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

Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi and Its Subsidiaries

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

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

Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi and its Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

To the General Assembly of Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Batıçim Batı Anadolu Çimento Sanayii A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matters	**How the key audit matter addressed in the Auditor's response**
Capitalization of financing expenses	
The Group, 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.	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 originally 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. Details of capitalized borrowing costs are disclosed in Note 12.
Accounting of property, plant and equipment by revaluation method	
The Group has decided to measure certain property, plant and equipment according to TAS 16 revaluation model. Starting from December 31, 2017 financial statement presentation, the Group 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.	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. 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. Detailed explanations on tangible assets are expressed in Note 12.

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

4) Other Matters

Independent auditing of the Group's consolidated 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 13, 2017.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with IAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 or 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 12, 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 -31 December 2017 and financial statements are not in compliance with laws 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 Cem Uçarlar.

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

Cem Uçarlar, SMMM
Engagement Partner

March 12, 2018
İstanbul, Turkey

Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi and its Subsidiaries

Statements of consolidated financial position
as at December 31, 2017
(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

	Notes	**Current year Audited December 31, 2017**	Previous year Audited December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	4	**62.808.370**	126.730.982
Financial investment	5	**7.042.192**	-
Trade receivables			
- Trade receivables from third parties	8	**246.066.030**	193.048.728
Other receivables			
- Other receivables from third parties	9	**699.000**	1.477.318
Inventories	10	**61.179.958**	57.857.735
Prepaid expenses	11	**8.015.584**	10.917.444
Current tax asset	25	**720.112**	3.906.261
Other current asset	16	**21.812.393**	7.506.236
Total current assets		**408.343.639**	401.444.704
Non-current assets			
Financial investment	5	**1.545.270**	10.000
Other receivables			
- Other receivables from third parties	9	**1.316.631**	1.054.111
Property, plant and equipment	12	**1.632.102.508**	844.124.526
Intangible assets	13	**153.634.150**	156.889.807
Prepaid expenses	11	**3.623.573**	58.833.988
Deferred tax assets	25	**18.211.022**	17.703.211
Other non-current assets	16	**15.413.981**	17.184.213
Total non-current assets		**1.825.847.135**	1.095.799.856
Total asset		**2.234.190.774**	1.497.244.560

Statements of consolidated financial position
as at December 31, 2017
(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current year Audited December 31, 2017	Previous year Audited December 31, 2016
Liabilities			
Current liabilities			
Short term borrowings	6	**-**	22.551.074
Current portion of long-term borrowings	6	**205.605.776**	80.816.744
Trade payables			
- Trade payables to third parties	8	**232.686.190**	166.932.950
Liabilities for employee benefits	15	**5.831.279**	4.906.158
Other payables			
- Other payables to related parties	7	**311.494**	311.494
- Other payables to third parties	9	**6.165.628**	4.325.957
Derivative financial instruments	27	**-**	3.720.993
Deferred income	11	**1.583.437**	3.947.638
Current tax liabilities	25	**245.288**	1.398.821
Short-term provisions			
- Other short-term provisions	14	**2.370.926**	5.900.279
Other short-term liabilities	16	**4.086.544**	2.941.819
Total current liabilities		**458.886.562**	297.753.927
Non-current liabilities			
Long-term financial liabilities	6	**720.977.693**	558.588.141
Long-term provisions			
- Provisions for long-term employee benefits	15	**28.074.969**	23.649.309
- Other long-term provisions	14	**7.567.778**	6.780.551
Deferred tax liabilities	25	**33.306.438**	7.208.614
Total non-current liabilities		**789.926.878**	596.226.615
Total liabilities		**1.248.813.440**	893.980.542
Equity			
Share capital	17	**80.000.000**	80.000.000
Adjustment to share capital	17	**118.749.217**	118.749.217
Treasury shares		**(147.065)**	(147.065)
Reciprocal capital adjustment		**(33.042.438)**	(33.042.438)
Share premium		**285.177**	-
Other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation surplus for tangible assets		**341.386.870**	-
- Remeasurement gain/(loss) arising from defined benefit plan		**(384.315)**	490.579
Restricted reserves		**44.789.051**	44.783.481
Retained earnings		**332.693.575**	325.903.353
Net profit (loss) for the period		**(11.805.706)**	7.311.990
Equity holders of the parent		**872.524.366**	544.049.117
Non-controlling interests		**112.852.968**	59.214.901
Total equity		**985.377.334**	603.264.018
Total liabilities and equity		**2.234.190.774**	1.497.244.560

Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi and its Subsidiaries

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017

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

	Note	**Current year**	Previous year
		Audited	Audited
		January 1 – December 31, 2017	January 1 – December 31, 2016
Revenue	18	**687.516.471**	589.354.090
Cost of sales	18	**(572.337.034)**	(472.192.567)
Gross profit (loss) from operations		**115.179.437**	117.161.523
Gross profit (loss)		**115.179.437**	117.161.523
General administrative expenses	19	**(38.078.980)**	(40.401.715)
Marketing expenses	19	**(23.626.680)**	(17.164.303)
Other operating income	21	**46.772.464**	50.961.398
Other operating expenses	21	**(40.550.615)**	(31.986.995)
Operating profit (loss)		**59.695.626**	78.569.908
Income from investing activities	22	**10.478.877**	6.552.816
Expense from investing activities	22	**(1.354.799)**	(3.229.832)
Operating profit (loss) before finance income (expense)		**68.819.704**	81.892.892
Finance income	23	**39.410.525**	18.945.522
Finance expenses	24	**(134.652.737)**	(98.690.890)
Profit (loss) before tax from continuing operations		**(26.422.508)**	2.147.524
Continuing operations tax income (expenses)			
Current tax income (expenses)	25	**(6.760.693)**	(10.329.086)
Deferred tax income (expenses)	25	**13.759.493**	11.116.952
Net profit (loss) from continuing operations		**(19.423.708)**	2.935.390
Distribution of net profit (loss) for the period			
Non-controlling interest		**(7.618.002)**	(4.376.600)
Equity holders of the parent		**(11.805.706)**	7.311.990
Earnings/(loss) per share	26	**(0,1542)**	0,0966
Other comprehensive income/(expense)			
Other comprehensive income / (loss) not to be reclassified to profit or loss			
- Revaluation gain (loss) of tangible assets	12	**395.524.264**	-
- Remeasurement gain (loss) arising from defined benefit plans	15	**(1.014.602)**	605.828
- Deferred tax impact of revaluation gain (loss) of tangible assets	25	**(39.552.426)**	-
- Deferred tax impact of remeasurement gain (loss) arising from defined benefit plan	25	**202.920**	(121.166)
Other comprehensive income(expense)		**355.160.156**	484.662
Total comprehensive income(expense)		**335.736.448**	3.420.052
Distribution of total comprehensive income (expense)			
Non-controlling interest		**7.030.178**	(4.324.258)
Equity holders of the parent		**328.706.270**	7.744.310

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

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

Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi and its Subsidiaries

Consolidated statement of changes in equity
for the year ended December 31, 2017
(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

						Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Accumulated profits				
	Share capital	Adjustment to share capital	Treasury shares	Reciprocal capital adjustment	Premiums for share	Revaluation gain (loss) of tangible assets	Remeasurement gain/(loss) arising from defined benefit plan	Restricted reserves	Retained earnings	Net profit/loss for the period	Equity attributable to owners of the company	Non-Controlling interests	Equity
January 1, 2016	80.000.000	118.749.217	-	(33.042.438)	-	-	58.259	42.228.930	280.488.115	64.016.171	552.498.254	63.539.159	616.037.413
Transfers	-	-	-	-	-	-	-	2.554.551	61.461.620	(64.016.171)	-	-	-
Total comprehensive income	-	-	-	-	-	-	432.320	-	-	7.311.990	7.744.310	(4.324.258)	3.420.052
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	7.311.990	7.311.990	(4.376.600)	2.935.390
- Other comprehensive ıncome(expense)	-	-	-	-	-	-	432.320	-	-	-	432.320	52.342	484.662
Dividend paid	-	-	-	-	-	-	-	-	(16.046.382)	-	(16.046.382)	-	(16.046.382)
Increase (decrease) due to treasury shares transactions	-	-	(147.065)	-	-	-	-	-	-	-	(147.065)	-	(147.065)
December 31, 2016	80.000.000	118.749.217	(147.065)	(33.042.438)	-	-	490.579	44.783.481	325.903.353	7.311.990	544.049.117	59.214.901	603.264.018
January 1, 2017	**80.000.000**	**118.749.217**	**(147.065)**	**(33.042.438)**	**-**	**-**	**490.579**	**44.783.481**	**325.903.353**	**7.311.990**	**544.049.117**	**59.214.901**	**603.264.018**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7.311.990**	**(7.311.990)**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**341.386.870**	**(874.894)**	**-**	**-**	**(11.805.706)**	**328.706.270**	**7.030.178**	**335.736.448**
- Profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11.805.706)**	**(11.805.706)**	**(7.618.002)**	**(19.423.708)**
- Other comprehensive ıncome (expense)	**-**	**-**	**-**	**-**	**-**	**341.386.870**	**(874.894)**	**-**	**-**	**-**	**340.511.976**	**14.648.180**	**355.160.156**
Capital increase (*)	**-**	**-**	**-**	**-**	**285.177**	**-**	**-**	**-**	**-**	**-**	**285.177**	**46.091.691**	**46.376.868**
Transactions with non-controlling interests (**)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.570**	**(521.768)**	**-**	**(516.198)**	**516.198**	**-**
December 31, 2017	**80.000.000**	**118.749.217**	**(147.065)**	**(33.042.438)**	**285.177**	**341.386.870**	**(384.315)**	**44.789.051**	**332.693.575**	**(11.805.706)**	**872.524.366**	**112.852.968**	**985.377.334**

(*) The capital increase is at Batisöke Söke Çimento Sanayii T.A.Ş. which is a subsidiary of the Group, calculated by dividing the capital amount of TL 46.091.691 paid by non-controlling shareholders in the cash capital increase of TL 181.250.000 registered in İzmir Trade Registry Directorate and amounting to TL 285.177 share premiums.

(**) The cash capital increase realized at Batıçim Enerji Elektrik Üretim A.Ş., which is a consolidated subsidiary of the Group as of December 1, 2017, and as the minority has not participated in this capital increase, the share of the Group has increased to 92,38%.

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

Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi and its Subsidiaries

Consolidated statement of cash flow
for the year ended December 31, 2017
(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current Period Audited January 1, – December 31, 2017	Previous year Audited January 1, – December 31, 2016
A. Cash flow from operating activities		**58.675.188**	80.022.408
Net profit (loss)			
Net profit (loss) for the year from continued operations (I)		**(19.423.708)**	2.935.390
Adjustments to reconcile net profit (loss) for the period: (II)		**115.840.594**	112.317.199
Adjustment related to depreciation and amortization expenses	12,13	**43.439.518**	36.327.716
Adjustments related with impairment (reversal)			
- Adjustment related to allowance for trade receivable	8	**302.898**	846.371
- Adjustments related with impairment of tangible assets	22	**1.179.709**	-
Adjustments related with provisions			
- Adjustment related to provisions (reversal) of employee benefits	15	**8.251.849**	5.041.133
- Adjustment related to legal provisions	14	**2.310.969**	(1.052)
- Adjustment related to other provisions	14	**787.227**	541.568
Adjustments related to interest income(expense)			
- Adjustment related to interest income	22	**(9.042.752)**	(4.385.508)
- Adjustment related to interest expense	24	**52.800.303**	16.568.178
- Deferred interest expense due to on credit purchase	21	**(22.475.697)**	(17.759.312)
- Unearned finance income due to on credit sales	21	**19.189.202**	12.699.811
Adjustment related to unrealized foreign xxchange differences		**27.357.203**	58.441.892
Adjustments related to change in fair value (gain) loss			
- Adjustment related to fair value of derivative instrument loss(gain)	27	**-**	3.720.993
Adjustment to tax (income) expense	25	**(6.998.800)**	(787.866)
Adjustments related to loss (gain) arising from sale of fixed assets			
- Adjustment related to loss(gain) on disposal of non-current assets	22	**(1.261.035)**	1.063.275
Changes in working capital (III)		**(23.347.110)**	(2.508.915)
Adjustments related to decrease (increase) in trade receivables		**(72.509.402)**	(35.169.322)
Adjustments related to decrease in other receivables			
- Adjustments related to the decrease (increase) in other trade receivables from third parties		**515.798**	(635.476)
Adjustments related to decrease (increase) in inventories		**(3.322.223)**	6.141.226
Increase (decrease) prepaid expenses		**5.648.325**	(5.726.454)
Adjustments related to increase (decrease) in trade payables		**66.903.065**	52.663.057
Adjustments related to provisions (reversal) of employee benefits		**(139.782)**	1.242.863
Adjustments related to increase (decrease) in other payables from operations			
- Adjustments related to the increase (decrease) in other payables from third parties		**1.839.671**	2.491.247
Other adjustments related to increase (decrease) in working capital			
- Decrease (increase) in other assets from operations		**(17.876.938)**	(23.757.098)
- Increase (decrease) in other liabilities from operations		**(4.405.624)**	241.042
Cash flows provided by operating activities (I+II+III)		**73.069.776**	112.743.674
Employee termination benefits paid	15	**(3.826.189)**	(2.053.823)
Payments for other provisions	14	**(5.840.322)**	(11.978.547)
Taxes refunded (paid)	25	**(4.728.077)**	(18.688.896)
B. Cash flows from investing activities		**(302.483.915)**	(341.281.673)
Proceeds from sales of property, plant and equipment and intangible assets			
- Proceeds from disposal of property, plant and equipment		**5.492.713**	3.554.901
Purchase of property, plant and equipment and intangible assets			
- Payments for acquisition of property, plant and equipment	12	**(367.929.318)**	(311.695.328)
- Payments for acquisition of intangible assets	13	**(1.554.012)**	(1.012.278)
Cash advances given and liabilities			
- Other cash advances given and liabilities	11	**52.463.950**	(36.457.987)
Interest received	22	**9.042.752**	4.329.019
C. Cash flow from financing activities		**179.886.115**	241.855.454
Cash inflows from issuing shares and other equity instruments			
- Cash inflows from share issuance		**46.376.868**	-
Cash outflows on the acquisition of own shares and other equity instruments			
- Cash outflows on the acquisition own shares		-	(147.065)
Cash inflows from borrowings			
- Proceeds from borrowings	6	**310.304.797**	360.708.492
Cash outflows on repayment of borrowings			
- Cash outflows on repayment of borrowings	6	**(118.965.631)**	(91.245.444)
Dividend paid		**-**	(16.046.382)
Interest paid	6	**(57.829.919)**	(11.414.147)
Net increase (decrease) in cash and cash equivalents (A+B+C)		**(63.922.612)**	(19.403.811)
D. Cash and cash equivalents at the beginning of the period	3	**126.730.982**	146.078.304
Cash and cash equivalents at the end of the period (A+B+C+D)	3	**62.808.370**	126.674.493

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

1. The Group's organization and nature of operations

Batıçim Batı Anadolu Çimento Sanayii A.Ş. ("Company" or "Batıçim") was established in accordance with the Turkish Trade Law in 1966 in İzmir, Turkey.

The Group headquarters is located at Ankara Caddesi No: 335 Bornova, İzmir. The principle place of business is at the same address.

The Group is registered under the Capital Markets Board ("CMB") and since 1995 its stocks are traded, in Borsa İstanbul ("BIST").

