <b>(31.523.149)</b>   | (17.265.003)        |
| <b>Total equity</b>  |             | <b>434.531.697</b>    | 217.160.512         |
| <b>Total liabilities and equity</b>  |             | <b>1.072.159.165</b>  | 655.484.778         |

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



**Batisöke Söke Çimento Sanayii T.A.Ş**

**Statement of profit or loss and other comprehensive income  
for the year ended December 31, 2017  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

|  |      | Current period<br>Audited           | Prior period<br>Audited             |
|--|------|-------------------------------------|-------------------------------------|
| Profit or loss portion   | Note | January 1 –<br>December 31,<br>2017 | January 1 –<br>December 31,<br>2016 |
| Revenue  | 17   | 133.873.185                         | 119.537.146                         |
| Cost of sales  | 17   | (117.536.996)                       | (95.285.941)                        |
| <b>Gross profit (loss) from operations</b>   |      | <b>16.336.189</b>                   | <b>24.251.205</b>                   |
| <b>Gross profit (loss)</b>   |      | <b>16.336.189</b>                   | <b>24.251.205</b>                   |
| General administrative expenses  | 18   | (12.168.179)                        | (11.148.220)                        |
| Marketing expenses   | 18   | (3.983.198)                         | (5.580.742)                         |
| Other operating income   | 20   | 8.917.424                           | 17.763.109                          |
| Other operating expenses   | 20   | (6.102.420)                         | (6.819.925)                         |
| <b>Operating profit (loss)</b>   |      | <b>2.999.816</b>                    | <b>18.465.427</b>                   |
| Income from investment activities  | 21   | 4.016.597                           | 2.028.037                           |
| Expenses for investment activities   | 21   | (1.179.709)                         | -                                   |
| Share of loss of investment accounted for using the equity method  | 5    | (5.110.586)                         | (5.736.604)                         |
| <b>Operating profit before financing income (expense)</b>  |      | <b>726.118</b>                      | <b>14.756.860</b>                   |
| Financial income   | 22   | 6.588.514                           | 8.614.965                           |
| Financial expenses   | 23   | (46.535.160)                        | (43.449.992)                        |
| <b>Loss before tax from continuing operations</b>  |      | <b>(39.220.528)</b>                 | <b>(20.078.167)</b>                 |
| <b>Continuing operations tax income (expenses)</b>   |      |                                     |                                     |
| Current tax income (expenses)  | 24   | -                                   | (530.309)                           |
| Deferred tax income (expenses)   | 24   | 7.697.379                           | 3.343.473                           |
| <b>Net profit (loss) from continuing operations</b>  |      | <b>(31.523.149)</b>                 | <b>(17.265.003)</b>                 |
| <b>Earnings/(loss) per share</b>   | 25   | <b>(0,2661)</b>                     | <b>(0,2192)</b>                     |
| <b>Other comprehensive income/(expense)</b>  |      |                                     |                                     |
| <b>Other comprehensive income / (loss)<br/>not to be reclassified to profit or loss</b>                                    |      |                                     |                                     |
| - Revaluation gain (loss) of tangible assets   | 11   | 63.941.550                          | -                                   |
| - Remeasurement gain (loss) arising from defined benefit plans   | 14   | (495.430)                           | 257.935                             |
| - Deferred tax impact of revaluation gain (loss) of tangible assets  | 24   | (6.394.155)                         | -                                   |
| - Deferred tax impact of remeasurement gain (loss) arising from defined benefit plan                                       | 24   | 99.086                              | (51.587)                            |
| <b>Other comprehensive income / (loss)<br/>to be reclassified to profit or loss</b>  |      |                                     |                                     |
| - The gain(losses) from the change in the fair value of the financial assets that is charged to other comprehensive income | 4    | 10.717.801                          | 1.868.240                           |
| - The change in the fair value of the financial assets that is charged to other comprehensive income, tax effect           | 24   | (535.890)                           | (93.412)                            |
| <b>Other comprehensive income (loss)</b>   |      | <b>67.332.962</b>                   | <b>1.981.176</b>                    |
| <b>Total comprehensive income (loss)</b>   |      | <b>35.809.813</b>                   | <b>(15.283.827)</b>                 |

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

(Convenience translation of the financial statements originally issued in Turkish)

**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Statement of changes in equity  
for the year ended December 31, 2017  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

|   |               |                             |                 |                     |  | Other comprehensive income (expense) not to be reclassified to profit or loss | Other comprehensive income (expense) to be reclassified to profit or loss          |                     |                   | Accumulated profits              |              |
|---|---------------|-----------------------------|-----------------|---------------------|--|---|--|---------------------|-------------------|----------------------------------|--------------|
|   | Share capital | Adjustment to share capital | Treasury shares | Premiums for shares | Revaluation gain (loss) of tangible assets | Remeasurement gain/(loss) arising from defined benefit plan                   | Fair value through other comprehensive income of gain (loss) from financial assets | Restricted reserves | Retained earnings | Net profit (loss) for the period | Equity       |
| <b>January 1, 2016</b>                                  | 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                              | -             | -                           | -               | -                   | -  | 206.348   | 1.774.828  | -                   | -                 | (17.265.003)                     | (15.283.827) |
| - Net profit (loss) for the period                      | -             | -                           | -               | -                   | -  | -   | -  | -                   | -                 | (17.265.003)                     | (17.265.003) |
| - Other comprehensive income (expense)                  | -             | -                           | -               | -                   | -  | 206.348   | 1.774.828  | -                   | -                 | -                                | 1.981.176    |
| Increase (decrease) due to treasury shares transactions | -             | -                           | (65.954)        | -                   | -  | -   | -  | -                   | -                 | -                                | (65.954)     |
| <b>December 31, 2016</b>                                | 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  |
| <b>January 1, 2017</b>                                  | 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  |
| Transfers   | -             | -                           | -               | -                   | -  | -   | -  | 5.127.393           | (22.392.396)      | 17.265.003                       | -            |
| Total comprehensive income                              | -             | -                           | -               | -                   | 57.547.395                                 | (396.344)   | 10.181.911   | -                   | -                 | (31.523.149)                     | 35.809.813   |
| - Net profit (loss) for the period                      | -             | -                           | -               | -                   | -  | -   | -  | -                   | -                 | (31.523.149)                     | (31.523.149) |
| - Other comprehensive income (expense)                  | -             | -                           | -               | -                   | 57.547.395                                 | (396.344)   | 10.181.911   | -                   | -                 | -                                | 67.332.962   |
| Capital increase (Note 16)                              | 181.250.000   | -                           | -               | 381.989             | -  | -   | -  | -                   | -                 | -                                | 181.631.989  |
| Increase (decrease) due to treasury shares transactions | -             | -                           | (70.617)        | -                   | -  | -   | -  | -                   | -                 | -                                | (70.617)     |
| <b>December 31, 2017</b>                                | 260.000.000   | 59.824.631                  | (136.571)       | 381.989             | 57.547.395                                 | (263.290)   | 11.419.619   | 20.177.875          | 57.103.198        | (31.523.149)                     | 434.531.697  |

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

(Convenience translation of the financial statements originally issued in Turkish)

**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Statement of cash flows**

**for the year ended December 31, 2017**

**(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

|   |          | Current period                       | Prior period                         |
|---|----------|--------------------------------------|--------------------------------------|
|   |          | Audited                              | Audited                              |
|   |          | January 1, –<br>December 31,<br>2017 | January 1, –<br>December 31,<br>2016 |
|   | Note     |                                      |                                      |
| <b>A. Cash flows from operating activities</b>  |          | <b>(18.604.952)</b>                  | <b>33.182.649</b>                    |
| <b>Net profit (loss)</b>  |          |                                      |                                      |
| Net profit (loss) for the year from continued operations (I)  |          | (31.523.149)                         | (17.265.003)                         |
| Adjustments to reconcile net profit (loss) for the period: (II)   |          | 33.756.767                           | 50.514.275                           |
| Adjustments related to depreciation and amortization expenses   | 11,12    | 12.133.323                           | 9.604.159                            |
| Adjustments related with impairment   |          |                                      |                                      |
| - Adjustments related with impairment of tangible assets  | 21       | 1.179.709                            | -                                    |
| Adjustments related with provisions   |          |                                      |                                      |
| - Adjustments related to provisions (reversal) of employee benefits   | 14       | 3.413.587                            | 2.107.919                            |
| - Adjustments related to other provisions   | 13       | 309.432                              | 203.766                              |
| Adjustments related with profit share loss (gain)   |          | -                                    | (284.330)                            |
| Adjustments related to interest (gain) and loss   |          |                                      |                                      |
| - Adjustments related to interest income  | 21       | (2.769.710)                          | (1.696.817)                          |
| - Adjustments related to interest expenses  | 23       | 4.363.600                            | 5.091.334                            |
| - Deferred interest expense due to on credit purchase   | 20       | (4.045.682)                          | (2.787.235)                          |
| - Unearned finance income due to on credit sales  | 20       | 2.546.486                            | 1.775.817                            |
| Adjustments related to unrealized foreign exchange differences  |          | 20.459.702                           | 29.913.259                           |
| Adjustments related to loss (gain) on fair value  |          |                                      |                                      |
| - Adjustments related to loss (gain) on derivative financial instruments                                    | 27       | -                                    | 3.720.993                            |
| Share of profits from equity accounted investee   | 5        | 5.110.586                            | 5.736.604                            |
| Adjustments to tax (income) expense   | 24       | (7.697.379)                          | (2.813.164)                          |
| Adjustments related to loss (gain) on disposal of fixed asset   |          |                                      |                                      |
| - Adjustments related to loss (gain) on disposal of property , plant and equipment                          | 21       | (1.246.887)                          | (46.890)                             |
| Adjustments related to gain (loss) on investments in associates, business partnerships and financial assets |          | -                                    | (11.140)                             |
| <b>Movements in working capital (III)</b>   |          | <b>(19.696.341)</b>                  | <b>6.783.036</b>                     |
| Adjustments related with decrease (increase) in trade receivables   |          | (33.822.671)                         | (2.894.311)                          |
| Adjustments related to decrease (increase) in other receivables from operations                             |          |                                      |                                      |
| - Adjustments related to the decrease (increase) in trade receivables from related parties                  |          | (161.074)                            | (1.887.618)                          |
| - Adjustments related to the decrease (increase) in trade receivables from third parties                    |          | (34.549)                             | 11.707                               |
| Adjustments related to the decrease (increase) in inventories   |          | (3.238.574)                          | (3.173.988)                          |
| Decrease (increase) in prepaid expenses   |          | 79.006                               | 704.962                              |
| Adjustments related to increase (decrease) in trade payables  |          | 38.153.240                           | 20.803.272                           |
| Increase (decrease) in payables to employee benefits  |          | 239.357                              | 228.230                              |
| Adjustments related to increase (decrease) in other payables from operations                                |          |                                      |                                      |
| - Adjustments related to the increase (decrease) in other payables from related parties                     |          | -                                    | 10.037.617                           |
| - Adjustments related to the increase (decrease) in other payables from third parties                       |          | 580.028                              | (17.140.056)                         |
| Adjustments related to increase (decrease) in working capital   |          |                                      |                                      |
| - Decrease (increase) in other assets from operations   |          | (21.491.575)                         | 64.580                               |
| - Increase (decrease) in other liabilities from operations  |          | 471                                  | 28.641                               |
| <b>Cash flows provided by operating activities (I+II+III)</b>   |          | <b>(17.462.723)</b>                  | <b>40.032.308</b>                    |
| Employee termination benefits paid  | 14       | (1.258.096)                          | (867.453)                            |
| Payments for other provisions   | 13       | (1.342.120)                          | (3.399.946)                          |
| Taxes refunded (paid)   | 24       | 1.457.987                            | (2.582.260)                          |
| <b>B. Cash flows from investing activities</b>  |          | <b>(277.776.252)</b>                 | <b>(261.634.996)</b>                 |
| Proceeds from disposal of property, plant and equipment and intangible assets                               |          |                                      |                                      |
| - Proceeds from disposal of property, plant and equipment   |          | 1.535.356                            | 68.311                               |
| Payments for acquisition of property, plant and equipment and intangible assets                             |          |                                      |                                      |
| - Payments for acquisition of property, plant and equipment   | 11       | (335.793.212)                        | (221.498.178)                        |
| - Payments for acquisition of intangible assets   |          | -                                    | (2.119)                              |
| Cash inflows from sale of assets held for sale  |          | -                                    | 26.800                               |
| Cash advances given and liabilities   | 10       | 53.711.894                           | (42.195.268)                         |
| Dividends received  |          | -                                    | 284.330                              |
| Interest received   | 21       | 2.769.710                            | 1.681.128                            |
| <b>C. Cash flows from financing activities</b>  |          | <b>250.054.241</b>                   | <b>159.681.012</b>                   |
| Cash inflows from issuing shares and other equity instruments   |          |                                      |                                      |
| - Cash inflows from share issuance  |          | 181.631.989                          | -                                    |
| Cash outflows on the acquisition of own shares and other equity instruments                                 |          |                                      |                                      |
| - Cash outflows on the acquisition own shares   |          | (70.617)                             | (65.954)                             |
| Cash inflows from borrowings  |          |                                      |                                      |
| - Proceeds from borrowings  | 6        | 126.139.341                          | 179.280.000                          |
| Cash outflows on repayment of borrowings  |          |                                      |                                      |
| - Cash outflows on repayment of borrowings  | 6        | (39.723.662)                         | (10.900.017)                         |
| Increase in other liabilities from related parties  |          | 15.607.250                           | -                                    |
| Interest paid   | 6        | (33.530.060)                         | (8.633.017)                          |
| <b>Net increase (decrease) in cash and cash equivalents (A+B+C)</b>   |          | <b>(46.326.963)</b>                  | <b>(68.771.335)</b>                  |
| D. Cash and cash equivalents at the beginning of the period   | 3        | 50.098.618                           | 118.854.264                          |
| <b>Cash and cash equivalents at the end of the period (A+B+C+D)</b>   | <b>3</b> | <b>3.771.655</b>                     | <b>50.082.929</b>                    |

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

(Convenience translation of the financial statements originally issued in Turkish)

## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

### **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 December 31, 2017, the Company has 332 employees (December 31, 2016: 303).