The Group's shareholder structure at historical basis is as below:

	December 31, 2017		December 31, 2016	
Shareholders	**Share (%)**	**Amount (TL)**	Share (%)	Amount (TL)
Çimko Çimento ve Beton Sanayi Ticaret A.Ş.	**24,21**	**19.365.436**	-	-
Sanko Holding A.Ş.	**-**	**-**	23,33	18.665.000
Fatma Gülgün Ünal	**9,98**	**7.980.429**	9,98	7.980.396
Sülün İlkin	**8,19**	**6.555.789**	8,19	6.555.789
Yıldız İzmiroğlu	**8,17**	**6.537.266**	8,17	6.537.266
Belgin Egeli	**7,64**	**6.112.784**	7,64	6.112.757
Fatma Meltem Günel	**6,63**	**5.300.409**	6,63	5.300.409
Mehmet Mustafa Bükey	**5,85**	**4.678.077**	5,85	4.678.077
Other	**29,34**	**23.469.810**	30,21	24.170.306
Nominal share capital	**100,00**	**80.000.000**	100,00	80.000.000

The Board members of the Company are as follows:

Chairman	: Mehmet Mustafa Bükey
Deputy of Chairman and Authorized Member	: Tufan Ünal
Member	: Fatma Meltem Günel
Member	: Sülün İlkin
Official Member	: Mehmet Bülent Egeli
Official Member	: Dr. Necip Terzibaşoğlu
Official Member	: Feyyaz Ünal
Member	: Kemal Grebene
Member	: Begüm Egeli Bursalıgil
Member	: Musa Levent Ertörer
Member	: Tankut Karabacak

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

1. The Group's organization and nature of operations (continued)

As of December 31, 2017 the information related to the company's subsidiaries is as follows:

Subsidiaries	Stock Exchange Market	Types of Activities	Main Business Activities
Batısöke Söke Çimento Sanayii T.A.Ş. ("Batısöke")	Borsa İstanbul	Production	Production and sale of clinker and cement
Batıbeton Beton Sanayi A.Ş. ("Batıbeton")	-	Operation	Ready-mixed concrete cement labor
ASH Plus Yapı Malzemeleri Sanayi ve Ticaret A.Ş. ("ASH Plus")	-	Production	Ash production and sale
Batıçim Enerji Elektrik Üretim A.Ş. ("Batıçim Enerji")	-	Production	Electricity production and sale
Batıbeton Sanayi A.Ş. ("Yeni Batıbeton")	-	Production	Ready-mixed concrete production and sale
Batıliman Liman İşletmeleri A.Ş. ("Batıliman")	-	Operation	Port management
Batıçim Enerji Toptan Satış A.Ş. ("Batıçim Enerji Toptan")	-	Sales and Distribution	Sales and distribution

Partial division of the Company's ready-mixed concrete enterprise, Batıbeton Sanayi A.Ş., with the "subsidiary model" in facilitated method and partial division of the Company's port facility with the "subsidiary model" of Batıliman Liman İşletmeleri A.Ş. Was approved by the General Assembly Meeting held on 28 December 2015. Partial division of transactions made in light of the decisions taken at the Extraordinary General Assembly Meeting of the Company was registered by İzmir Trade Registry Directorate on 31 December 2015.

According to this; Partial division procedures approved by the General Assembly have been completed. and Batıliman Liman İşletmeleri A.Ş. It is established as a 100% subsidiary of the Company.

It is engaged in the production and marketing of cement, ready mixed concrete, aggregate, clinker, port operation, electricity generation and sales activities of the Company and the subsidiaries explained above (together the "Group").

The number of employees are categorized as follows:

	December 31, 2017	December 31, 2016
Executive	**31**	32
Officer	**204**	215
Worker	**846**	835
	1.081	1.082

2. Presentation of the financial statements

2.1 Basis of presentation

The Company and its subsidiaries 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 consolidated financial statements of the Group have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in 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") on 13 June 2013 and published in Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

The accompanying consolidated 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.

Consolidated 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 Group 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 consolidated 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 Group has prepared its financial statements in accordance with going concern assumption.

Approval of the financial statements:

Financial statements were approved by the Board of Directors on March 12, 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.

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

2. Presentation of the financial statements (continued)

Basis of consolidation

Details of the Company’s subsidiaries as of December 31, 2017 and 2016 are as follows:

		December 31, 2017		December 31, 2016	
Subsidiary	**Establishment and operation location**	**Direct proportional ownership %**	**Indirect proportional ownership %**	Direct proportional ownership %	Indirect proportional ownership %
Batısöke	Aydın, Turkey	**%74,62**	**%74,66**	%74,62	%74,66
Batıbeton (Yapsan)	İzmir, Turkey	**%100**	**%100**	%100	%100
ASH Plus	Manisa, Turkey	**%100**	**%100**	%100	%100
Batıçim Enerji(*)	İzmir, Turkey	**%69,98**	**%92,38**	%63,98	%90,86
Batıçim Enerji Toptan	İzmir, Turkey	**-**	**%92,38**	-	%90,86
Yeni Batıbeton	İzmir, Turkey	**%100**	**%100**	%100	%100
Batı Liman	İzmir, Turkey	**%100**	**%100**	%100	%100

(*) The share capital of the Group, which is accounted for within the scope of consolidation, has been capitalized by Batıçim Enerji Elektrik Üretim A.Ş. as of December 1, 2017, and since the minority has not participated in this capital increase, the Group's subsidiary ratio has increased to 92,38%.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary ceases when the Company has control over the subsidiary and loses control. Income and expenses of subsidiaries purchased or disposed of during the year are included in consolidated profit or loss and other comprehensive income statement until the date of elimination from the date of purchase.

2. Presentation of the financial statements (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 Changes in Turkey Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated 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 Group's financial position and performance have been disclosed in the related paragraphs.

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. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group disclosed additional information in annual financial statements for the year ended 31 December 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 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. Presentation of the financial statements (continued)

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014-2016 Cycle, amending the following standards:

- IFRS 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 IFRS 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.

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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group does not expect that the standard will have significant impact on the financial position or performance of the Group because contracts with customers in which the sale of goods is generally expected to be the only performance obligation thus are not expected to have any impact on the performance of the Group. Besides, currently trade discounts and volume rebates can be reliably measured on a quarterly basis accordingly they are recognized at annual and interim financial statements. Customer contracts involving the sale of goods usually involve only one performance obligation and therefore no significant impact on the Group's performance of the first application of the standard is expected.

2. Presentation of the financial statements (continued)

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 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, TFRS 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. TFRS 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 Group has performed an impact assessment of TFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The Group does not expect any significant impact on the balance sheet and equity unless the impairment requirements in TFRS 9 are applied.

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 Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 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 recognises 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 Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

FRS 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 Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. Presentation of the financial statements (continued)

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

The Group assesses the impact on the financial position and performance of the change.

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

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 organisation 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 Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. Presentation of the financial statements (continued)

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 Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

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 Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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 recognised at the date of initial application.

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

2. Presentation of the financial statements (continued)

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 recognised 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 Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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 Group has performed a high-level impact assessment of Amendments. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

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 Group is in the process of assessing the impact of the amendments on financial position or performance of the Group. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. Presentation of the financial statements (continued)

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 harmonise 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 Group is in the process of assessing the impact of the interpretation on financial position or performance.

2.3 Comparative information and preparation of financial statements of prior period

The financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends.

The classification of the Group in the statement of financial position as of December 31, 2016 is as follows:

- Intangible assets related to concession agreements amounting to TL 145.890.506 shown in financial assets related to concession contracts are classified as intangible assets.

- The performance and seniority incentive bonus provision and unused vacation provision amounting to TL 5.375.869 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 Group for the year ended December 31, 2016 are as follows:

- Foreign exchange gains and losses arising from derivative financial instruments amounting to TL 17.555.481 and TL 1.390.041, classified under other income from main operations, are classified as financial income.
- Losses from derivative transactions amounting to TL 2.691.283 which are presented in other expenses from main operations are classified as financing expenses.
- Losses arising from fair value measurement of derivative transactions amounting to TL 3.720.993 which are shown in other expenses from main operations are classified as financing expenses.

2.4 Change in accounting policies

If there is any Accounting policy changes arising from the first application of a new standard, are applied retroactively or in accordance with the transition provisions. Significant changes in the accounting policy or changes in accounting policies that are not included in any transition clause are applied retrospectively and the financial statements are restated in the previous period's consol.

Changes in the accounting estimates are applied prospectively, both in the period in which the change is made, and in the following periods, if the changes relate to future periods, in the current period in which the change is made.

Significant accounting errors identified are applied retrospectively and the financial statements are restated in the prior period consolidated financial statements. The Group adopted the revaluation model as an accounting policy in the December 31, 2017 Consolidated Financial Statements, which excluded the cost model from the application methods in IAS 16 for the presentation of land at their fair value, effective from the presentation of the financial statements.

2. Presentation of the financial statements (continued)

2.5 Summary of significant accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Net sales 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.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Revenue from time contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred.

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 Group 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 Group 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.

2. Presentation of the financial statements (continued)

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; or,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment 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 a 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.

2. Presentation of the financial statements (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, after deducting the provision for impairment, except for land, land improvements and buildings, whose fair values are reflected in their revaluation model.

Cost value of tangible asset; the purchase price, the import tax, and the non-taxable taxes, are expenses incurred to make the tangible asset ready for use. Costs such as repairs and maintenance that occur after the use of the tangible asset have been recorded as expense in the period in which they are incurred. If expenditure provides an economic value increase in the future use of the related tangible asset, these expenditures are added to the cost of the asset and amortized over the remaining economic life These assets are recognized in the income (expense) accounts of investment activities in the income statement or profit or loss income statement on the net book value of the related tangible asset when they are sold or disposed of.

The revenues measured in accordance with the revaluation model are shown by deducting the accumulated amortization from the fair values of the buildings and underground structures and buildings. The difference between the net book value determined after deducting the accumulated depreciation from the historical cost value and the fair value is followed up with the net deferred tax effect on the "Property, plant and equipment revaluation and measurement gains (losses)" account under equity. The fair value of property, plant and equipment measured in accordance with the Group's revaluation model was lastly exercised by a real estate appraisal company licensed by the Capital Markets Board in 2017.

Repairs and maintenance are charged to statement of comprehensive income during the financial period in which they are incurred. The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets.

Gain or losses on disposals of property plant and equipment are determined by reference to their carrying amounts and are included in other operating income and expense accounts.

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

2. Presentation of the financial statements (continued)

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

	Time (Year)
Land improvements	15-30
Buildings	10-50
Furniture and fixtures	2-15
Machinery and equipment	20-25
Motor vehicles	4-10
Other tangible fixed assets (mine assets)	10-30

Mining Assets

Mineral assets owned by the Group; 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.

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.

2. Presentation of the financial statements (continued)

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:

	Period (Year)
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 Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

2. Presentation of the financial statements (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

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.

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.

2. Presentation of the financial statements (continued)

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

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.

Recognition and derecognition of financial assets

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

2. Presentation of the financial statements (continued)

Financial liabilities

When a financial liability is recognised initially, the Group 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 Group measures all financial liabilities at amortised cost using the effective interest method.

Derivative financial instruments

The Group uses forward contracts in international markets. According to the risk management policies of the Group, 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

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, 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 the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences 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.

Earnings per share

Earnings per share disclosed in the consolidated 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.

2. Presentation of the financial statements (continued)

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 Group 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.

Provisions, contingent assets and liabilities

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

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

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

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.

2. Presentation of the financial statements (continued)

Segmental information

The Group have identified relevant operating segments based on internal reports that are regularly reviewed. Chief operating decision making body of the Group is the Executive Board.
The chief operating decision making body of the Group reviews results and operations on a product basis in order to monitor performance and to allocate resources. Product basis segments of the Group are defined in the following categories: stone and mineral basis products, port services and electricity production.

Taxes calculated on the basis of the company's earnings

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.
Tax expense includes current tax expense and deferred tax expense. Tax is included in the income statement, provided that it is not related to an operation that is accounted for directly under equity.

Otherwise, the tax is accounted under equity as well as the related transaction.

Current tax

Current tax expense is calculated taking into account tax legislation in force in the countries where the Group'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 Group'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.

2. Presentation of the financial statements (continued)

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its consolidated financial statements. For this reason, tax liabilities reflected in the Consolidated Financial Statements of the Group are separately calculated for all companies included in the scope of consolidation. The taxes payable on the statement of financial position as of 31 December 2017 and December 31, 2016 are netted off for each subsidiary and classified separately in the consolidated financial statements.

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

50% of the profits arising from the sale of the immovable assets held in the assets for the same period as the 75% of the profits arising from the sale of founders' shares, founding shares and preferential rights, To be added to the capital as stipulated in the Corporate Tax Law or to be kept in a special fund account for 5 years.

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 31 December 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 Group 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 Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 Group 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 consolidated 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 consolidated 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 Group 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 Group and recording the discounted value at the balance sheet date.

The Group makes certain assumptions about discount rates, inflation rates, salary increases rate and employee turnover rates in calculation of provisions For employee benefıts 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.

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.

2. Presentation of the financial statements (continued)

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 Group'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 consolidated statement of cash flows.

Cash flows from operating activities represent cash flows related to the Group'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 Group.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group 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 simultaneously.

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 Group'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 (Not 25).

Fair values of property, plant and equipment

Land under tangible fixed assets are accounted for as revaluation model as of 31 December 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 12).

2. Presentation of the financial statements (continued)

Borrowing cost

Borrowing costs consist of other financing costs incurred due to borrowing, primarily interest. The borrowing rate stated 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 12).

Useful lifes 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 14. 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 15.

3. Segment reporting

Operating segments have been determined as those components, the operating results of which, are reviewed regularly and the Executive Board is the operating decision making body of the Group.

The Group's foreign sales represent sales made to different geographical regions. The details of revenue have been given as domestic and foreign sales in Note 18.

The business activities of the Group is being managed and organized according to the contents of the output that the Group either provide or serve. The Group's product groups based on the breakdown is as follows: stone and soil based products, port services and electricity production.

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

3. Segment Reporting (continued)

Segment assets, segment liabilities, investment expenditures, depreciation and amortisation charges and interest income and expenses as of December 31, 2017 and December 31, 2016 comprise of the following:

December 31, 2017	**Product of stone and land basis**	**Harbor services**	**Electricity production**	**Total**
Total assets	**1.871.363.071**	**166.233.898**	**196.593.805**	**2.234.190.774**
Total liabilities	**1.098.718.262**	**53.801.240**	**96.293.938**	**1.248.813.440**
Current year investment expenditures	**434.548.723**	**1.991.243**	**329.291**	**436.869.257**
Current year depreciation and amortization expense	**35.725.940**	**4.066.898**	**3.646.680**	**43.439.518**
Interest income	**8.264.997**	**469.412**	**308.343**	**9.042.752**
Finance expense	**166.322.297**	**12.674.819**	**24.865.468**	**203.862.584**

December 31, 2016	Product of stone and land basis	Harbor services	Electricity production	Total
Total assets	1.160.262.833	136.741.871	200.239.856	1.497.244.560
Total liabilities	722.489.232	57.654.560	113.836.750	893.980.542
Current year investment expenditures	292.784.710	41.490.932	2.161.038	336.436.680
Current year depreciation and amortization expense	30.019.157	2.583.842	3.724.717	36.327.716
Interest income	3.693.692	149.165	542.651	4.385.508
Finance expense	85.070.511	9.686.725	22.282.712	117.039.948

The results of the financial figures by segments for the year ended December 31, 2017 are as follows:

January 1 – December 31, 2017	**Product of stone and land basis**	**Harbor services**	**Electricity production**	**Total**
Revenue	**554.734.311**	**57.630.787**	**75.151.373**	**687.516.471**
Cost of sales (-)	**(466.725.984)**	**(32.126.690)**	**(73.484.360)**	**(572.337.034)**
Gross profit	**88.008.327**	**25.504.097**	**1.667.013**	**115.179.437**
Administrative expenses (-)	**(34.244.965)**	**(1.701.186)**	**(2.132.829)**	**(38.078.980)**
Marketing expenses (-)	**(22.527.784)**	**-**	**(1.098.896)**	**(23.626.680)**
Other income from operating activities	**44.887.607**	**1.340.379**	**544.478**	**46.772.464**
Other expenses from operating activities (-)	**(36.714.863)**	**(1.559.593)**	**(2.276.159)**	**(40.550.615)**
Operating profit	**39.408.322**	**23.583.697**	**(3.296.393)**	**59.695.626**
Income from investing activities	**10.478.877**	**-**	**-**	**10.478.877**
Expense from investing activities	**(1.179.709)**	**-**	**(175.090)**	**(1.354.799)**
Finance expenses (-)	**(78.544.098)**	**(4.278.695)**	**(12.419.419)**	**(95.242.212)**
Profit/(loss) before tax	**(29.836.608)**	**19.305.002**	**(15.890.902)**	**(26.422.508)**

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

3. Segment Reporting (continued)

The results of the financial figures by segments for the year ended December 31, 2016 are as follows:

January 1 – December 31, 2016	Product of stone and land basis	Harbor services	Electricity production	Total
Revenue	456.632.132	44.868.260	87.853.698	589.354.090
Cost of sales (-)	(369.792.540)	(25.229.859)	(77.170.168)	(472.192.567)
Gross profit	86.839.592	19.638.401	10.683.530	117.161.523
Administrative expenses (-)	(37.281.787)	(459.018)	(2.660.910)	(40.401.715)
Marketing expenses (-)	(15.605.049)	-	(1.559.254)	(17.164.303)
Other income from operating activities	42.211.602	2.292.162	6.457.634	50.961.398
Other expenses from operating activities (-)	(19.686.889)	(1.274.514)	(11.025.592)	(31.986.995)
Operating profit	56.477.469	20.197.031	1.895.408	78.569.908
Income from investing activities	5.861.000	149.165	542.651	6.552.816
Expense from investing activities	(3.229.832)	-	-	(3.229.832)
Finance expenses (-)	(47.775.930)	(9.686.726)	(22.282.712)	(79.745.368)
Profit/(loss) before tax	11.332.707	10.659.470	(19.844.653)	2.147.524

4. Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash	**81.815**	65.311
Banks		
- Demand deposits	**1.153.345**	1.513.381
- Time deposits	**61.573.210**	125.152.290
	62.808.370	126.730.982

As of December 31, 2017 and December 31, 2016 the details of time deposits are as follows:

Currency	**Interest rate (%)**	**Maturity**	**December 31, 2017**
TL	**11,00-14,50**	**January 2018**	**2.176.302**
USD	**1,25-4,35**	**January - February 2018**	**55.015.436**
Euro	**0,30-0,40**	**January 2018**	**4.381.472**
Total			**61.573.210**

Currency	Interest rate (%)	Maturity	December 31, 2016
TL	8,80 - 12,25	January - February 2017	41.002.217
USD	1,25 - 3,80	January – March 2017	18.872.368
Euro	1,10 - 2,30	January-February 2017	65.277.705
Total			125.152.290

As of December 31, 2017 and 2016, the disclosure of the time deposits, whose maturity is less than 3 months is included in Note 5.

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

5. Financial investment

As of December 31, 2017 and December 31, 2016 the details of short term and long term financial investments are as follows:

a) Short term financial investment:

	December 31, 2017	December 31, 2016
3 month long-term blocked deposits	**7.042.192**	-
	7.042.192	-

b) Long term financial investment:

	December 31, 2017	December 31, 2016
1 year long-term blocked deposits	**1.535.270**	-
Other financial liabilities	**10.000**	10.000
	1.545.270	10.000

(*) 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 31 December 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.

6. Financial liabilities

	December 31, 2017	December 31, 2016
Short term bank loans	**-**	68.190
Current portion of long term loans	**205.605.776**	80.816.744
Other short term financial liabilities	**-**	22.482.884
Long term bank loans	**720.977.693**	558.588.141
Total	**926.583.469**	661.955.959

a) Bank Loans

				December 31, 2017
Currency	**Interest type**	**Nominal interest rate (%)**	**Short-term**	**Long-term**
USD	**Fixed**	**2,05 – 5**	**16.360.917**	**36.004.514**
USD	**Floating**	**Libor+4 – 4,50**	**18.769.415**	**54.455.395**
Euro	**Fixed**	**0,75 – 5,50**	**102.231.894**	**395.246.016**
Euro	**Floating**	**Libor+3,70**	**18.552.858**	**31.950.603**
TL	**Fixed**	**6,72 – 15,25**	**49.690.692**	**203.321.165**
Total			**205.605.776**	**720.977.693**

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

6. Financial liabilities (continued)

			December 31, 2016	
Currency	Interest type	Nominal interest rate (%)	Short-term	Long-term
USD	Fixed	2,05 – 5	15.416.494	48.309.021
USD	Floating	Libor+4 – 4,50	17.663.201	67.454.013
Euro	Fixed	3,15 – 4,40	21.938.848	329.843.852
Euro	Floating	Libor+3,70 – 4	15.340.382	41.202.400
TL	Fixed	13,50 – 15,25	10.526.009	71.778.855
Total			80.884.934	558.588.141

The repayment schedule of borrowings as of 31 December 2017 and 31 December 2016 is as follows:

	December 31, 2017	December 31, 2016
1-2 years	**121.390.890**	94.261.314
2-3 years	**114.532.901**	79.197.937
3-4 years	**104.201.955**	72.799.363
4-5 years	**117.737.983**	64.311.561
5 years and more	**263.113.964**	248.017.966
Total	**720.977.693**	558.588.141

b) Financial liabilities to Republic of Turkey Prime Ministry Privatization Administration

				December 31, 2016
Currency	Interest type	Nominal interest rate (%)	Short-term	Long-term
USD	Fixed	3,68	22.482.884	-
Total			22.482.884	-

The maturities of other financial liabilities are as follow:

	December 31, 2017	December 31, 2016
To be paid within 1 year	**-**	22.482.884
Total	**-**	22.482.884

The movements of financial borrowings within the period January 1 - December 31, 2017 are as follows.

Bank Loans	**Principal**	**Interest**	**Total**
Opening – January 1	**631.405.262**	**8.067.813**	**639.473.075**
Foreign exchange (gain)/loss	**89.783.206**	**11.017.638**	**100.800.844**
Proceeds from borrowings	**310.304.797**	**52.800.303**	**363.105.100**
Repayment of borrowings	**(118.965.631)**	**(57.829.919)**	**(176.795.550)**
Total	**912.527.634**	**14.055.835**	**926.583.469**

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

7. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated during consolidation and are not disclosed in this note.

	December 31, 2017	December 31, 2016
Due to shareholders	**311.494**	311.494
	311.494	311.494

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

	1 January – December 31, 2017	1 January– December 31, 2016
Wage, bonus, social relief benefits,	**3.926.787**	3.602.656
Seniority incentive, performance premium, other reliefs and payments	**149.800**	757.582
	4.076.587	4.360.238

8. Trade receivables and payables

a) Trade receivables

As of 31 December 2017 and 31 December 2016, the detail of the Group's trade receivables are as follows:

	December 31, 2017	December 31, 2016
Trade receivables	**112.063.073**	89.625.662
Notes receivables	**135.952.504**	105.069.715
Provisions for doubtful receivables (-)	**(1.949.547)**	(1.646.649)
	246.066.030	193.048.728

The Group's undue and highly collectible receivables as of 31 December 2017 amounts to TL 246.066.030 (December 31, 2016: TL 193.048.728).Average turnover for account receivables is 105 days (December 31, 2016: 100 days).

As of 31 December 2017, a doubtful account receivables provision adjustment in the amount of TL 1.949.547 (December 31, 2016: TL 1.646.649) has been booked.

Allowances for doubtful receivables are recognized against trade receivables based on estimated irrecoverable amounts determined by reference top as default experience of the counterparty.

	December 31, 2017	December 31, 2016
Letters of guarantees received	**180.418.195**	168.052.806
	180.418.195	168.052.806

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

8. Trade receivables and payables (continued)

The Group management considers that there is no significant difference between the nominal value of the guarantees received and the fair value.

December 31, 2017 and 2016 movement of Group’s provision for doubtful receivables is as follows:

	2017	2016
Opening balance at 1 January	**1.646.649**	800.278
Charge for the year	**302.898**	846.371
Closing balance at 31 December	**1.949.547**	1.646.649

b) Trade payables:

The detail of the Group’s trade payables as at 31 December 2017 and 31 December 2016 are as follows:

	December 31, 2017	December 31, 2016
Trade payables	**232.686.190**	166.932.950
	232.686.190	166.932.950

The average credit period on purchase of certain goods is 90 days (December 31, 2016: 90 days).

9. Other receivables and payables

	December 31, 2017	December 31, 2016
a) Other short term receivables		
Other receivables	**699.000**	1.477.318
	699.000	1.477.318

	December 31, 2017	December 31, 2016
b) Other long term receivables		
Guarantees and deposits given	**985.641**	1.054.111
Other receivables	**330.990**	-
	1.316.631	1.054.111

	December 31, 2017	December 31, 2016
c) Other short term payables		
Taxes and funds payable	**5.801.691**	3.990.180
Deposits and guarantees received	**346.425**	335.369
Other payables	**17.512**	408
	6.165.628	4.325.957

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

10. Inventories

	December 31, 2017	December 31, 2016
Raw materials	**7.686.797**	7.309.217
Work in process inventories	**14.591.768**	18.477.023
Finished goods	**2.693.314**	2.080.385
Auxiliary materials and spare parts and other inventories	**36.208.079**	29.991.110
	61.179.958	57.857.735

Auxiliary materials and spare parts are composed of unused firebricks, auxiliary materials and spare parts that may be used in manufacturing. When firebricks are used, they are classified as property, plant and equipment and are depreciated over their useful lives.

Company management evaluates that there is any impairment on inventories.