### **2. Presentation of the financial statements**

#### **2.1 Basis of presentation**

The Company keeps its legal books and prepares their statutory financial statements in accordance with Article 6102 of the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The accompanying financial statements have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Reporting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). The accompanying financial statements are presented in accordance with the principles the application of which is required by the announcement published in the weekly bulletin dated 7 June 2013 no 2013/19 of the CMB.

Financial statements are prepared on the basis of historical cost except for the derivative financial instruments measured at fair value and lands, land improvements and buildings measured at fair value in accordance with TAS 16 revaluation model.

#### Functional and reporting currency

The Company determines the currency (functional currency) of the primary economic environment in which the entity operates in accordance with the TAS 21 Currency Exchange Transactions in preparation of its financial statements and prepares its financial statements in that currency. 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.

#### Going concern

The Company has prepared its financial statements in accordance with going concern assumption.

**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

**2. Presentation of the financial statements (continued)**

Approval of the financial statements

Financial statements were approved by the Board of Directors on March 1, 2018. The General Assembly and related legal entities have the right to amend the financial statements prepared in accordance with legal regulations and these financial statements.

Shares in associates and financial investments

It is an entity outside of the subsidiaries and joint ventures that the Company has significant influence over. Significant effectiveness is the ability to participate in decisions on an entity's financial and operational policies, without the ability to control it solely or jointly. In the accompanying financial statements, results of operations and assets and liabilities of associates are accounted for using the equity method of accounting.

Investments accounted for under the equity method are shown on the basis of the amount obtained by deducting any impairment in the associate from the cost of the investment in the net assets of the associate as a result of adjusting the amount of the change in the post-acquisition period. Losses that exceed the Company's share in the associate (including any long-term investment that essentially constitutes part of the Company's net investment in the Company) are not recognized in the records. Additional loss is the case if the Company has been exposed to legal or tangible obligation or has made payments on behalf of the subsidiary.

Goodwill is recorded as the excess of the fair value of the identifiable assets, liabilities and contingent liabilities of the purchase consideration at the acquisition date of the associate. Goodwill is included in the carrying amount of the investment and is reviewed for impairment as part of the investment. The excess of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition of the subsidiary at the date of acquisition is recognized in the profit or loss table after revaluation.

The rules in TAS 39 are applied to determine whether it is necessary to recognize an impairment loss related to an investment in an associate. If the indication of impairment exists, the carrying amount of the investment is tested as a single asset in terms of impairment in accordance with IAS 36 by comparing the book value with the recoverable amount of the investment (the value of the use and the fair value less costs to sell). If the recoverable amount of the investment in the associate subsequently increases, such impairment loss is reversed in accordance with TAS 36.

Details of the Company's subsidiaries and other financial assets as of December 31, 2016 and December 31, 2017 are as follows:

| Subsidiaries  | Main Operations                    | Location      | Proportional ownership interest and voting power held by the company (%) |                   |
|---|------------------------------------|---------------|--|-------------------|
|   |                                    |               | December 31, 2017  | December 31, 2016 |
| Batıçım Enerji Elektrik Üretim A.Ş. (*)<br>(Batıçım Enerji) | Production and sale of electricity | İzmir, Turkey | 30,020   | 36,025            |

(\*) As of 1 December 2017, the share capital of the Company has been capitalized by equity method and the shareholding in the associate has decreased to 30,02% since the Company has not participated in the capital increase.

(Convenience translation of the financial statements originally issued in Turkish)

## Batisöke Söke Çimento Sanayii T.A.Ş.

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)**  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

### 2. Presentation of the financial statements (continued)

| Financial Investments                     | Main Operations                            | Location      | Proportional ownership interest and voting power held by the company (%) |                   |
|---|--|---------------|--|-------------------|
|   |  |               | December 31, 2017  | December 31, 2016 |
|   | Clinker, cement, beton production and sale | İzmir, Turkey | 4,09   | 4,09              |
| Batıçim Batı Anadolu Çimento Sanayii A.Ş. |  |               |  |                   |

### 2.2 Changes in accounting policies and reporting standards

#### The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

#### i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows

##### TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company disclosed additional information in note 6 in its annual financial statements for the year ended December 31, 2017.

##### TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Group.

#### Annual Improvements to TFRSs - 2014-2016 Cycle

TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarized financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

**2. Presentation of the financial statements (continued)**

**ii) Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 introduces a single comprehensive model for use in accounting for revenue generated from contracts with customers. When IFRS 15 enters into force, TAS 18 "Revenue", TAS 11 "Construction Contracts" and related interpretations, which provide guidance for the receipt of revenue at present, will be invalidated.

The basic principle of IFRS 15 reflects the amount of revenue that the entity expects to qualify for the acquisition of goods or services committed to customers to the financial statements. Especially this standard introduces a five-step approach to income recognition on financial statements:

Step 1: Define customer contracts

Step 2: Define the performance obligations in the contracts

Step 3: Determine the transaction price

Step 4: Allocation of the transaction price in the contracts to the fulfillment obligations

Step 5: Acquisition of financial statements when the entity fulfills the performance requirements

In accordance with IFRS 15, when the entity fulfills its performance obligations, in other words, when the "control" of the goods or services specified in a performance obligation is transferred to the customer, the revenue is recorded in the financial statements.

IFRS 15 offers much more guidance for more featured scenarios. In addition, IFRS 15 requires more comprehensive disclosures in footnotes. Subsequent explanations of IFRS 15 include the appraisal of whether the actor is a principal or an agent, and the practice guide for licensing, which determine the performance obligations. Warranties associated with sales cannot be purchased separately. These guarantees provide assurance that the products conform to agreed terms. Accordingly, the Company will continue to be responsible for the security of its products in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which are consistent with current accounting transactions. The Company management does not foresee that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company, other than providing more comprehensive disclosures about the Company's revenue operations.

**IFRS 9 Financial Instruments**

In January 2017, POA issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company has not expected effect on financial statements.

(Convenience translation of the financial statements originally issued in Turkish)

## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

### **2. Presentation of the financial statements (continued)**

#### **TFRS 4 Insurance Contracts (Amendments);**

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Company.

#### **TFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

#### **TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)**

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company

#### **Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)**

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.



(Convenience translation of the financial statements originally issued in Turkish)

## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

### **2. Presentation of the financial statements (continued)**

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **TAS 40 Investment Property: Transfers of Investment Property (Amendments)**

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments**

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

#### **Annual Improvements to TFRSs - 2014-2016 Cycle**

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organization or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

(Convenience translation of the financial statements originally issued in Turkish)

## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

### **2. Presentation of the financial statements (continued)**

#### **Annual Improvements – 2010–2012 Cycle**

##### *IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

#### **Annual Improvements – 2011–2013 Cycle**

##### **IFRS 16 Leases**

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

##### **IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognized at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company

##### **IFRS 17 - The New Standard for Insurance Contracts**

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognized over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

(Convenience translation of the financial statements originally issued in Turkish)

**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

**2. Presentation of the financial statements (continued)**

**Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company

**Annual Improvements – 2015–2017 Cycle**

In December 2017, the IASB announced “Annual Improvements to IFRS Standards 2015–2017”.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company

**Plan Amendment, Curtailment or Settlement” (Amendments to IAS 19)**

On February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonize accounting practices and to provide more relevant information for decision making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance.

(Convenience translation of the financial statements originally issued in Turkish)

## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)**

### **2. Presentation of the financial statements (continued)**

#### **2.3 Comparative information and restatement of previous year financial statements**

In order to allow for the determination of financial situation and performance trends, the Company's financial statements have been presented comparatively with the previous year.

The reclassification adjustments made to the statement of cash flows for the year ended on December 31, 2016 are as follows:

- The performance and severance incentive bonus provision and unused vacation provision amounting to TL 1.726.196 shown in the short-term accounts related to the benefits provided to employees are classified as long term provisions related to employee benefits.

The reclassification adjustments made to the statement of profit or loss and other comprehensive income statement of the Company for the year ended December 31, 2016 are as follows:

- Foreign exchange gains related to financial liabilities amounting to TL 7.224.924 which are shown in other income from main operations are classified as financial income.
- Losses arising from the fair value measurement of the derivative transactions amounting to TL 3.720.993 shown in the expenses of the investment activities and losses from derivative financial instruments amounting to TL 2.691.283 presented in other expense from the main operations are classified as financing expenses.
- Income from trading derivative financial instruments amounting to TL 1.390.040 which is shown in other income from main operations is classified as finance income.

The reclassification adjustment made to the statement of cash flows of the Company for the year ended December 31, 2016 are as follows:

- Interest received amounting to TL 1.681.128 related to time deposits denominated in cash flows from financing activities is classified as cash flows from investment activities.

#### **2.4 Changes in accounting policies, accounting estimates and errors**

The Company has applied its accounting policies consistent with the previous year. Significant changes in accounting policies and significant accounting errors identified are applied retrospectively and the prior period financial statements are restated. Changes in the accounting estimates are applied prospectively, both in the period in which the change is made and in the future if the changes are related to future periods in the current period in which the change is related.

The Company has decided to measure certain property, plant and equipment according to TAS 16 revaluation model. The Company abandoned the application of cost model which is a methods under IAS 16 to present the land at fair value, effective from December 31, 2017 financial statements presentation, and adopted the revaluation model as accounting policy.

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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

**2.5 Summary of important accounting policies**

**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.

**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.

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**2. Presentation of the financial statements (continued)**

- 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 a reporting entity and a related party, regardless of whether a price is charged. In the financial statements, the shareholders of the Company, the companies they own, their directors and other groups known to be related are defined as related companies.

**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.

**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.

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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

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.

Costs of property, plant and equipment, except for land and buildings, are amortized on a straight-line basis over their expected useful lives. The estimated useful life, residual value and depreciation method are reviewed annually for the probable effects of changes in estimates and are recognized prospectively if there is a change in estimates.

The estimated useful lives of the property, plant and equipment owned by the Company are as follows:

|                                     | <b>Year</b> |
|-------------------------------------|-------------|
| Land improvements                   | 15-30       |
| Buildings                           | 43-50       |
| Furniture and fixtures              | 2-15        |
| Facility, Machinery and equipment   | 20-25       |
| Vehicles                            | 4-10        |
| Other tangible assets (mine assets) | 10-30       |

*Mining assets*

Mineral assets owned by the Company; rehabilitation and closure of the minefields. Mineral assets are recognized over the cost of acquisition, net of accumulated depreciation and impairment, if any, after the deduction of impairment. Mineral assets begin to be amortized with the start of production. Depreciation expenses of mining assets are related to production cost.

Mineral assets are subject to depreciation in the event that their capacity is ready for full use and their physical condition will meet the production capacity determined by the Company's management.

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.

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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

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 consist of purchased computer software. The cost of the assets consists of the purchase price and the costs incurred during the purchase.

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.

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.

The annual depreciation rates accordingly the estimated useful lives for intangible assets are as follows:

|                                | <b>Period (Year)</b> |
|--------------------------------|----------------------|
| Rights                         | 5-10                 |
| Assets subject to amortization | 5                    |

**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.



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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

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.

Borrowing costs include interests and other costs related to the borrowing activity. General TL (functional currency) 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. 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. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred as financial expense.

**Financial instruments**

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

A financial asset is any asset that is:

- Cash
- A contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or,
- A contractual right to receive cash or another financial asset from another enterprise
- An equity instrument of another enterprise.

A financial liability that is a contractual obligation:

- To deliver cash or another financial asset to another enterprise, or
- To exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

When a financial asset or financial liability is recognized initially, it is measured at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in case of a liability) for it. Transaction costs are included (deducted for financial liabilities) in the initial measurement of all financial assets and liabilities.

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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the ratio exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net present value of the financial asset or in a shorter period where appropriate.

**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.

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.

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.

Available for sale financial assets

After initial recognition, available for sale financial assets are measured at fair value. Gains or losses on available for sale investments are recognized as a separate component of equity, “Available for sales financial assets revaluation fund”, until the financial asset is sold, collected or otherwise disposed, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously disclosed in equity is associated to income and expense accounts. Financial assets classified as available-for-sale financial assets are recognized in profit or loss when the asset is sold or impaired if the accumulated fair value adjustments recognized in equity are recognized in profit or loss.

When the entity is entitled to receive dividend payments on available-for-sale financial assets, the dividend from available-for-sale financial assets is presented in income from investment activities in the income statement. The fair value of available-for-sale financial assets traded on the stock exchange is determined according to the market purchase prices.

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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

*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.

**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**

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.

Exchange differences which related 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.

(Convenience translation of the financial statements originally issued in Turkish)

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**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
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**2. Presentation of the financial statements (continued)**

**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.

The cash in the paid-in capital is calculated by taking into account the date on which the weighted average common share capital increase for the current period's ordinary shares to be used in earnings (loss) calculations is calculated when there is a change in the name of the issued share capital from capital increase.

**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.

**Leases**

Operational leasing

Leases where the leaseholder holds all risks and benefits of the leased asset are classified as operating leases. Operational rent payments are recorded in the income statement as a straight line expense over the lease maturity.

(Convenience translation of the financial statements originally issued in Turkish)

**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
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## **2. Presentation of the financial statements (continued)**

### **Provisions and contingencies assets and liabilities**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honour the liability. The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates.

#### Contingent assets and liabilities

A contingent liability is an obligation arising from a past event that is not fully under the control of the entity and arises from past events or events in which one or more non-contingent events occur in the future and can be verified; but not included in the financial statements for the following reasons:

- (i) There is no possibility of leaving economically beneficial resources out of business to meet the obligation, or,
- (ii) The amount of the obligation cannot be measured sufficiently reliably.