11. Prepaid expenses and deferred income

a) Short-term prepaid expenses

	December 31, 2017	December 31, 2016
Order advances for inventory purchases	**6.228.702**	9.350.449
Prepaid expenses	**1.768.961**	1.537.897
Advances given to personnel	**17.780**	20.440
Work advances	**141**	8.658
	8.015.584	10.917.444

b) Long-term prepaid expenses

	December 31, 2017	December 31, 2016
Advances for fixed asset purchases	**2.734.680**	55.198.630
Prepaid expenses	**888.893**	3.635.358
	3.623.573	58.833.988

c) Deferred income

	December 31, 2017	December 31, 2016
Advances receives	**1.583.437**	3.947.638
	1.583.437	3.947.638

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

12. Property, plant and equipment

	January 1, 2017	Additions	Transfers	Disposals	Revaluation effect	December 31, 2017
Cost value:						
Land	99.471.968	4.692.329	-	(1.714.988)	395.524.264	497.973.573
Land improvements	82.281.570	444.622	14.072.974	(76.666)	-	96.722.500
Buildings	191.401.506	30.000	3.117.903	(62.170)	-	194.487.239
Plant, machinery and equipment	536.839.727	1.422.409	17.556.381	(5.350.536)	-	550.467.981
Vehicles	4.307.303	98.813	-	(190.226)	-	4.215.890
Furniture and fixtures	53.043.351	7.653.951	482.699	(127.786)	-	61.052.215
Mine assets	2.512.484	-	-	-	-	2.512.484
Leasehold improvements	37.963.796	64.942	2.745.346	-	-	40.774.084
Construction in progress (*)	251.856.316	420.908.179	(37.975.303)	-	-	634.789.192
	1.259.678.021	435.315.245	-	(7.522.372)	395.524.264	2.082.995.158
Accumulated depreciation:						
Land improvements	(41.285.043)	(3.834.733)	-	46.441	-	(45.073.335)
Buildings	(54.645.709)	(3.318.589)	-	23.543	-	(57.940.755)
Plant, machinery and equipment	(274.918.497)	(21.732.502)	-	2.945.616	-	(293.705.383)
Vehicles	(1.768.988)	(742.073)	-	163.187	-	(2.347.874)
Furniture and fixtures	(39.575.616)	(7.137.059)	-	111.907	-	(46.600.768)
Mine assets	(1.312.303)	(231.096)	-	-	-	(1.543.399)
Leasehold improvements	(2.047.339)	(1.633.797)	-	-	-	(3.681.136)
	(415.553.495)	(38.629.849)	-	3.290.694	-	(450.892.650)
Net carrying value	844.124.526					1.632.102.508

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

12. Property, plant and equipment (continued)

	January 1, 2016	Additions	Transfers	Disposals	December 31, 2016
Cost value:					
Land	82.266.832	17.205.136	-	-	99.471.968
Land improvements	79.265.113	342.121	2.726.976	(52.640)	82.281.570
Buildings	171.943.097	379.580	19.104.234	(25.405)	191.401.506
Plant, machinery and equipment	436.167.274	3.123.808	106.030.688	(8.482.043)	536.839.727
Vehicles	2.738.559	2.290.938	-	(722.194)	4.307.303
Furniture and fixtures	48.278.916	4.866.922	745.915	(848.402)	53.043.351
Mine assets	2.512.484	-	-	-	2.512.484
Leasehold improvements	2.910.314	1.212.213	33.841.269	-	37.963.796
Construction in progress	108.301.714	306.036.527	(162.481.925)	-	251.856.316
	934.384.303	335.457.245	(32.843)	(10.130.684)	1.259.678.021
Accumulated depreciation:					
Land İmprovements	(37.821.769)	(3.483.043)	-	19.769	(41.285.043)
Buildings	(51.245.838)	(3.406.095)	-	6.224	(54.645.709)
Plant, machinery and equipment	(262.368.529)	(16.956.630)	-	4.406.662	(274.918.497)
Vehicles	(1.555.956)	(586.572)	-	373.540	(1.768.988)
Furniture and fixtures	(33.833.956)	(6.447.973)	-	706.313	(39.575.616)
Mine Assets	(1.094.419)	(217.884)	-	-	(1.312.303)
Leasehold improvements	(1.616.250)	(431.089)	-	-	(2.047.339)
	(389.536.717)	(31.529.286)	-	5.512.508	(415.553.495)
Net carrying value	544.847.586				844.124.526

(*) 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 35.866.574 (2016: TL 28.070.050) of depreciation was allocated to cost of sales, TL 46.278 (2016: TL 64.604) depreciation expense was allocated to marketing expenses and TL 2.716.997 (2016: TL 3.394.632) of depreciation expense was allocated to administrative expense.

The cumulative amount of borrowing costs capitalized on property, plant and equipment as of December 31, 2017 is TL 92.294.710 (December 31, 2016: TL 23.729.074). 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 (31 December 2016: 15%).

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

13. Intangible assets

a) Other intangible assets

	January 1, 2017	Additions	Transfers	Disposals	December 31, 2017
Cost value:					
Rights	**21.300.893**	**1.554.012**	**-**	**-**	**22.854.905**
Assets subject to amortization	**601.962**	**-**	**-**	**-**	**601.962**
	21.902.855	**1.554.012**	**-**	**-**	**23.456.867**
Accumulated depreciation:					
Rights	**(10.301.592)**	**(1.519.857)**	**-**	**-**	**(11.821.449)**
Assets subject to amortization	**(601.962)**	**-**	**-**	**-**	**(601.962)**
	(10.903.554)	**(1.519.857)**	**-**	**-**	**(12.423.411)**
Net carrying value	**10.999.301**				**11.033.456**

	January 1, 2016	Additions	Transfers	Disposals	December 31, 2016
Cost Value:					
Rights	20.352.988	979.435	32.843	(64.373)	21.300.893
Assets subject to amortization	601.962	-	-	-	601.962
	20.954.950	979.435	32.843	(64.373)	21.902.855
Accumulated depreciation:					
Rights	(8.857.347)	(1.508.618)	-	64.373	(10.301.592)
Assets subject to amortization	(601.962)	-	-	-	(601.962)
	(9.459.309)	(1.508.618)	-	64.373	(10.903.554)
Net carrying value	11.495.641				10.999.301

Amortization expense of TL 504.908 (2016: TL 935.343) have been charged to cost of sales, TL 1.014.949 (2016: TL 573.275) has been charged administrative expenses.

The "Port Operating license" included among the Group's rights, which has a cost of TL 11.904.290 with a useful life of 49 years, is amortized over the remaining useful life of 35 years as of the date of transfer to Group. The expiration date of license is the year 2041.

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

13. Intangible assets (continued)

b) Intangıble assets related to concession agreements

Movement tables of intangible assets and accumulated amortization related to concession for the years ended December 31, 2017 and December 31, 2016 are as follows:

	January 1, 2017	**Additions**	**Transfers**	**Disposals**	**December 31, 2017**
Cost value:					
Privileged intangible assets	**161.200.670**	**-**	**-**	**-**	**161.200.670**
	161.200.670	**-**	**-**	**-**	**161.200.670**
Accumulated amortization:					
Privileged intangible assets	**(15.310.164)**	**(3.289.812)**	**-**	**-**	**(18.599.976)**
	(15.310.164)	**(3.289.812)**	**-**	**-**	**(18.599.976)**
Net carrying value	**145.890.506**				**142.600.694**

	January 1, 2016	Additions	Transfers	Disposals	December 31, 2016
Cost value:					
Privileged intangible assets	161.200.670	-	-	-	161.200.670
	161.200.670	-	-	-	161.200.670
Accumulated amortization:					
Privileged intangible assets	(12.020.352)	(3.289.812)	-	-	(15.310.164)
	(12.020.352)	(3.289.812)	-	-	(15.310.164)
Net carrying value	149.180.318				145.890.506

Amortization expenses amounted to TL 3.289.812 been charged to cost of sales. (2016: 3.289.812 TL).

Batıçim Enerji, which is a subsidiary of the Group, has signed an agreement with Prime Ministry Privatization Administration and Electricity Generation Corporation ("EGC") on 7 December 2011 for the transfer of operational rights of Group 4:Kovada I and Kovada II Hydroelectric Plants, at 1 March 2013 for Group 7:Hasanlar Hydroelectric Plants. Batıçim Enerji has liability to transfer all plant's operation with full function to EGC. According to the agreement, Batıçim Enerji Must keep the plants productivity with appropriate level and meet the maintenance, reparation and improvement costs. Batıçim Enerji is liable for all sort of damages and harms on production facilities.