A contingent asset arises from past events and that is not in full control of the entity and whose existence will be confirmed if one or more uncertain events occur in the future.

The presentation of contingent assets in the financial statements is not included in the financial statements, as it may result in the recognition of an income that can never be obtained. However, if it is virtually certain that an income will be obtained, the asset is not a conditional asset and is reflected in the financial statements.

### **Segment reporting**

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.

(Convenience translation of the financial statements originally issued in Turkish)

## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
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### **2. Presentation of the financial statements (continued)**

#### **Taxation on income**

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its financial statements.

As of December 31, 2017 and 2016, the tax provision has been set aside under the current tax legislation.

#### Current tax

Current tax expense is calculated taking into account tax legislation in force in the countries where the Company's subsidiaries operate as of the date of the statement of financial position. According to Turkish tax legislation, legal or business centers institutions in Turkey, the corporation is subject to tax. Current year tax liability is calculated on the portion of the period profit subject to taxation. Taxable profit differs from the profit included in the income statement because it excludes taxable or tax deductible items in other years or taxable items that cannot be deducted from taxable income. The Company's current tax liability is calculated using tax rates that are legally enacted or substantively enacted by the balance sheet date.

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article of the institutions in 2018, for 2019 and belongs to the taxation period of 2020, corporate earnings will be applied 22% ( 2016: 20%) Corporate tax rate is applied to the corporate income of the corporation in the net corporate income to be deducted in accordance with the tax legislation and deduction of the exemptions and discounts in the tax laws. Day until the evening of the month and until the end of the month is paid one installment

Corporations declare their advance tax returns at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits until the 14th day of the second month following that period and pay till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be deducted from the cash withdrawal. According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of tax.

In Turkey, the resident companies from corporation tax and not responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax.

Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference 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.

As of December 31, 2017, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable for 3 years has been changed to 22%. However, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

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 if 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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

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 balance sheet 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.

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**Notes to the financial statements  
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**2. Presentation of the financial statements (continued)**

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

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in equity. Taxes arisen on items recognized in equity are recognized directly in equity.

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the financial statements.

**Employee benefits**

Long term provisions recognized in the financial statements related to benefits provided to employees consist of retirement pay liability, seniority incentive premiums arising from current employment contracts and provisions for accumulated vacation liabilities.

In Turkey, severance pay according to the current laws and collective bargaining agreements are paid in case of retirement or dismissal. In accordance with TAS 19 Employee Benefits Standard, such payments are classified as defined retirement benefit plans. The Company calculated the provision for severance indemnity on the financial statements based on its experience gained in previous years by using the "Projection Method" and completing the personnel service period and retirement benefits of the Company and recording the discounted value at the balance sheet date.

The Company makes certain assumptions about discount rates, inflation rates, salary increases rate and employee turnover rates in calculation of provisions For employee benefits Actuarial loss / gain from changes in current account; are accounted for in the statement of comprehensive income / expense for the termination indemnity liability. If the termination benefit premium is related to the incentive premium, it is recognized in the profit or loss table.

The liabilities arising from unused vacation rights, which are defined as long-term provisions provided to the employees, are accrued and accounted for at the period when they are earned.

**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.



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## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
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### **2. Presentation of the financial statements (continued)**

#### **Share premiums**

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

#### **Treasury shares**

In case the Company obtains its own shares, the cost amounts including the parts exceeding the nominal values of these shares are deducted from equity and presented as "Treasury shares". Profits or losses from the Company's transactions related to shares that have been recovered in this manner are also recognized under equity.

#### **Statement of cash flow**

Cash flows during the period are classified and reported as operating, investing and financing activities in the statement of cash flows.

Cash flows from operating activities represent cash flows related to the Company's core business activities.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities.

### **2.6 Significant judgments, assumptions and estimates**

#### **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.(Note 24).

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## **Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
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### **2. Presentation of the financial statements (continued)**

#### *Fair values of property, plant and equipment*

Land and land under tangible fixed assets are accounted for as revaluation model as of December 31, 2017 which will be reflected at its fair value. The company, in order to determine the fair value of these assets is authorized by the Capital Markets Board of Turkey has worked with an independent valuation company. The fair value of the property, plant and equipment has been assessed considering the current situation of the real estate, the market conditions and the method of comparing the peers taking into consideration the most efficient usage (Note 11).

#### *Borrowing cost*

Borrowing costs consist of other financing costs incurred due to borrowing, primarily interest. The borrowing rate disclosed in Note 2.5 of the Company is the cost of borrowing that will arise when the TL is borrowed under the same maturities and conditions as an alternative to the borrowing for the construction of the special asset. In preparing the annual financial statements as of December 31, 2017, the Company has restated its borrowing interest rate to reflect the effect of the change in borrowing costs in the market, and reassessed the borrowing costs in the current period (Note 11).

#### *Useful lives of tangible and intangible assets*

The Company management estimates and regularly audits the useful lives of the depreciable assets as explained in Note 2.5 on the date of first recognition of the assets. The entity determines the useful life of an asset, taking into account its estimated usefulness. This assessment is based on the Company's experience with similar assets. When determining the useful life of an asset, the Company will also consider changes in the market or the resulting technical and / or commercial unusable assets.

#### *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. Technical personnel has made certain important assumptions in determining calculation of provision. Explanations regarding such mine site rehabilitation are presented in Note 13. 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

#### *Provisions for benefits provided to employees*

Severance pay and seniority incentive premium liabilities are determined by actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee retirement rates. Because these plans are long-term, the assumptions involve significant uncertainties. Details regarding the allowance for employee benefits are provided in Note 14.

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**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
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**3. Cash and cash equivalents**

|  | <b>December 31, 2017</b> | December 31, 2016 |
|--|--------------------------|-------------------|
| Cash   | <b>15.802</b>            | 8.493             |
| Cash at banks  |                          |                   |
| - Demand deposits  | <b>142.042</b>           | 107.651           |
| - Time deposits  | <b>3.613.811</b>         | 49.982.474        |
| Cash and cash equivalents  | <b>3.771.655</b>         | 50.098.618        |
| <b>Cash and cash equivalents for statement for cash flows are as flows</b> | <b>3.771.655</b>         | 50.098.618        |

As of December 31, 2017 and 2016, details of the time deposits, whose maturity is less than 3 months are as follows:

| <b>Currency</b> | <b>Interest rate (%)</b> | <b>Maturity date</b> | <b>December 31, 2017</b> |
|-----------------|--------------------------|----------------------|--------------------------|
| <b>Euro</b>     | <b>0,33</b>              | <b>January 2018</b>  | <b>3.613.811</b>         |
| <b>Total</b>    |                          |                      | <b>3.613.811</b>         |

  

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

As of December 31, 2017 and 2016, the disclosure of the time deposits, whose maturity is less than 3 months is included in Note 4.

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**Batisöke Söke Çimento Sanayii T.A.Ş.**

**Notes to the financial statements  
for the year ended December 31, 2017 (continued)  
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**4. Financial investments**

As of December 31, 2017 and 2016, detail of short and long term financial investments of company is as follows:

**a) Short-term financial investments**

|   | <b>December 31, 2017</b> | December 31, 2016 |
|---|--------------------------|-------------------|
| More than 3 months blockage deposit (*) | <b>7.042.192</b>         | -                 |
|   | <b>7.042.192</b>         | -                 |

**b) Long-term financial investments**

|                                       | <b>December 31, 2017</b> | December 31, 2016 |
|---------------------------------------|--------------------------|-------------------|
| More than 1 year blockage deposit (*) | <b>1.535.270</b>         | -                 |
|                                       | <b>1.535.270</b>         | -                 |

(\*) The Company has blocked deposits with a total amount of EUR 1.899.560, TL 8.577.462 with an interest rate of 0,90% per annum and deposits with maturities of 22 September 2018 and 13 April 2019 as of December 31, 2017. The portion of the related amount that is three months long and short in one year is shown under short term financial investments and one year long term portion is shown in long term financial investments.

As of December 31, 2017 and 2016, details of the Company's available-for-sale financial assets are as follows:

|   | <b>Share (%)</b> | <b>December 31, 2017</b> | <b>Share (%)</b> | <b>December 31, 2016</b> |
|---|------------------|--------------------------|------------------|--------------------------|
| Batiçim Batı Anadolu Çimento Sanayii A.Ş. | <b>4,09</b>      | <b>32.382.835</b>        | 4,09             | 21.665.034               |
|   |                  | <b>32.382.835</b>        |                  | 21.665.034               |

The Company owns 4,09% of Batiçim (December 31, 2016: 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.

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**Batisöke Söke Çimento Sanayii T.A.Ş.**

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**5. Investment accounted for using equity method**

As of December 31, 2017 and 2016, detail of summary financial information of Batıçim Enerji is as follows:

|  | <b>December 31,<br/>2017</b>                 | December 31,<br>2016                |
|--|--|-------------------------------------|
| Current assets   | <b>16.680.365</b>                            | 25.946.363                          |
| Non-current assets   | <b>167.429.996</b>                           | 168.097.950                         |
| Current liabilities  | <b>(23.938.818)</b>                          | (56.063.847)                        |
| Non-current liabilities                                    | <b>(71.871.676)</b>                          | (57.577.359)                        |
| <b>Total equity (net assets)</b>                           | <b>88.299.867</b>                            | 80.403.107                          |
| Company's share  | <b>%30,020</b>                               | %36,025                             |
| Net assets share of company's interest                     | <b>26.508.326</b>                            | 28.965.219                          |
| Goodwill   | <b>13.268.143</b>                            | 15.921.836                          |
| <b>The carrying amount of equity accounted investments</b> | <b>39.776.469</b>                            | 44.887.055                          |
| <b>Total equity (net assets)</b>                           | <b>2017</b>                                  | 2016                                |
| <b>Opening balance, January 1</b>                          | <b>80.403.107</b>                            | 96.327.059                          |
| Net profit (loss) for the period                           | <b>(12.127.761)</b>                          | (15.922.895)                        |
| Cash in capital increase                                   | <b>20.000.000</b>                            | -                                   |
| Other comprehensive income (expense)                       | <b>24.521</b>                                | (1.057)                             |
| <b>Closing balance, December 31</b>                        | <b>88.299.867</b>                            | 80.403.107                          |
|  | <b>January 1 -<br/>December 31,<br/>2017</b> | January 1 -<br>December 31,<br>2016 |
| Net sales  | <b>75.151.373</b>                            | 87.765.162                          |
| Operating profit/(loss)                                    | <b>(3.296.393)</b>                           | (4.332.725)                         |
| Net profit (loss) for the period                           | <b>(12.127.892)</b>                          | (15.922.895)                        |
| Other comprehensive income/(loss)                          | <b>24.521</b>                                | (1.057)                             |
| Total comprehensive income/(loss)                          | <b>(12.103.371)</b>                          | (15.923.952)                        |
| Company's share (*)  | <b>%36,025</b>                               | %36,025                             |
| <b>Proportion of net loss of the Company</b>               | <b>(4.360.239)</b>                           | (5.736.604)                         |

(\*) As of 1 December 2017, the share capital of the Company has been accounted for by equity method and since the Company has not participated in this capital increase, the shareholding in the associate has decreased to 30,02%. Since the cash capital increase in the associate is realized at the end of the year, the ratio of the Company's participation in the profit or loss in the current period is considered as 36,025%.

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**Notes to the financial statements  
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**5. Investment accounted for using equity method (continued)**

As of December 31, 2017 and 2016, movement of accounted for using the equity method of financial investments is as follows:

|                                     | 2017               | 2016        |
|-------------------------------------|--------------------|-------------|
| <b>Opening balance, January 1</b>   | <b>44.887.055</b>  | 50.623.659  |
| Net profit/(loss) for the period    | <b>(4.369.073)</b> | (5.736.223) |
| Other comprehensive income/(loss)   | <b>8.834</b>       | (381)       |
| Effect of the share decrease        | <b>(750.347)</b>   | -           |
| <b>Closing balance, December 31</b> | <b>39.776.469</b>  | 44.887.055  |

**6. Financial Liabilities**

|                                    | December 31,<br>2017 | December 31,<br>2016 |
|------------------------------------|----------------------|----------------------|
| Current portion of long term loans | <b>70.170.726</b>    | 31.132.826           |
| Long-term bank loans               | <b>446.006.435</b>   | 331.230.193          |
| <b>Total</b>                       | <b>516.177.161</b>   | 362.363.019          |

|              |               |                       | December 31, 2017 |                    |
|--------------|---------------|-----------------------|-------------------|--------------------|
| Currency     | Interest type | Nominal interest rate | Short-term        | Long-term          |
| US Dollar    | Fixed         | %5, %2,05             | 4.882.642         | 4.800.619          |
| US Dollar    | Floating      | Libor+%4              | 2.104.347         | 2.057.408          |
| Euro         | Fixed         | %3,15, %4,20, %4,40   | 44.551.148        | 362.562.397        |
| Euro         | Floating      | Libor+%3,15           | 7.728.655         | 18.814.583         |
| TL           | Fixed         | %6,72, %15,25         | 10.903.934        | 57.771.428         |
| <b>Total</b> |               |                       | <b>70.170.726</b> | <b>446.006.435</b> |

|              |               |                       | December 31, 2016 |                    |
|--------------|---------------|-----------------------|-------------------|--------------------|
| Currency     | Interest type | Nominal interest rate | Short-term        | Long-term          |
| US Dollar    | Fixed         | %2,05, %5             | 4.593.802         | 8.957.977          |
| US Dollar    | Floating      | Libor+%4              | 1.981.836         | 3.839.133          |
| Euro         | Fixed         | %4,20, %4,40          | 18.159.775        | 296.792.000        |
| Euro         | Floating      | Libor+%3,15           | 6.397.413         | 21.641.083         |
| <b>Total</b> |               |                       | <b>31.132.826</b> | <b>331.230.193</b> |

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**Notes to the financial statements  
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**6. Financial liabilities (continued)**

The payment schedules of long-term bank borrowings as of December 31, 2017 and 2016 are as follows:

|                    | <b>December 31, 2017</b> | December 31, 2016 |
|--------------------|--------------------------|-------------------|
| 1 year and over    | <b>61.087.618</b>        | 42.260.906        |
| Between 2-3 years  | <b>54.229.592</b>        | 42.260.941        |
| Between 3-4 years  | <b>50.466.675</b>        | 35.862.367        |
| Between 4-5 years  | <b>46.703.758</b>        | 32.770.783        |
| 5 years and longer | <b>233.518.792</b>       | 178.075.196       |
| <b>Total</b>       | <b>446.006.435</b>       | 331.230.193       |

The movements of financial borrowings during the period of January 1 - December 31, 2017 and 2016 are as follows:

| <b>Bank Loans</b>            | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|------------------------------|---------------------|---------------------|---------------------|
| Opening – January 1          | <b>358.651.502</b>  | <b>3.711.517</b>    | <b>362.363.019</b>  |
| Foreign exchange (gain)/loss | <b>64.026.843</b>   | <b>7.255.563</b>    | <b>71.282.406</b>   |
| Proceeds from borrowings     | <b>126.139.341</b>  | <b>29.646.117</b>   | <b>155.785.458</b>  |
| Repayment of borrowings      | <b>(39.723.662)</b> | <b>(33.530.060)</b> | <b>(73.253.722)</b> |
| <b>Total</b>                 | <b>509.094.024</b>  | <b>7.083.137</b>    | <b>516.177.161</b>  |

**7. Trade receivables and payables**

**a) Short-term trade receivables**

As of reporting date, detail of trade receivables is as follows:

|  | <b>December 31, 2017</b> | December 31, 2016 |
|--|--------------------------|-------------------|
| Trade receivables, net                           | <b>15.841.846</b>        | 7.814.417         |
| Cheques and notes receivables                    | <b>19.941.574</b>        | 6.298.310         |
| Trade receivables from related parties (Note 26) | <b>25.779.929</b>        | 12.756.348        |
|  | <b>61.563.349</b>        | 26.869.075        |

The average maturity period for trade receivables is 104 days (December 31, 2016: 90 days).

There is doubtful trade receivables of the Company at amount of TL 51.068 as of December 31, 2017. (December 31, 2016: TL 7.097). There are no overdue trade receivables of the Company as of December 31, 2017 (December 31, 2016: None).

|                            | <b>December 31, 2017</b> | December 31, 2016 |
|----------------------------|--------------------------|-------------------|
| Guarantee letters received | <b>34.800.698</b>        | 28.600.000        |
|                            | <b>34.800.698</b>        | 28.600.000        |

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

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**Notes to the financial statements  
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**7. Trade receivables and payables (continued)**

**b) Short-term trade payables**

As of reporting date, detail of trade payables is as follows:

|   | <b>December 31, 2017</b> | December 31, 2016 |
|---|--------------------------|-------------------|
| Trade payables                              | <b>78.248.048</b>        | 44.234.787        |
| Trade payables to related parties (Note 26) | <b>9.044.848</b>         | 11.121.544        |
|   | <b>87.292.896</b>        | 55.356.331        |

The average credit period of trade payables is 60 days (December 31, 2016: 70 days).

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

|                         | <b>December 31, 2017</b> | December 31, 2016 |
|-------------------------|--------------------------|-------------------|
| Guarantee letters given | <b>13.462.206</b>        | 8.626.959         |
|                         | <b>13.462.206</b>        | 8.626.959         |

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

**8. Other receivables and payables**

|  | <b>December 31, 2017</b> | December 31, 2016 |
|--|--------------------------|-------------------|
| <b>a) Other short-term receivables</b>           |                          |                   |
| Other receivables from related parties (Note 26) | <b>176.114</b>           | 15.040            |
| Other receivables                                | <b>171.945</b>           | 139.706           |
|  | <b>348.059</b>           | 154.746           |

|                                       | <b>December 31, 2017</b> | December 31, 2016 |
|---------------------------------------|--------------------------|-------------------|
| <b>b) Other long-term receivables</b> |                          |                   |
| Deposits and guarantees given         | <b>324.363</b>           | 322.053           |
|                                       | <b>324.363</b>           | 322.053           |

|                                     | <b>December 31, 2017</b> | December 31, 2016 |
|-------------------------------------|--------------------------|-------------------|
| <b>c) Other short-term payables</b> |                          |                   |
| Taxes and funds payable             | <b>2.170.732</b>         | 1.082.850         |
| Other                               | <b>17.512</b>            | 29.936            |
|                                     | <b>2.188.244</b>         | 1.112.786         |



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**9. Inventories**

|                                     | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|-------------------------------------|------------------------------|----------------------|
| Raw materials                       | <b>3.667.181</b>             | 2.062.041            |
| Semi-finished goods                 | <b>4.270.357</b>             | 7.212.835            |
| Finished goods                      | <b>130.234</b>               | 193.863              |
| Auxiliary materials and spare parts | <b>18.102.834</b>            | 13.463.293           |
|                                     | <b>26.170.606</b>            | 22.932.032           |

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.

Company management evaluates that there is any impairment on inventories

**10. Prepaid expenses**

**a) Short term prepaid expenses**

|  | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|--|------------------------------|----------------------|
| Prepaid expense for the following months     | <b>759.688</b>               | 787.401              |
| Order advances given for inventory purchases | <b>170.633</b>               | 217.147              |
| Other  | <b>1.879</b>                 | 6.658                |
|  | <b>932.200</b>               | 1.011.206            |

**b) Long term prepaid expenses:**

|   | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|---|------------------------------|----------------------|
| Advances given for fixed assets purchases | <b>2.734.680</b>             | 56.446.574           |
|   | <b>2.734.680</b>             | 56.446.574           |

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**Notes to the financial statements  
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**11. Property, plant and equipment**

|                                  | January 1,<br>2017   | Additions           | Transfers    | Disposals          | Revaluation<br>effect | December 31,<br>2017 |
|----------------------------------|----------------------|---------------------|--------------|--------------------|-----------------------|----------------------|
| <b>Cost:</b>                     |                      |                     |              |                    |                       |                      |
| Land                             | 23.559.664           | 1.142.657           | -            | (156.986)          | 63.941.550            | 88.486.885           |
| Land improvements                | 29.274.215           | 52.657              | 52.520       | (75.755)           | -                     | 29.303.637           |
| Buildings                        | 62.534.976           | -                   | -            | (62.170)           | -                     | 62.472.806           |
| Machinery and equipment          | 185.283.072          | 528.245             | 14.950       | (3.007.823)        | -                     | 182.818.444          |
| Vehicles                         | 562.404              | -                   | -            | (67.553)           | -                     | 494.851              |
| Furniture and fixture            | 11.280.803           | 3.418.470           | -            | (4.024)            | -                     | 14.695.249           |
| Other tangible assets            | 862.029              | -                   | -            | -                  | -                     | 862.029              |
| Construction in progress (*)     | 234.141.803          | 397.446.329         | (67.470)     | -                  | -                     | 631.520.662          |
|                                  | <b>547.498.966</b>   | <b>402.588.358</b>  | <b>-</b>     | <b>(3.374.311)</b> | <b>63.941.550</b>     | <b>1.010.654.563</b> |
| <b>Accumulated depreciation:</b> |                      |                     |              |                    |                       |                      |
| Land improvements                | (15.226.133)         | (956.245)           | -            | 46.209             | -                     | (16.136.169)         |
| Buildings                        | (23.321.242)         | (1.105.438)         | -            | 23.544             | -                     | (24.403.136)         |
| Machinery and equipment          | (87.208.826)         | (7.513.877)         | -            | 1.765.822          | -                     | (92.956.881)         |
| Vehicles                         | (489.780)            | (19.617)            | -            | 67.552             | -                     | (441.845)            |
| Furniture and fixture            | (9.088.633)          | (2.354.932)         | -            | 3.005              | -                     | (11.440.560)         |
| Other tangible assets            | (685.322)            | (135.719)           | -            | -                  | -                     | (821.041)            |
|                                  | <b>(136.019.936)</b> | <b>(12.085.828)</b> | <b>-</b>     | <b>1.906.132</b>   | <b>-</b>              | <b>(146.199.632)</b> |
| <b>Net book value</b>            | <b>411.479.030</b>   |                     |              |                    |                       | <b>864.454.931</b>   |
|                                  |                      |                     |              |                    |                       |                      |
|                                  | January 1, 2016      | Additions           | Transfers    | Disposals          |                       | December 31,<br>2016 |
| <b>Cost:</b>                     |                      |                     |              |                    |                       |                      |
| Land                             | 14.499.038           | 9.060.626           | -            | -                  | -                     | 23.559.664           |
| Land improvements                | 29.230.505           | 43.710              | -            | -                  | -                     | 29.274.215           |
| Buildings                        | 56.025.788           | 1.080               | 6.508.108    | -                  | -                     | 62.534.976           |
| Machinery and equipment          | 135.136.379          | 1.599.791           | 48.605.896   | (58.994)           | -                     | 185.283.072          |
| Vehicles                         | 551.955              | 71.499              | -            | (61.050)           | -                     | 562.404              |
| Furniture and fixture            | 9.652.716            | 1.500.412           | 149.383      | (21.708)           | -                     | 11.280.803           |
| Other tangible assets            | 862.029              | -                   | -            | -                  | -                     | 862.029              |
| Construction in progress         | 59.627.942           | 229.777.248         | (55.263.387) | -                  | -                     | 234.141.803          |
|                                  | <b>305.586.352</b>   | <b>242.054.366</b>  | <b>-</b>     | <b>(141.752)</b>   | <b>-</b>              | <b>547.498.966</b>   |
| <b>Accumulated depreciation:</b> |                      |                     |              |                    |                       |                      |
| Land improvements                | (14.271.252)         | (954.881)           | -            | -                  | -                     | (15.226.133)         |
| Buildings                        | (22.291.725)         | (1.029.517)         | -            | -                  | -                     | (23.321.242)         |
| Machinery and equipment          | (81.308.034)         | (5.939.770)         | -            | 38.978             | -                     | (87.208.826)         |
| Vehicles                         | (543.468)            | (7.362)             | -            | 61.050             | -                     | (489.780)            |
| Furniture and fixture            | (7.654.585)          | (1.454.351)         | -            | 20.303             | -                     | (9.088.633)          |
| Other tangible assets            | (558.278)            | (127.044)           | -            | -                  | -                     | (685.322)            |
|                                  | <b>(126.627.342)</b> | <b>(9.512.925)</b>  | <b>-</b>     | <b>120.331</b>     | <b>-</b>              | <b>(136.019.936)</b> |
| <b>Net book value</b>            | <b>178.959.010</b>   |                     |              |                    |                       | <b>411.479.030</b>   |

(\*) It consists of ongoing investments in the new integrated clinker and cement plant line which is going on at the Company's Söke main plant.

Amounting to TL 11.943.673 (2016: TL 9.394.964) of depreciation expense was allocated to cost of sales, TL 53.885 (2016: TL 44.711) of depreciation expense was allocated to marketing expenses, TL 88.270 (2016: TL 73.250) of depreciation expense was allocated to administrative expenses.

The cumulative amount of borrowing costs capitalized on property, plant and equipment as of December 31, 2017 is TL 87.351.334 (December 31, 2016: TL 20.556.188). The rate used by the Company to determine the cost of borrowing that can be capitalized is 17,85%, which is the weighted average effective interest rate of long-term investment loans (December 31, 2016: 15%).

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**12. Intangible assets**

|                                  | December 31,<br>2016 | Additions       | Transfers | Disposals | December 31,<br>2017 |
|----------------------------------|----------------------|-----------------|-----------|-----------|----------------------|
| <b>Cost:</b>                     |                      |                 |           |           |                      |
| Rights                           | 1.703.171            | -               | -         | -         | 1.703.171            |
| Assets subject to amortization   | 595.266              | -               | -         | -         | 595.266              |
|                                  | <b>2.298.437</b>     | -               | -         | -         | <b>2.298.437</b>     |
| <b>Accumulated amortization:</b> |                      |                 |           |           |                      |
| Rights                           | (1.156.810)          | (47.495)        | -         | -         | (1.204.305)          |
| Assets subject to amortization   | (595.266)            | -               | -         | -         | (595.266)            |
|                                  | <b>(1.752.076)</b>   | <b>(47.495)</b> | -         | -         | <b>(1.799.571)</b>   |
| <b>Net book value</b>            | <b>546.361</b>       |                 |           |           | <b>498.866</b>       |

|                                  | December 31,<br>2015 | Additions       | Transfers | Disposals | December 31,<br>2016 |
|----------------------------------|----------------------|-----------------|-----------|-----------|----------------------|
| <b>Cost:</b>                     |                      |                 |           |           |                      |
| Rights                           | 1.701.052            | 2.119           | -         | -         | 1.703.171            |
| Assets subject to amortization   | 595.266              | -               | -         | -         | 595.266              |
|                                  | <b>2.296.318</b>     | <b>2.119</b>    | -         | -         | <b>2.298.437</b>     |
| <b>Accumulated amortization:</b> |                      |                 |           |           |                      |
| Rights                           | (1.065.576)          | (91.234)        | -         | -         | (1.156.810)          |
| Assets subject to amortization   | (595.266)            | -               | -         | -         | (595.266)            |
|                                  | <b>(1.660.842)</b>   | <b>(91.234)</b> | -         | -         | <b>(1.752.076)</b>   |
| <b>Net book value</b>            | <b>635.476</b>       |                 |           |           | <b>546.361</b>       |

There is no mortgage on intangible assets as of December 31, 2017 (December 31, 2016 - None).