Intangible assets related to concession agreements are amortized over the contract period.

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

14. Provisions, contingent assets and liabilities

a) Short-term provisions

	December 31, 2017	December 31, 2016
Legal Claims (**)	**2.370.926**	59.957
Penalty provisions of Competition Board (*)	**-**	5.840.322
	2.370.926	5.900.279

(*) Company paid penalty of Competition Authority at February 13, 2017 as of 31 December 2017, there is no ongoing ınquiry.

(**) The amount represents the provision booked in relation to lawsuits filed by the Group's customers. Management estimates that legal claims in questions will not lead to loses greater than the amount recognized as of 31 December 2016.

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
1 January	**6.780.551**	6.238.983
Current year expense	**787.227**	541.568
At the end of year	**7.567.778**	6.780.551

Provision was booked in order to rehabilitate land which has been impacted by the Group's quarry mining activities. Related expense for the period is included in cost of sales as the cost of rehabilitation.

c) Guarantees-Pledges-Mortgages ("GPM")

The Group's guarantees/pledge/mortgage position as at 31 December 2017 and 31 December 2016 is as follows:

	December 31, 2017	December 31, 2016
A. GPMs given on behalf of its own legal entity	**142.165.030**	67.348.277
B. GPM given on behalf of subsidiaries that are included in full consolidation	**880.951.913**	860.951.913
C.GPM given in order to guarantee third parties debts for the routine trade operations	**-**	-
D. Total amounts of other GPM given	**-**	
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 (*)	**-**	-
iii. Total amount of GPMs given on behalf of third parties which are not in scope of C.	**-**	-
Total given GPMs	**1.023.116.943**	928.300.190

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

14. Provisions, contingent assets and liabilities (continued)

According to Share Pledge Agreement signed on 1 December 2014, the Group put in pledge the capital of Batıçim Enerji Elektrik Üretim A.Ş. amounting to 83.975.000 TL (83.975 number of shares) with TL 1,000 nominal value in favor of Akbank T.A.Ş. Accordingly, the bank loan amounting to TL 36.025.000 (36.025 number of shares) in order to finance Batıçim Enerji Elektrik Üretim A.Ş, subsidiary Batısöke Söke Çimento Sanayii T.A.Ş have signed this agreement for sharing in favor of Akbank T.A.Ş

According to the Share Pledge agreement signed on 21 March 2016 the Company put in pledge the capital of Batıliman Liman İşletmeleri A.Ş amounting to TL 57.834.578 (5.783.457.756 number of shares) in favor of Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB").

The ratio of other GPM to shareholder's equity is 0% as of 31 December 2017 (31 December 2016 0%)

15. Employee benefits

a) Employee benefit obligations

	December 31, 2017	December 31, 2016
Social security premiums payable	**3.730.961**	2.902.470
Payables to personnel	**2.100.318**	2.003.688
Total	**5.831.279**	4.906.158

b) Long-term provisions for employee benefit

	December 31, 2017	December 31, 2016
Provision for employee termination benefit	**20.203.253**	18.273.440
Performance and seniority encouragement premium provision	**5.316.060**	3.302.090
Unused vacation liability	**2.555.656**	2.073.779
Total	**28.074.969**	23.649.309

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

15. Employee benefits (continued)

Provision for employee termination benefit:

Under Turkish Labor Law, the Group, 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 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 consist of one month's salary limited to a maximum of TL 4.732,48 (December 31, 2016 TL 4.297,21) of services at 31 December 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 a 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 consolidated 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.

The movement in the provision for employee termination benefits:

	2017	2016
1 January	**18.273.440**	17.201.282
Interest cost	**2.101.261**	644.211
Actuarial loss/(gain)	**1.014.602**	(605.828)
Service cost	**1.554.885**	3.087.598
Termination benefits paid	**(2.740.935)**	(2.053.823)
31 December	**20.203.253**	18.273.440

Of the total charge TL 2.782.394 (2016: TL 2.873.493), TL 176.316 (2016: TL 149.272) and TL 697.436 (2016: TL 709.044) were included in cost of sales, administrative expense and marketing expenses respectively.

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

15. Employee benefits (continued)

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

	Net discount rate		**Turnover rate to estimate the probability of retirement**	
Sensitivity level	**%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)	982.736	(906.208)	(133.063)	140.863

Performance and seniority encouragement Premium provisions

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 1 January	**3.302.090**	2.352.298
Paid performance and seniority encouragement	**(1.085.254)**	(804.297)
Provision in current year	**3.099.224**	1.754.089
Closing balance, 31 December	**5.316.060**	3.302.090

Performance and seniority encouragement premium provision expense of TL 1.523.414 (2016: TL 1.917.282), TL 128.088 (2016: TL 192.495) and TL 362.468 (2016: TL 1.192.313) has been allocated to cost of sales, sales and marketing expenses, administrative expenses respectively.

Unused vacation liability

Unused vacation provision expense of TL 377.491 (2016: 165.384 TL), TL 84.014 (2016: TL 176.171) and TL 20.732 (2016: TL 17.977) has been allocated to cost of sales, administrative expenses and marketing expense respectively.

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

16. Other assets and liabilities

i) Other assets

	December 31, 2017	December 31, 2016
a) Other current assets:		
Deferred VAT (*)	**21.812.393**	7.506.236
	21.812.393	7.506.236

	December 31, 2017	December 31, 2016
b) Other non-current assets:		
Deferred VAT (*)	**15.413.981**	17.184.213
	15.413.981	17.184.213

(*) 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

	December 31, 2017	December 31, 2016
a) Other Short-Term Liabilities:		
Mine tax accruals	**2.928.388**	2.078.591
Other	**1.158.156**	863.228
	4.086.544	2.941.819

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

17. Share capital, reserves and other equity items

a) Share capital

Paid and approved capital of the Company consist 8.000.000.000 number of shares that has TL 0,01 nominal value (31 December 2016 TL 0,01 and 8.000.000.000 shares).Share capital of company consist of A group bearer share and B group bearer shares.

The Group is subject to the upper limit is TL 400.000.000 as of 31 December 2017 (31 December 2016: TL 150.000.000).

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

	December 31, 2017		December 31, 2016	
Shareholders	**Share (%)**	**Amount (TL)**	Share (%)	Amount (TL)
Fatma Gülgün Ünal	**12,46**	**5.981**	12,46	5.981
Belgin Egeli	**9,91**	**4.755**	9,91	4.755
Yıldız İzmiroğlu	**9,75**	**4.681**	9,75	4.681
Fatma Meltem Günel	**7,85**	**3.768**	7,85	3.768
Mehmet Mustafa Bükey	**7,85**	**3.768**	7,85	3.768
Sülün İlkin	**7,72**	**3.704**	7,72	3.704
Other	**44,46**	**21.343**	44,46	21.343
Rearranged share capital	**100**	**48.000**	100	48.000

Group A shareholders have the following rights:

- All members of the board of governors have to be appointed from among the candidates chosen by holders of Group A transferable shares.
- Group A shareholders have the right to 15 (fifteen) votes. Whereas Group B shareholders have the right to 1 (one) vote during general assemblies.
- Without prejudice to the first dividend, Group A shareholders receive %10 of the total net earnings, to be distributed in proportion to their stake.
- In order to: amend articles numbered 7 (expect for paragraph 1 specifying the number of members of the Administrative Board),8,9,10,15,18,19,24,25 and 27; divide to dissolve the Company; increase capital by issuing more than number of bearer shares stated in article 6 or by issuing new name shares; change the type, group or number of Group A shares; convert already issued or to be issued Group B bearer or name shares to Group A shares or to Exchange with Group a name or bearer shares, 3/4 (three quarters) of the votes of Group A bearer shareholders must be obtained.