Amortization expense of TL 47.495 (2016: TL 91.234) of amortization expense is charged to cost of sales. There is no amortization expense charged on work in progress and finished goods. (2016: None).

**13. Provisions, contingent assets and liabilities**

**a) Short-term provisions**

|                          | December 31,<br>2017 | December 31,<br>2016 |
|--------------------------|----------------------|----------------------|
| Provision for litigation | -                    | 1.342.120            |
|                          | <b>-</b>             | <b>1.342.120</b>     |

Company paid penalty of Competition Authority at February 13, 2017 As of December 31, 2017, there is no ongoing inquiry.

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**13. Provisions, contingent assets and liabilities (continued)**

**b) Long-term provisions**

As of December 31, 2017 and 2016, the movement of the provision for mine site rehabilitation is as follows:

|                            | 2017             | 2016             |
|----------------------------|------------------|------------------|
| Opening balance, January 1 | 2.592.716        | 2.388.950        |
| Current year expense       | 309.432          | 203.766          |
| <b>As of December 31</b>   | <b>2.902.148</b> | <b>2.592.716</b> |

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.

**c) Guarantees, pledges and mortgages (“GPM”)**

As of December 31, 2017 and 2016, the detail of guarantee, pledge and mortgage position chart of the Company is as follows:

|   | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| <b>A.</b> Total amount of GPMs given for the Company's own legal personality                                | 30.662.206        | 8.626.959         |
| <b>B.</b> Total amount of GPMs given on behalf of fully consolidated companies                              | -                 | -                 |
| <b>C.</b> Total amount of GPMs given for continuation of its economic activities on behalf of third parties | -                 | -                 |
| <b>D.</b> Total amount of other GPMs given  | 36.025.000        | 36.025.000        |
| i. Total amount of GPMs given on behalf of the majority shareholder   | -                 | -                 |
| ii. Total amount of GPMs given to on behalf of other group companies which are not in scope of B and C (*)  | 36.025.000        | 36.025.000        |
| iii. Total amount of GPMs given on behalf of third parties which are not in scope of C.                     | -                 | -                 |
| <b>Total given GPMs</b>   | <b>66.687.206</b> | <b>44.651.959</b> |

(\*) 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 30,020% 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 3,020% shares of the Company established in favor of Akbank T.A.Ş..

The ratio of other guarantees-pledges-mortgages to shareholder's equity is 15% as of December 31, 2017 (December 31, 2016: 21%).

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**Notes to the financial statements  
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**14. Employee benefits**

**a) Employee benefit obligations**

|                                  | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|----------------------------------|------------------------------|----------------------|
| Social security Premium payables | <b>928.287</b>               | 772.060              |
| Payables to personnel            | <b>606.666</b>               | 523.536              |
| <b>Total</b>                     | <b>1.534.953</b>             | 1.295.596            |

**b) Long-term provisions for employee benefits**

|  | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|--|------------------------------|----------------------|
| Provision for employment termination benefits              | <b>7.452.658</b>             | 6.330.990            |
| Performance and seniority encouragement Premium provisions | <b>1.925.265</b>             | 1.126.811            |
| Provision for unused vacation                              | <b>834.754</b>               | 599.385              |
| <b>Total</b>   | <b>10.212.677</b>            | 8.057.186            |

Provision for employment termination benefits

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 4.732,48 (December 31, 2016: TL 4.297,21) of service at December, 31 2017.

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 December 31, 2017, 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 (December 31, 2016: %4,21). The drop-out rate for voluntary work for 0-15 year employees is 1.03%. For the employees who work 15 years and over, the rate is taken as 0 The amount payable consists of one month's salary limited to a maximum of TL 5.001,76 for each year of service as of January 1, 2018.

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### Notes to the financial statements for the year ended December 31, 2017 (continued) (Currency – In Turkish Lira (“TL”), unless otherwise indicated)

#### 14. Employee benefits (continued)

As of December 31, 2017 and 2016, movements in the provision for employee termination benefits are as follows:

|                          | 2017             | 2016      |
|--------------------------|------------------|-----------|
| <b>January 1</b>         | <b>6.330.990</b> | 6.013.123 |
| Interest cost            | <b>728.065</b>   | 224.876   |
| Actuarial (gain) / loss  | <b>495.430</b>   | (257.935) |
| Service cost             | <b>541.760</b>   | 1.218.379 |
| Paid in the current year | <b>(643.587)</b> | (867.453) |
| <b>December 31</b>       | <b>7.452.658</b> | 6.330.990 |

The sensitivity analyzes of the significant assumptions used in calculation of retirement pay liability as of December 31, 2017 are as follows:

| Sensitivity Level                           | Net discount rate |               | Turnover rate to estimate the probability of retirement |                     |
|---|-------------------|---------------|---|---------------------|
|   | %0,5 decrease     | %0,5 increase | %0,5 point decrease                                     | %0,5 point increase |
| Rate (%)                                    | 3,71              | 4,71          | 97,13   | 98,13               |
| Change in the retirement pay liability (TL) | 368.822           | (341.199)     | (47.795)  | 50.407              |

#### Performance and seniority encouragement premium provision

Provision for performance and employment termination benefit is provided to employees in accordance with the Company policy and the present value of the obligation is measured at the reporting date using a net discount rate.

The movement of performance and seniority encouragement premium provision:

|  | 2017             | 2016      |
|--|------------------|-----------|
| Opening balance, January 1                           | <b>1.126.811</b> | 588.800   |
| Paid performance and seniority encouragement premium | <b>(614.509)</b> | (129.839) |
| Provision in current year                            | <b>1.412.963</b> | 667.850   |
| <b>Closing balance, December 31</b>                  | <b>1.925.265</b> | 1.126.811 |

Performance and seniority encouragement premium provision expense of TL 658.068 (2016: TL 531.067), TL 13.417 (2016: TL 448) and TL 126.969 (2016: TL 6.496) has been allocated to cost of sales, administrative expenses, sales and marketing expenses, respectively.

#### Unused vacation provision expense

Unused vacation provision expense of TL 198.061 (2016: TL 51.928 ), TL 3.885 (2016: TL 3.800) and TL 33.423 (2016: TL 70.925) has been allocated to cost of sales, administrative expenses, sales and marketing expenses, respectively.

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**Notes to the financial statements  
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**15. Other assets and liabilities**

**i) Other assets**

|                                     | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|-------------------------------------|------------------------------|----------------------|
| <b>a) Other current assets:</b>     |                              |                      |
| Deferred VAT (*)                    | <b>14.684.344</b>            | -                    |
|                                     | <b>14.684.344</b>            | -                    |
|                                     | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
| <b>b) Other non-current assets:</b> |                              |                      |
| Deferred VAT (*)                    | <b>15.413.981</b>            | 17.184.212           |
|                                     | <b>15.413.981</b>            | 17.184.212           |

(\*) The amount of VAT transferred has increased due to purchases made within the scope of the Company's new investments. According to the estimations of the Company, the portion to be deducted from the VAT payable within one year is classified as short term in the other current assets account, the portion to be deducted in a longer period than one year is classified as long term.

**ii) Other liabilities**

|   | <b>December 31, 2017</b> | December 31, 2016 |
|---|--------------------------|-------------------|
| <b>a) Other short-term liabilities:</b> |                          |                   |
| Mine tax accruals                       | <b>596.663</b>           | 601.146           |
| Other                                   | <b>32.476</b>            | 27.523            |
|   | <b>629.139</b>           | 628.669           |

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**Notes to the financial statements  
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**16. Share capital, reserves and other equity items**

**a) Paid in capital**

As of December 31, 2017, and 2016, the Company's paid in capital structure is as follows:

| <b>Shareholders</b>                       | <b>December 31, 2017</b> |                    | <b>December 31, 2016</b> |                    |
|---|--------------------------|--------------------|--------------------------|--------------------|
|   | <b>Share (%)</b>         | <b>Amount (TL)</b> | <b>Share (%)</b>         | <b>Amount (TL)</b> |
| Batıçım Batı Anadolu Çimento Sanayii A.Ş. | <b>74,62</b>             | <b>194.021.139</b> | 74,62                    | 58.766.018         |
| Other                                     | <b>25,38</b>             | <b>65.978.861</b>  | 25,38                    | 19.983.982         |
| <b>Nominal capital</b>                    | <b>100,00</b>            | <b>260.000.000</b> | 100,00                   | 78.750.000         |
| Inflation adjustment difference           |                          | <b>59.824.631</b>  |                          | 59.824.631         |
| <b>Adjusted capital</b>                   |                          | <b>319.824.631</b> |                          | 138.574.631        |

The Company is subject to registered capital system. Authorized capital is TL 400.000.000 and the total number of ordinary shares authorized is 40.000.000.000 shares with per value of TL 0.01 per share.

The total contractual amount of the paid-up capital of TL 78,750,000 of the Company has been increased by TL 181,250,000 to TL 260,000,000 and the main contract showing that the issued capital amounted to TL 260,000,000 was transferred to İzmir Trade Registry Directorate on 12 October 2017 registered.

The Company's shares of TL 14.956,13 amounted are in the name of the holders. Nominal value of one share is TL 0,01. The total number of ordinary shares is 26.000.000.000 shares with a par value of shares with a par value of TL 0,01 per share with total nominal value of TL 260.000.000.

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

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 A Company shareholders (preferred stock) is as follows:

| <b>Shareholders</b> | <b>December 31, 2017</b> |                    | <b>December 31, 2016</b> |                    |
|---------------------|--------------------------|--------------------|--------------------------|--------------------|
|                     | <b>Share (%)</b>         | <b>Amount (TL)</b> | <b>Share (%)</b>         | <b>Amount (TL)</b> |
| Batıçım             | <b>99,33</b>             | <b>74.281</b>      | 99,33                    | 74.281             |
| Other               | <b>0,67</b>              | <b>500</b>         | 0,67                     | 500                |
| <b>Total</b>        | <b>100,00</b>            | <b>74.781</b>      | 100,00                   | 74.781             |



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**Notes to the financial statements  
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**16. Share capital, reserves and other equity items (continued)**

The composition of the B Company shareholders (ordinary shareholders) is as follows:

| Shareholders | December 31, 2017 |                    | December 31, 2016 |                   |
|--------------|-------------------|--------------------|-------------------|-------------------|
|              | Share (%)         | Amount (TL)        | Share (%)         | Amount (TL)       |
| Batıçım      | 74,62             | 193.946.858        | 74,60             | 58.691.737        |
| Other        | 25,38             | 65.978.361         | 25,40             | 19.983.482        |
|              | <b>100,00</b>     | <b>259.925.219</b> | <b>100,00</b>     | <b>78.675.219</b> |

"Paid-in capital", "Restricted reserves" and "Share premiums" in accordance with the Communiqué Serial: II-14.1 "Communiqué on Principles of Financial Reporting in Capital Market" published in the Official Gazette No: 28676 dated June 13, "Must be shown in the amounts in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising from the valuation of "Paid-in capital" and has not yet been transferred to capital, it should be classified under the "Inflation adjustment capital"
- If the difference is arising from valuation of "Restricted reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained earnings"

Capital adjustment differences can only be added to the capital.

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.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

Inflation adjustment differences of shareholders' equity and bonus share capital increase of extraordinary reserves; cash profit distribution or loss deduction. However, equity inflation adjustment differences will be subject to corporation tax if used for cash profit distribution.

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**Notes to the financial statements  
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**16. Share capital, reserves and other equity items (continued)**

Legal reserves and share premiums that are subject to statutory reserve in accordance with Article 466 of the Turkish Commercial Code are stated in the legal books. In this context, the differences arising from the inflation adjustments that are not included in dividend distribution or capital increase arising in the IFRS basis are attributed to previous years' profit / loss.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

**b) Share premiums**

Represents the difference between the nominal amount and the sales amount of newly issued shares due to capital increase. As of December 31, 2017, it was TRY 381.989 (December 31, 2016: Non-current).

**c) Other comprehensive income and expenses not to be classified to profit or loss**

Movement related to value increase / (decrease) transferred directly to equity without being associated with profit or loss are as follows:

Revaluation surplus (deficit)

|                                     | <b>2017</b>       |
|-------------------------------------|-------------------|
| Opening balance, 1 January          | -                 |
| Current year revaluation effect     | 63.941.550        |
| Deferred tax effect                 | (6.394.155)       |
| <b>Closing balance, December 31</b> | <b>57.547.395</b> |

Actuarial gain / (loss) fund related to defined benefit plans

|                                     | <b>2017</b>      | <b>2016</b> |
|-------------------------------------|------------------|-------------|
| Opening balance, January 1          | <b>133.054</b>   | (73.294)    |
| Current year remeasurement effect   | <b>(495.430)</b> | 257.935     |
| Deferred tax effect                 | <b>99.086</b>    | (51.587)    |
| <b>Closing balance, December 31</b> | <b>(263.290)</b> | 133.054     |

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**16. Share capital, reserves and other equity items (continued)**

**d) Other comprehensive income and expenses to be reclassified to profit or loss**

Movement schedules for gains (losses) from financial assets at fair value through profit or loss in the following periods that are recognized in shareholders' equity are as follows:

|  | <b>2017</b>       | 2016      |
|--|-------------------|-----------|
| Opening balance, January 1                             | -                 |           |
| Current year fair value measurement gain (loss) effect | <b>10.717.801</b> | 1.868.240 |
| Deferred tax effect                                    | <b>(535.890)</b>  | (93.412)  |
| <b>Closing balance, December 31</b>                    | <b>10.181.911</b> | 1.774.828 |

**e) Prior years' profits / (losses)**

The net distributable profit for the period included in the statutory records as of the reporting date of the Company and other sources subject to profit distribution are given below.

|                                  | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|----------------------------------|------------------------------|----------------------|
| Net profit (loss) for the period | <b>(12.404.411)</b>          | (1.405.470)          |
| Extraordinary reserve            | <b>119.228.190</b>           | 119.228.190          |
| Special funds                    | -                            | -                    |
| Retained earnings                | <b>(1.405.470)</b>           | -                    |
| <b>Total</b>                     | <b>105.418.309</b>           | 117.822.720          |

**17. Revenue and cost of sales**

**Net sales**

|                 | <b>January 1 –<br/>December 31,<br/>2017</b> | January 1 –<br>December 31,<br>2016 |
|-----------------|--|-------------------------------------|
| Domestic sales  | <b>135.244.212</b>                           | 110.837.002                         |
| Export sales    | -  | 9.689.330                           |
| Other revenue   | <b>44.292</b>                                | 42.373                              |
| Sales discounts | <b>(837.601)</b>                             | (478.694)                           |
| Other discounts | <b>(577.718)</b>                             | (552.865)                           |
| <b>Total</b>    | <b>133.873.185</b>                           | 119.537.146                         |

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**17. Revenue and cost of sales (continued)**

**Cost of sales**

|   | <b>January 1 –<br/>December 31,<br/>2017</b> | <b>January 1 –<br/>December 31,<br/>2016</b> |
|---|--|--|
| Raw materials used  | <b>(53.038.031)</b>                          | (37.850.225)                                 |
| Production overhead   | <b>(30.727.167)</b>                          | (31.307.143)                                 |
| Personnel expenses  | <b>(16.531.230)</b>                          | (14.556.023)                                 |
| Depreciation expenses   | <b>(11.943.673)</b>                          | (9.394.964)                                  |
| Change in work-in progress and finished goods                 | <b>(3.006.107)</b>                           | (33.998)                                     |
| Provision of employee termination benefits                    | <b>(1.068.548)</b>                           | (1.265.593)                                  |
| Provision for performance and seniority encouragement premium | <b>(658.068)</b>                             | (531.067)                                    |
| Provision for mine rehabilitation                             | <b>(309.432)</b>                             | (203.766)                                    |
| Unused vacation accrual                                       | <b>(198.061)</b>                             | (51.928)                                     |
| Amortization expenses   | <b>(47.495)</b>                              | (91.234)                                     |
| Cost of trade goods sold                                      | <b>(9.184)</b>                               | -  |
| <b>Total</b>  | <b>(117.536.996)</b>                         | <b>(95.285.941)</b>                          |

**18. General administrative expenses, marketing, sales and distribution expenses**

|   | <b>January 1 -<br/>December 31,<br/>2017</b> | <b>January 1 -<br/>December 31,<br/>2016</b> |
|---|--|--|
| <b>a) General administrative expenses:</b>                    |  |  |
| Personnel expenses  | <b>(5.727.783)</b>                           | (4.788.994)                                  |
| Real estate tax expenses and stamp duties                     | <b>(1.477.027)</b>                           | (2.457.621)                                  |
| Consultancy expenses  | <b>(1.360.039)</b>                           | (1.565.178)                                  |
| Security expenses   | <b>(1.301.053)</b>                           | (808.745)                                    |
| Services expenses   | <b>(337.376)</b>                             | (417.902)                                    |
| Provision for employee termination benefits                   | <b>(180.317)</b>                             | (151.801)                                    |
| Fuel expenses   | <b>(142.779)</b>                             | (112.835)                                    |
| Provision for performance and seniority encouragement premium | <b>(126.969)</b>                             | (6.496)                                      |
| Depreciation expenses   | <b>(88.270)</b>                              | (73.250)                                     |
| Vehicle rent expenses   | <b>(72.649)</b>                              | (36.650)                                     |
| Unused vacation accrual                                       | <b>(33.423)</b>                              | (70.925)                                     |
| Donation and charity expenses                                 | <b>(14.771)</b>                              | (11.763)                                     |
| Other expenses  | <b>(1.305.723)</b>                           | (646.060)                                    |
|   | <b>(12.168.179)</b>                          | <b>(11.148.220)</b>                          |

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**for the year ended December 31, 2017 (continued)**  
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**18. General administrative expenses, marketing, sales and distribution expenses (continued)**

|   | January 1 -<br>December 31,<br>2017 | January 1 -<br>December 31,<br>2016 |
|---|-------------------------------------|-------------------------------------|
| <b>b) Marketing, sales and distribution expenses:</b>                   |                                     |                                     |
| Export expenses   | (1.582.712)                         | (2.606.685)                         |
| Transportation and loading expenses                                     | (1.571.959)                         | (1.169.803)                         |
| Personnel expenses  | (582.014)                           | (417.684)                           |
| Depreciation expenses (Note 11)   | (53.885)                            | (44.711)                            |
| Advertisement expenses  | (45.484)                            | (1.226.117)                         |
| Provision for employee termination benefits (Note 14)                   | (20.960)                            | (25.861)                            |
| Provision for performance and seniority encouragement premium (Note 14) | (13.417)                            | (448)                               |
| Unused vacation accrual (Not 14)  | (3.885)                             | (3.800)                             |
| Other   | (108.882)                           | (85.633)                            |
|   | <b>(3.983.198)</b>                  | <b>(5.580.742)</b>                  |
| <b>Total operating expenses</b>   | <b>(16.151.377)</b>                 | <b>(16.728.962)</b>                 |

**19. Expenses by nature**

|   | January 1 -<br>December 31,<br>2017 | January 1 -<br>December 31,<br>2016 |
|---|-------------------------------------|-------------------------------------|
| Raw materials used  | (53.038.031)                        | (37.850.225)                        |
| Production overhead   | (30.727.167)                        | (31.307.143)                        |
| Personnel expenses  | (22.841.027)                        | (19.762.701)                        |
| Depreciation expenses   | (12.085.828)                        | (9.512.925)                         |
| Change in work-in progress and finished goods inventories     | (3.006.107)                         | (33.998)                            |
| Export expenses   | (1.582.712)                         | (2.606.685)                         |
| Transportation and loading expenses                           | (1.571.959)                         | (1.169.803)                         |
| Real estate tax expenses and stamp duties                     | (1.477.027)                         | (2.457.621)                         |
| Consultancy expenses  | (1.360.039)                         | (1.565.178)                         |
| Security expenses   | (1.301.053)                         | (808.745)                           |
| Provision for employee termination benefits                   | (1.269.825)                         | (1.443.255)                         |
| Provision for performance and seniority encouragement premium | (798.454)                           | (538.011)                           |
| Mine rehabilitation provision expenses                        | (309.432)                           | (203.766)                           |
| Unused vacation accrual                                       | (235.369)                           | (126.653)                           |
| Fuel expenses   | (142.779)                           | (112.835)                           |
| Vehicle rent expenses   | (72.649)                            | (36.650)                            |
| Amortization expenses   | (47.495)                            | (91.234)                            |
| Advertisement expenses  | (45.484)                            | (1.226.117)                         |
| Donation and charity expenses                                 | (14.771)                            | (11.763)                            |
| Cost of other sales   | (9.184)                             | -                                   |
| Other expenses  | (1.751.981)                         | (1.149.595)                         |
|   | <b>(133.688.373)</b>                | <b>(112.014.903)</b>                |

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**20. Other income / expenses from operating activities**

**a) Other income from operating activities**

|  | <b>January 1 –<br/>December 31,<br/>2017</b> | <b>January 1 –<br/>December 31,<br/>2016</b> |
|--|--|--|
| Discount interest income               | <b>4.045.682</b>                             | 2.787.235                                    |
| Foreign exchange gains from operations | <b>2.170.993</b>                             | 13.152.584                                   |
| Scrap sale income                      | -  | 456.973                                      |
| Other                                  | <b>2.700.749</b>                             | 1.366.317                                    |
| <b>Total</b>                           | <b>8.917.424</b>                             | 17.763.109                                   |

**b) Other expenses from operating activities**

|   | <b>January 1 –<br/>December 31,<br/>2017</b> | <b>January 1 –<br/>December 31,<br/>2016</b> |
|---|--|--|
| Foreign exchange losses from operations | <b>(3.418.089)</b>                           | (4.536.899)                                  |
| Discount interest expenses              | <b>(2.546.486)</b>                           | (1.775.817)                                  |
| Other                                   | <b>(137.845)</b>                             | (507.209)                                    |
| <b>Total</b>                            | <b>(6.102.420)</b>                           | (6.819.925)                                  |

**21. Income / losses from investing activities**

|  | <b>January 1 -<br/>December 31,<br/>2017</b> | <b>January 1 -<br/>December 31,<br/>2016</b> |
|--|--|--|
| <b>Income from investing activities:</b> |  |  |
| Interest income                          | <b>2.769.710</b>                             | 1.696.817                                    |
| Gain from disposal fixed assets          | <b>1.246.887</b>                             | 46.890                                       |
| Dividend income                          | -  | 284.330                                      |
|  | <b>4.016.597</b>                             | 2.028.037                                    |

|  | <b>January 1 -<br/>December 31,<br/>2017</b> | <b>January 1 -<br/>December 31,<br/>2016</b> |
|--|--|--|
| <b>Expenses from investing activities:</b> |  |  |
| Impairment of tangible assets              | <b>(1.179.709)</b>                           | -  |
|  | <b>(1.179.709)</b>                           | -  |

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**Notes to the financial statements**  
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**22. Financial income**

|                                | <b>January 1 -<br/>December 31,<br/>2017</b> | January 1 -<br>December 31,<br>2016 |
|--------------------------------|--|-------------------------------------|
| Foreign exchange gains         | <b>6.588.514</b>                             | 7.224.924                           |
| Gain on derivative instruments | -  | 1.390.041                           |
|                                | <b>6.588.514</b>                             | 8.614.965                           |

**23. Financial expenses**

|                                | <b>January 1 –<br/>December 31,<br/>2017</b> | January 1 –<br>December 31,<br>2016 |
|--------------------------------|--|-------------------------------------|
| Foreign exchange loss          | <b>(33.583.730)</b>                          | (31.310.660)                        |
| Loss on derivative instruments | <b>(8.228.169)</b>                           | (2.691.283)                         |
| Interest expense on bank loans | <b>(4.363.600)</b>                           | (5.091.334)                         |
| Loss on derivative instruments | -  | (3.720.993)                         |
| Other                          | <b>(359.661)</b>                             | (635.722)                           |
|                                | <b>(46.535.160)</b>                          | (43.449.992)                        |

**24. Income taxes (including deferred tax assets and liabilities)**

**Corporation tax**

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article of the institutions in 2018, for 2019 and belongs to the taxation period of 2020, corporate earnings will be applied 22% (2016: 20%).

|                                | <b>December 31,<br/>2017</b> | December 31,<br>2016 |
|--------------------------------|------------------------------|----------------------|
| Current period corporation tax | -                            | 530.309              |
| Less: Prepaid taxes and funds  | <b>(430.795)</b>             | (2.419.091)          |
| <b>Current tax assets</b>      | <b>(430.795)</b>             | (1.888.782)          |

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**24. Income taxes (including deferred tax assets and liabilities (continued))**

**Deferred tax**

|   | Taxable temporary differences |                     | Deferred tax assets / (liabilities) |                    |
|---|-------------------------------|---------------------|-------------------------------------|--------------------|
|   | December 31, 2017             | December 31, 2016   | December 31, 2017                   | December 31, 2016  |
| Revaluation of tangible assets                                  | (63.941.550)                  | -                   | (6.394.155)                         | -                  |
| Tangible and intangible assets                                  | (787.489)                     | (20.807.750)        | (157.498)                           | (4.161.550)        |
| Inventories   | (434.281)                     | (505.820)           | (86.856)                            | (101.164)          |
| Fair value measurement effects of financial investments         | (5.495)                       | -                   | (275)                               | -                  |
| <b>Deferred tax liabilities</b>                                 | <b>(65.168.815)</b>           | <b>(21.313.570)</b> | <b>(6.638.784)</b>                  | <b>(4.262.714)</b> |
| Taxable loss  | 11.606.170                    | -                   | 2.553.357                           | -                  |
| Provisions for employee benefits                                | 10.212.677                    | 8.057.185           | 2.042.535                           | 1.611.437          |
| Cash equity incentive   | 5.221.562                     | -                   | 1.148.744                           | -                  |
| Provision for mine site rehabilitation                          | 2.902.148                     | 2.592.712           | 580.430                             | 518.543            |
| Impairment of tangible asset                                    | 1.179.709                     | -                   | 235.942                             | -                  |
| Adjustments of discount on trade receivables and trade payables | 861.728                       | 405.355             | 172.346                             | 81.071             |
| Remeasurement of derivative instruments                         | -                             | 3.720.993           | -                                   | 744.198            |
| Fair value measurement effects of financial investments         | -                             | 10.712.300          | -                                   | 535.615            |
| <b>Deferred tax assets</b>                                      | <b>31.983.994</b>             | <b>25.488.545</b>   | <b>6.733.354</b>                    | <b>3.490.864</b>   |
| <b>Deferred tax assets / (liabilities), net</b>                 |                               |                     | <b>94.570</b>                       | <b>(771.850)</b>   |

As of December 31, 2017, the tax rate used in the calculation of deferred tax of financial assets was revised to 5% (December 31, 2016: 5%). As of the balance sheet date, the total amount of the financial losses that the Company can make discounts in the future periods is TL 11.606.170. As of the balance sheet date, the Company has calculated deferred tax assets over its deductible tax loss amounting to TL 2.553.357.

The maturity distribution of the deductible tax losses calculated as deferred tax assets is as follows:

|      | December 31, 2017 | December 31, 2016 |
|------|-------------------|-------------------|
| 2022 | 2.553.357         | -                 |
|      | <b>2.553.357</b>  | <b>-</b>          |

Within the scope of the "Law Amending the Laws of Some Laws and Amendments to Laws" numbered 6637 published in the Commercial Gazette dated April 7, 2015, the capital increases of the capital companies as of July 1, 2015 and the cash contributions of the capital invested in newly established capital companies 50% of the amount calculated up to the end of the relevant accounting period will be deductible from the corporate tax base considering the weighted average annual interest rate applied to commercial loans. With the resolution numbered 2015/7910 published in the Commercial Gazette dated December 31, 2016, 50%;

a) For publicly traded capital companies whose shares are traded in the stock exchange, the nominal amount of the shares that are listed as shares in the stock exchange in the Central Registry Agency as of the last day of the year in which the deduction is utilized is 50% or less of the registered or registered capital registered in the trade register 25 points, 50 points for those who are above 50%,



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**24. Income taxes (including deferred tax assets and liabilities (continued))**

b) If the capital raised in cash is to be used in investments of production and industrial facilities with investment incentive certificates and machinery and equipment investments belonging to these facilities and / or land and land investments allocated to the construction of these facilities, 25 points shall be added to the fixed investment amount stated in the investment incentive certificate the discount will be applied.

The movement of the deferred tax assets/ (liabilities), net for the years ended December 31, 2017 and 2016 are as follows:

|  | <b>January 1-<br/>December 31,<br/>2017</b> | January 1-<br>December 31,<br>2016 |
|--|---|------------------------------------|
| Opening balance                                | <b>(771.850)</b>                            | (3.970.324)                        |
| Recognized in statement of profit or loss      | <b>7.697.379</b>                            | 3.343.473                          |
| Charged to other comprehensive (loss) / income | <b>(6.830.959)</b>                          | (144.999)                          |
| <b>December 31, net balances</b>               | <b>94.570</b>                               | (771.850)                          |

Reconciliation between tax deductions on which the statutory tax rate before tax is applied and the tax deduction on the total income statement including deferred tax deductions:

|  | <b>January 1-<br/>December 31,<br/>2017</b> | January 1-<br>December 31,<br>2016 |
|--|---|------------------------------------|
| Pretax income from continuing operations                                     | <b>(39.220.528)</b>                         | (20.078.167)                       |
| The current effective statutory tax rate                                     | <b>%20</b>                                  | %20                                |
| Calculated tax income (expense)  | <b>7.844.106</b>                            | 4.015.633                          |
| Cash equity incentive  | <b>1.148.744</b>                            | -                                  |
| The effect of non-deductible expenses  | <b>(341.182)</b>                            | (112.014)                          |
| The effect of deduction / exception of income                                | <b>181.534</b>                              | 86.661                             |
| Share of profit/loss of investments accounted under equity method            | <b>(1.022.117)</b>                          | (1.147.321)                        |
| Effect of changes of corporate tax ratio                                     | <b>(232.123)</b>                            | -                                  |
| Effect of other adjustments  | <b>118.417</b>                              | (29.795)                           |
| <b>Taxation income (expense) reported in the statement of profit or loss</b> | <b>7.697.379</b>                            | 2.813.164                          |

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**25. Earnings / losses per share**

|   | January 1 –<br>December 31,<br>2017 | January 1 –<br>December 31,<br>2016 |
|---|-------------------------------------|-------------------------------------|
| Weighted number of ordinary shares with a TL 0,01 par value (*)                     | <b>11.847.602.740</b>               | 7.875.000.000                       |
| (Loss) / profit for the period (TL)   | <b>(31.523.149)</b>                 | (17.265.003)                        |
| (Loss) / earnings per share (for the Group A and B shares with a par value of TL 1) | <b>(0,2661)</b>                     | (0,2192)                            |

(\*) As explained in Note 16, cash flow in paid-up capital is calculated by taking into consideration 12 October 2017, which is the weighted average nominal capital registration date of ordinary ordinary shares derived from capital increase.

**26. Related party disclosure**

As of December 31, 2017 detail of trade receivables from related parties are as follows:

|   | Receivables       |                | Payables         |                   |
|---|-------------------|----------------|------------------|-------------------|
|   | Short-term        |                | Short-term       |                   |
| Balances with related parties                 | Trade             | Non-trade      | Trade            | Non-trade         |
| Batıçim Batı Anadolu Çimento Sanayii A.Ş. (1) | <b>12.093.732</b> | <b>63.365</b>  | <b>2.849.022</b> | <b>16.690.250</b> |
| Batıbeton Sanayi A.Ş.(2)                      | <b>13.124.767</b> | <b>1.782</b>   | <b>5.399.094</b> | -                 |
| Batıçim Enerji Toptan Satış A.Ş. (2)          | -                 | <b>110.967</b> | <b>19.143</b>    | -                 |
| Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)      | <b>561.430</b>    |                | <b>777.589</b>   | -                 |
|   | <b>25.779.929</b> | <b>176.114</b> | <b>9.044.848</b> | <b>16.690.250</b> |

As of December 31, 2016 detail of trade receivables from related parties are as follows:

|   | Receivables |           | Payables   |           |
|---|-------------|-----------|------------|-----------|
|   | Short-term  |           | Short-term |           |
| Balances with related parties                 | Trade       | Non-trade | Trade      | Non-trade |
| Batıbeton Sanayi A.Ş. (2)                     | 1.960.316   | 9.390     | 7.356.433  | 688.000   |
| Batıçim Batı Anadolu Çimento Sanayii A.Ş. (1) | -           | 5.650     | 3.090.499  | 395.000   |
| Batıçim Enerji Toptan Satış A.Ş. (2)          | -           | -         | 573.780    | -         |
| Batıbeton Beton Sanayi A.Ş. (2)               | -           | -         | 43.284     | -         |
| Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)      | -           | -         | 57.548     | -         |
|   | 1.960.316   | 15.040    | 11.121.544 | 1.083.000 |

(1) Ultimate shareholder

(2) The other companies controlled by ultimate shareholder

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**26. Related party disclosure (continued)**

|  | January 1 –<br>December 31<br>2017            |                           |                    |
|--|---|---------------------------|--------------------|
| <b>Transactions with related parties</b>           | <b>Inventory or<br/>service<br/>purchases</b> | <b>Sales of<br/>goods</b> | <b>Other</b>       |
| Batibeton Sanayi A.Ş. (*) (2)                      | 21.455.039                                    | 29.650.120                | 6.445              |
| Batiçim Batı Anadolu Çimento Sanayii A.Ş. (**) (1) | 6.915.318                                     | 8.405.672                 | (3.842.344)        |
| Batiçim Enerji Toptan Satış A.Ş. (2)               | 550.298                                       | -                         | 106                |
| Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)           | 1.159.000                                     | -                         | -                  |
| Batibeton Beton Sanayi A.Ş. (2)                    | -   | -                         | -                  |
| Batılıman Liman İşletmeleri A.Ş.                   | -   | -                         | (114)              |
|  | <b>30.079.655</b>                             | <b>38.055.792</b>         | <b>(3.835.907)</b> |

(\*) The Company's third clinker line purchased ready-mixed concrete from Batibeton Sanayi A.Ş. for investment purposes amounting to TL 21.452.592 (2016: TL 27.532.806).

(\*\*) Interest expenses related to other liabilities in the current period is TL 2.452.003 (2016: TL 88.749).

|   | January 1 –<br>December 31, 2016              |                           |              |
|---|---|---------------------------|--------------|
| <b>Transactions with related parties</b>      | <b>Inventory or<br/>service<br/>purchases</b> | <b>Sales of<br/>goods</b> | <b>Other</b> |
| Batibeton Sanayi A.Ş. (*) (2)                 | 27.738.005                                    | 31.211.477                | 111.142      |
| Batiçim Batı Anadolu Çimento Sanayii A.Ş. (1) | 7.620.011                                     | -                         | 592.440      |
| Batiçim Enerji Toptan Satış A.Ş. (2)          | 6.013.363                                     | -                         | 26.224       |
| Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)      | 51.872  | -                         | 4.867        |
| Batibeton Beton Sanayi A.Ş. (2)               | -   | -                         | 58.820       |
|   | 41.423.251                                    | 31.211.477                | 793.493      |

*Compensation of key management personnel:*

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:

|   | December 31,<br>2017 | December 31,<br>2016 |
|---|----------------------|----------------------|
| Wages, premiums, social relief benefits                                 | 1.858.401            | 1.705.008            |
| Seniority incentives, performance premium and other relief and payments | 72.659               | 295.051              |
|   | <b>1.931.060</b>     | <b>2.000.059</b>     |

(1) Ultimate shareholder

(2) The other companies controlled by ultimate shareholder

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**27. Derivatives financial instruments**

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.

|                                    | December 31 2017                      |                 | December 31 2016                      |                |
|------------------------------------|---------------------------------------|-----------------|---------------------------------------|----------------|
|                                    | Nominal<br>contract<br>amount<br>(TL) | Fair value (TL) | Nominal<br>contract<br>amount<br>(TL) | Fair value(TL) |
|                                    |                                       | Asset           |                                       | (Liability)    |
| Forward foreign exchange contracts | -                                     | -               | - 51.938.600                          | - (3.720.993)  |
|                                    | -                                     | -               | - 51.938.600                          | - (3.720.993)  |

These arrangements are designed to address significant exchange exposures for December 31, 2017, and are renewed on a revolving basis as required. As of December 31, 2017, there is no exchange derivatives. (December 31, 2016: TL 3.720.993). These amounts are based on quoted market prices for equivalent instruments at the reporting date.

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**28. Nature and level of risks arising from financial instruments**

**a) Credit risk:**

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.

Details of credit risk of the Company as of December 31, 2017 and 2016 are as follows:

**December 31, 2017**

|  | Receivables       |                   |                   |                |                       |                  | Deposits in bank   | Total |
|--|-------------------|-------------------|-------------------|----------------|-----------------------|------------------|--------------------|-------|
|  | Trade receivables |                   | Other receivables |                | Financial investments |                  |                    |       |
|  | Related parties   | Third parties     | Related parties   | Third parties  |                       |                  |                    |       |
| <b>Maximum credit risk exposure as of reporting date (A+B+C+D+E) (*)</b>   | <b>25.779.929</b> | <b>35.783.420</b> | <b>176.114</b>    | <b>171.945</b> | <b>40.960.297</b>     | <b>3.755.853</b> | <b>106.627.558</b> |       |
| - Maximum risk secured by guarantee (**)   | -                 | <b>34.800.698</b> | -                 | -              | -                     | -                | <b>34.800.698</b>  |       |
| <b>A. Net book value of financial assets neither overdue nor impaired</b>  | <b>25.779.929</b> | <b>35.783.420</b> | <b>176.114</b>    | <b>171.945</b> | <b>40.960.297</b>     | <b>3.755.853</b> | <b>106.627.558</b> |       |
| <b>B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue</b> | -                 | -                 | -                 | -              | -                     | -                | -                  |       |
| <b>C. Net book value of assets overdue but not impaired</b>  | -                 | -                 | -                 | -              | -                     | -                | -                  |       |
| <b>D. Net book value of impaired assets</b>  | -                 | -                 | -                 | -              | -                     | -                | -                  |       |
| <b>E. Off-balance sheet items having credit risk</b>   | -                 | -                 | -                 | -              | -                     | -                | -                  |       |

(\*) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(\*\*) Guarantees consists of guarantee notes, guarantee cheques and mortgages obtained from the customers.

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**Notes to the financial statements  
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**28. Nature and level of risks arising from financial instruments (continued)**

**December 31, 2016**

|  | Receivables       |               |                   |               |                       | Deposits in bank | Total      |
|--|-------------------|---------------|-------------------|---------------|-----------------------|------------------|------------|
|  | Trade receivables |               | Other receivables |               | Financial investments |                  |            |
|  | Related parties   | Third parties | Related parties   | Third parties | Financial investments |                  |            |
| <b>Maximum credit risk exposure as of reporting date (A+B+C+D+E) (*)</b>   | 12.756.348        | 14.112.727    | 15.040            | 139.706       | 21.665.034            | 50.090.125       | 98.778.980 |
| - Maximum risk secured by guarantee (**)   | -                 | 28.600.000    | -                 | -             | -                     | -                | 28.600.000 |
| <b>A.</b> Net book value of financial assets neither overdue nor impaired  | 12.756.348        | 14.112.727    | 15.040            | 139.706       | 21.665.034            | 50.090.125       | 98.778.980 |
| <b>B.</b> Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue | -                 | -             | -                 | -             | -                     | -                | -          |
| <b>C.</b> Net book value of assets overdue but not impaired  | -                 | -             | -                 | -             | -                     | -                | -          |
| <b>D.</b> Net book value of impaired assets  | -                 | -             | -                 | -             | -                     | -                | -          |
| <b>E.</b> Off-balance sheet items having credit risk   | -                 | -             | -                 | -             | -                     | -                | -          |

(\*) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(\*\*) Guarantees consists of guarantee notes, guarantee cheques and mortgages obtained from the customers.

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**Notes to the financial statements  
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**28. Nature and level of risks arising from financial instruments (continued)**

**b) Liquidity risk:**

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.

**December 31, 2017**

| <b>Contractual terms</b>                    | <b>Book value</b>  | <b>Total contractual cash outflows (I+II+III)</b> | <b>Up to 3 months ( I )</b> | <b>3 - 12 months (II)</b> | <b>1 – 5 years (III)</b> | <b>More than 5 years (IV)</b> |
|---|--------------------|---|-----------------------------|---------------------------|--------------------------|-------------------------------|
| <b>Non-derivative financial liabilities</b> |                    |   |                             |                           |                          |                               |
| Bank loans                                  | 516.177.161        | 663.084.572                                       | 17.745.783                  | 80.462.478                | 293.552.084              | 271.324.227                   |
| Trade payables                              | 87.292.896         | 87.618.720  | 87.618.720                  | -                         | -                        | -                             |
| Other payables to related parties           | 16.690.250         | 16.690.250  | 16.690.250                  | -                         | -                        | -                             |
| <b>Total</b>                                | <b>620.160.307</b> | <b>767.393.542</b>                                | <b>122.054.753</b>          | <b>80.462.478</b>         | <b>293.552.084</b>       | <b>271.324.227</b>            |

**December 31, 2016**

| <b>Contractual terms</b>                    | <b>Book value</b>  | <b>Total contractual cash outflows (I+II+III)</b> | <b>Up to 3 months ( I )</b> | <b>3 - 12 months (II)</b> | <b>1 – 5 years (III)</b> | <b>More than 5 years (IV)</b> |
|---|--------------------|---|-----------------------------|---------------------------|--------------------------|-------------------------------|
| <b>Non-derivative financial liabilities</b> |                    |   |                             |                           |                          |                               |
| 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                   | -                         | -                        | -                             |
| <b>Total</b>                                | <b>418.802.350</b> | <b>495.434.202</b>                                | <b>56.505.272</b>           | <b>28.154.729</b>         | <b>171.506.731</b>       | <b>239.267.470</b>            |
| <b>Derivative financial liabilities</b>     |                    |   |                             |                           |                          |                               |
| Derivative cash inflow                      | -                  | 48.699.150  | 41.511.150                  | 7.188.000                 | -                        | -                             |
| Derivative cash outflow                     | (3.720.993)        | (52.392.159)                                      | (44.779.864)                | (7.612.295)               | -                        | -                             |
| <b>Derivative instrument (net)</b>          | <b>(3.720.993)</b> | <b>(3.693.009)</b>                                | <b>(3.268.714)</b>          | <b>(424.295)</b>          | <b>-</b>                 | <b>-</b>                      |

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**Notes to the financial statements  
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**28. Nature and level of risks arising from financial instruments (continued)**

**c) Market risk:**

Foreign currency risk management

The Company carries foreign exchange risk due to its assets and liabilities denominated in USD and Euro. The following table details the Company’s sensitivity to every 10% increase and decrease in the US Dollars, Euro. 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. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the TL strengthens against the relevant currency



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**28. Nature and level of risks arising from financial instruments (continued)**

|   | December 31, 2017    |                    |                     | December 31, 2016    |                    |                     |
|---|----------------------|--------------------|---------------------|----------------------|--------------------|---------------------|
|   | TL<br>equivalent     | US<br>Dollars      | Euro                | TL<br>equivalent     | US<br>Dollars      | Euro                |
| 1. Trade receivables  | -                    | -                  | -                   | -                    | -                  | -                   |
| 2a. Monetary financial assets (including cash and bank accounts)  | 12.217.390           | 8                  | 2.705.649           | 49.988.060           | 1.485.598          | 12.065.000          |
| 2b. Non-monetary financial assets   | -                    | -                  | -                   | -                    | -                  | -                   |
| 3. Other  | 5.280.499            | 112.202            | 1.075.691           | 13.629.201           | -                  | 3.673.738           |
| <b>4. Current assets (1+2+3)</b>  | <b>17.497.889</b>    | <b>112.210</b>     | <b>3.781.340</b>    | <b>63.617.261</b>    | <b>1.485.598</b>   | <b>15.738.738</b>   |
| 5. Trade receivables  | -                    | -                  | -                   | -                    | -                  | -                   |
| 6a. Monetary financial assets   | -                    | -                  | -                   | -                    | -                  | -                   |
| 6b. Non-monetary financial assets   | -                    | -                  | -                   | -                    | -                  | -                   |
| 7. Other  | -                    | -                  | -                   | 3.187.092            | 34.459             | 826.390             |
| <b>8. Non-current assets (5+6+7)</b>  | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>3.187.092</b>     | <b>34.459</b>      | <b>826.390</b>      |
| <b>9. Total assets (4+8)</b>  | <b>17.497.889</b>    | <b>112.210</b>     | <b>3.781.340</b>    | <b>66.804.353</b>    | <b>1.520.057</b>   | <b>16.565.128</b>   |
| 10. Trade payables  | 34.914.669           | 3.236.863          | 5.028.357           | 13.922.637           | 1.565.243          | 2.268.048           |
| 11. Financial liabilities   | 59.266.792           | 1.852.379          | 11.577.855          | 31.132.826           | 1.868.503          | 6.619.367           |
| 12a. Monetary other liabilities   | -                    | -                  | -                   | -                    | -                  | -                   |
| 12b. Non-monetary other liabilities   | -                    | -                  | -                   | -                    | -                  | -                   |
| <b>13. Short-term liabilities (10+11+12a+12b)</b>   | <b>94.181.461</b>    | <b>5.089.242</b>   | <b>16.606.212</b>   | <b>45.055.463</b>    | <b>3.433.747</b>   | <b>8.887.415</b>    |
| 14. Trade payables  | -                    | -                  | -                   | -                    | -                  | -                   |
| 15. Financial liabilities   | 388.235.007          | 1.818.189          | 84.459.524          | 331.230.193          | 3.636.369          | 85.833.333          |
| 16a. Monetary other liabilities   | -                    | -                  | -                   | -                    | -                  | -                   |
| 16b. Non-monetary other liabilities   | -                    | -                  | -                   | -                    | -                  | -                   |
| <b>17. Long-term liabilities (14+15+16a+16b)</b>  | <b>388.235.007</b>   | <b>1.818.189</b>   | <b>84.459.524</b>   | <b>331.230.193</b>   | <b>3.636.369</b>   | <b>85.833.333</b>   |
| <b>18. Total liabilities(13+17)</b>   | <b>482.416.469</b>   | <b>6.907.431</b>   | <b>101.065.735</b>  | <b>376.285.656</b>   | <b>7.070.116</b>   | <b>94.720.748</b>   |
| <b>19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)</b>                           | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>(51.938.600)</b>  | <b>-</b>           | <b>(14.000.000)</b> |
| <b>19a. Off-balance sheet foreign currency derivative assets</b>  | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>-</b>             | <b>-</b>           | <b>-</b>            |
| <b>19b. Off-balance sheet foreign currency derivative assets</b>  | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>51.938.600</b>    | <b>-</b>           | <b>14.000.000</b>   |
| <b>20. Net foreign currency asset/(liability) position (9-18+19)</b>  | <b>(464.918.580)</b> | <b>(6.795.221)</b> | <b>(97.284.395)</b> | <b>(361.419.903)</b> | <b>(5.550.058)</b> | <b>(92.155.620)</b> |
| <b>21. Net foreign currency asset/(liability) position of monetary items (TFRS7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b> | <b>(470.199.078)</b> | <b>(6.907.423)</b> | <b>(98.360.087)</b> | <b>(326.297.596)</b> | <b>(5.584.517)</b> | <b>(82.655.748)</b> |
| <b>22. Total fair value of financial instruments used for foreign currency hedging</b>                                    | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>(3.720.993)</b>   | <b>-</b>           | <b>-</b>            |
| <b>23. Hedged amount for current assets</b>   | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>-</b>             | <b>-</b>           | <b>-</b>            |
| <b>24. Hedged amount for current liabilities</b>  | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>51.938.600</b>    | <b>-</b>           | <b>14.000.000</b>   |

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**28. Nature and level of risks arising from financial instruments (continued)**

**Table of foreign currency sensitivity analysis**

|   | December 31,<br>2017             |                                  |
|---|----------------------------------|----------------------------------|
|   | Pretax profit (loss)<br>effect   |                                  |
|   | Foreign currency<br>appreciation | Foreign currency<br>depreciation |
| Increase of US Dollars by 10% against TL  |                                  |                                  |
| 1- US Dollars net assets/liabilities      | (2.605.411)                      | 2.605.411                        |
| 2- Amount hedged from US Dollars risk (-) | -                                | -                                |
| 3- US Dollars net effect (1 +2)           | (2.605.411)                      | 2.605.411                        |
| Increase of Euro by 10% against TL        |                                  |                                  |
| 4- Euro net assets/liabilities            | (44.414.497)                     | 44.414.497                       |
| 5- Amount hedged from Euro risk (-)       | -                                | -                                |
| 6- Euro net effect (4+5)                  | (44.414.497)                     | 44.414.497                       |
| <b>Total (3 + 6 )</b>                     | <b>(47.019.908)</b>              | <b>47.019.908</b>                |

|   | December 31, 2016                |                                  |
|---|----------------------------------|----------------------------------|
|   | Pretax profit (loss)<br>effect   |                                  |
|   | Foreign currency<br>appreciation | Foreign currency<br>depreciation |
| Increase of US Dollars by 10% against TL  |                                  |                                  |
| 1- US Dollars net assets/liabilities      | (1.965.304)                      | 1.965.304                        |
| 2- Amount hedged from US Dollars risk (-) | -                                | -                                |
| 3- US Dollars net effect (1 +2)           | (1.965.304)                      | 1.965.304                        |
| Increase of Euro by 10% against TL        |                                  |                                  |
| 4- Euro net assets/liabilities            | (30.664.456)                     | 30.664.456                       |
| 5- Amount hedged from Euro risk (-)       | 5.193.860                        | (5.193.860)                      |
| 6- Euro net effect (4+5)                  | (25.470.596)                     | 25.470.596                       |
| <b>Total (3 + 6 )</b>                     | <b>(27.435.900)</b>              | <b>27.435.900</b>                |

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**28. Nature and level of risks arising from financial instruments (continued)**

Interest rate risk

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.

As of December 31, 2017, and 2016 table of sensitivity analysis for foreign currency risk is as follows:

|                                  | <b>2017</b>        | 2016        |
|----------------------------------|--------------------|-------------|
| <b>Fixed rate instruments</b>    |                    |             |
| Financial assets                 | <b>12.191.273</b>  | 49.982.474  |
| Financial liabilities            | <b>485.472.168</b> | 328.503.554 |
| <b>Floating rate instruments</b> |                    |             |
| Financial liabilities            | <b>30.704.993</b>  | 33.859.465  |

At December 31, 2017, if interest rates of bank loans with variable interest rates has strengthened/weakened by 100 basis points (1%) against TL with all other variables held constant, profit before tax would have been TL 307.050 (December 31, 2016: TL 338.595 ) higher / lower.

**d) 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 6, 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.

|   | <b>December 31, 2017</b> | December 31, 2016 |
|---|--------------------------|-------------------|
| Total financial liabilities                           | <b>516.177.161</b>       | 362.363.019       |
| Cash and cash equivalents (-)                         | <b>(3.771.655)</b>       | (50.098.618)      |
| <b>Net financial liabilities</b>                      | <b>512.405.506</b>       | 312.264.401       |
| Total capital   | <b>434.531.697</b>       | 217.160.512       |
| <b>Net financial liabilities / total equity ratio</b> | <b>1,18</b>              | 1,44              |

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**29. Fair value disclosures**

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists.

**Financial instruments**

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market transaction.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

***Financial assets***

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values. Cash and cash equivalents are measured at fair value. Trade receivables and receivables from related parties are carried at their amortized cost and considered to approximate their respective carrying values.

***Financial liabilities***

Trade payables and receivables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values

The fair values of short-term bank loans and other monetary liabilities are estimated to approximate their carrying values due to their short-term nature. Since long-term floating rate bank loans are updated with regard to the changing market conditions, it is considered that the fair value of these loans represents the value they bear. When the long-term fixed interest rate borrowings are valued at the fixed interest rate as of the balance sheet date, fair value is found to be close to the carrying value.

**Fair value levels**

The fair values of financial assets and financial liabilities are determined 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.

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**Notes to the financial statements  
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**29. Fair value disclosures (continued)**

As of December 31, 2017 and December 31, 2016 The Company's financial assets and liabilities' fair value levels are as follows:

| December 31, 2017                | Fair value level as of the reporting date |         |         |
|----------------------------------|---|---------|---------|
|                                  | Level 1                                   | Level 2 | Level 3 |
| Financial assets                 | TL  | TL      | TL      |
| Private sector equity securities | 32.382.835                                | -       | -       |
| <b>Total assets</b>              | <b>32.382.835</b>                         | -       | -       |

| December 31, 2016                | Fair value levels as of the reporting date |         |         |
|----------------------------------|--|---------|---------|
|                                  | Level 1                                    | Level 2 | Level 3 |
| Financial assets                 | TL   | TL      | TL      |
| Private sector equity securities | 21.665.034                                 | -       | -       |
| <b>Total assets</b>              | <b>21.665.034</b>                          | -       | -       |

|   |                    |  |  |
|---|--------------------|--|--|
| Financial liabilities carried at fair value | (3.720.993)        |  |  |
| <b>Total liabilities</b>                    | <b>(3.720.993)</b> |  |  |

**Non-financial assets**

Real estate appraisal reports prepared by a real estate appraisal company authorized by the CMB are used to determine the fair values of land and land measured at fair value on the financial statements. Tangible assets measured at fair value are based on the reports prepared by the real estate appraisal company.

The fair value classifications of non-financial assets measured at fair value are as follows:

|      | December 31, 2017                         |         |            |
|------|---|---------|------------|
|      | Fair value level as of the reporting date |         |            |
|      | Level 1                                   | Level 2 | Level 3    |
|      | TL  | TL      | TL         |
| Land | -   | -       | 88.486.885 |
|      | -   | -       | 88.486.885 |

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**Notes to the financial statements  
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**29. Fair value disclosures (continued)**

The methods used to determine the fair values of land and land measured at their fair value and the significant unobservable assumptions are as follows:

|                        |  | December 31, 2017                     |                  |       |
|------------------------|--|---------------------------------------|------------------|-------|
| Valuation Method       | Important inputs that cannot be observed | Data interval                         | Weighted average |       |
| <b>Tangible Assets</b> |  |                                       |                  |       |
| Land                   | Equivalent of precedent                  | • comparative selling price – (TL/m2) | 8-140 TL         | 26 TL |

**30. Subsequent events**

None.

**31. Disclosure of other matters**

**Convenience translation to English:**

As at December 31, 2017, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.