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

17. Share Capital, reserves and other equity items (continued)

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

	December 31, 2017		December 31, 2016	
Shareholders	**Share (%)**	**Amount (TL)**	share (%)	Amount (TL)
Çimko Çimento ve Beton Sanayi Ticaret A.Ş.	**24,21**	**19.356.379**	-	-
Sanko Holding A.Ş.	**-**	**-**	23,35	18.665.000
Fatma Gülgün Ünal	**9,97**	**7.971.214**	9,97	7.974.415
Sülün İlkin	**8,20**	**6.556.064**	8,20	6.552.085
Yıldız İzmiroğlu	**8,17**	**6.532.078**	8,17	6.532.585
Belgin Egeli	**7,64**	**6.108.333**	7,64	6.108.001
Fatma Meltem Günel	**6,62**	**5.292.822**	6,62	5.296.641
Mehmet Mustafa Bükey	**5,85**	**4.677.192**	5,85	4.674.309
Other	**29,34**	**23.457.918**	30,20	24.148.964
Rearranged share capital	**100**	**79.952.000**	100	79.952.000

	December 31, 2017	December 31, 2016
Inflation adjustments on share capital	**118.749.217**	118.749.217
Total	**118.749.217**	118.749.217

"Paid-in capital", "Restricted reserves" and "Share premiums" in accordance with "Communiqué on Financial Reporting Standards in Capital Market" numbered II-14.1 and published in the Official Gazette No: 28676 dated 13 June 2013 must be shown 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"
Other equity items shall be carried at the amounts calculated based on TAS Financial Reporting Standards.

Capital adjustment differences have no use other than adding to 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.

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

17. Share Capital, reserves and other equity items (continued)

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.

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

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 TL 285.177 (December 31, 2016: Not available).

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

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

Tangible assets re-valuation increase fund:

	2017
Opening balance, January 1	-
Current year revaluation effect	379.318.745
Deferred tax effect	(37.931.875)
Closing balance, December 31	**341.386.870**

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

	2017	2016
Opening balance, January 1	**490.579**	58.259
Current year remeasurement effect	**(1.093.618)**	540.400
Deferred tax effect	**218.724**	(108.080)
Closing balance, December 31	**(384.315)**	490.579

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

17. Share Capital, reserves and other equity items (continued)

d) Prior years' profits / (losses):

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

	December 31, 2017	December 31, 2016
Profit/Loss for period	**(34.086.772)**	(21.901.747)
Extraordinary reserves	**409.347.316**	390.232.883
Special Funds	**2.076.134**	2.076.134
Retained earnings	**1.258.722**	4.686.592
Total	**378.595.400**	375.093.862

18. Revenue and cost of sales

a) Revenue

	January 1 – December 31, 2017	January 1 – December 31, 2016
Domestic sales	**637.523.781**	569.035.902
Export sales	**59.357.691**	29.981.146
Other revenue	**25.198.496**	26.376.044
Sales returns	**(230.098)**	(325.881)
Sales discounts	**(1.548.288)**	(1.212.304)
Other discounts	**(32.785.111)**	(34.500.817)
Total	**687.516.471**	589.354.090

b) Cost of sales

	January 1 – December 31, 2017	January 1 – December 31, 2016
Raw materials used	**(216.805.879)**	(174.232.212)
Production overheads	**(150.728.287)**	(103.833.826)
Cost of trade goods	**(75.184.745)**	(71.987.332)
Payroll expenses	**(57.759.206)**	(50.056.786)
Depreciation expenses	**(35.866.574)**	(28.070.050)
Cost of services rendered	**(29.977.059)**	(25.230.982)
Amortization expenses	**(3.794.720)**	(4.225.155)
Provision for employee termination benefits	**(2.782.394)**	(2.873.493)
Provision for performance and seniority encouragement Premium	**(1.523.414)**	(1.917.282)
Reversal of provision /charges related to rehabilitation provision	**(787.227)**	(541.568)
Unused vacation accrual	**(377.491)**	(165.384)
Change in work-in process and finished goods	**3.272.326**	(8.522.532)
Other cost of sales	**(22.364)**	(535.965)
Total	**(572.337.034)**	(472.192.567)

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

19. General administrative expenses, marketing, sales and distribution expenses

	January 1 – December 31, 2017	January 1 – December 31, 2016
a) Administrative expenses:		
Payroll expenses	**(16.542.048)**	(15.517.723)
Real estate tax expenses	**(5.427.436)**	(4.576.345)
Outsource expenses	**(3.363.490)**	(5.473.625)
Depreciation expenses	**(2.716.997)**	(3.394.632)
Taxes and duties	**(2.317.405)**	(1.809.893)
Security expenses	**(2.334.409)**	(1.640.332)
Consultancy expenses	**(1.811.978)**	(3.373.283)
Amortization expenses	**(1.014.949)**	(573.275)
Provision of employee termination benefits	**(697.436)**	(709.044)
Cleaning expenses	**(546.348)**	(438.398)
Fuel expenses	**(423.194)**	(349.149)
Provision for performance and seniority encouragement Premium	**(362.468)**	(1.192.313)
Allowance for doubtful receivables	**(302.898)**	(846.371)
Unused vacation accrual	**(84.014)**	(176.171)
Other	**(133.910)**	(331.161)
	(38.078.980)	(40.401.715)

	January 1 – December 31, 2017	January 1 – December 31, 2016
b) Marketing expenses:		
Export expenses	**(9.669.173)**	(5.589.109)
Transportation and loading expenses	**(6.865.449)**	(4.113.904)
Payroll expenses	**(3.596.046)**	(2.772.845)
Advertisement expenses	**(1.280.713)**	(2.566.132)
Guarantees expenses	**(1.025.325)**	(1.464.973)
Vehicle rent expenses	**(173.517)**	(159.220)
Provision employee termination benefits	**(176.316)**	(149.272)
Provision for performance and seniority encouragement Premium	**(128.088)**	(192.495)
Depreciation expenses	**(46.278)**	(64.604)
Unused vacation accrual	**(20.372)**	(17.977)
Other	**(645.403)**	(73.772)
	(23.626.680)	(17.164.303)
Total operating expenses	**(61.705.660)**	(57.566.018)

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

20. Expenses by nature

	January 1 – December 31, 2017	January 1 – December 31, 2016
Raw material used	**(216.805.879)**	(174.232.212)
Production overheads	**(150.728.287)**	(103.833.826)
Payroll expenses	**(77.897.300)**	(68.347.354)
Cost of trade goods sold	**(75.184.745)**	(71.987.332)
Depreciation expense	**(38.629.849)**	(31.529.286)
Service production expense	**(29.977.059)**	(25.230.982)
Export expenses	**(9.669.173)**	(5.589.109)
Real estate tax expenses	**(5.427.436)**	(4.576.345)
Amortization expense	**(4.809.669)**	(4.798.430)
Transportation and loading expenses	**(6.865.449)**	(4.113.904)
Provision of employee termination benefits	**(3.656.146)**	(3.731.809)
Outsource expenses	**(3.363.490)**	(5.473.625)
Security expenses	**(2.334.409)**	(1.640.332)
Taxes and dues	**(2.317.405)**	(1.809.893)
Provision for performance and seniority encouragement Premium	**(2.013.970)**	(3.302.090)
Consultancy expenses	**(1.811.978)**	(3.373.283)
Advertisement expenses	**(1.280.713)**	(2.566.132)
Guarantees expenses	**(1.025.325)**	(1.464.973)
Reversal of provision/charges related to rehabilitation provision	**(787.227)**	(541.568)
Cleaning expenses	**(546.348)**	(438.398)
Unused vacation accrual	**(481.877)**	(359.532)
Fuel expenses	**(423.194)**	(349.149)
Allowance for doubtful receivables	**(302.898)**	(846.371)
Vehicle rent expenses	**(173.517)**	(159.220)
Other cost of sales	**(22.364)**	(535.965)
Change in work-in process and finished goods	**3.272.326**	(8.522.532)
Other	**(779.313)**	(404.933)
	(634.042.694)	(529.758.585)

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

21. Other income from operating activities/ (expenses)

a) Other income from operating activities

	January 1 – December 31, 2017	January 1 – December 31, 2016
Rediscount interest income	**22.475.697**	17.759.312
Foreign Exchange income from operating activities	**19.302.314**	26.730.875
Income from scrap sales	**2.292.714**	1.635.754
Recycling income	**372.926**	295.992
Income from insurance	**368.042**	910.317
Port services income	**251.579**	107.817
Rental income	**130.850**	1.328.322
Other income	**1.578.342**	2.193.009
Total	**46.772.464**	50.961.398

b) Other expenses from operating activities

	January 1 – December 31, 2017	January 1 – December 31, 2016
Foreign Exchange losses from operating activities	**(16.850.819)**	(17.762.100)
Rediscount interest expense	**(19.189.202)**	(12.699.811)
Provision for litigation	**(2.678.278)**	-
Scrap sale expense	**(510.278)**	-
Insurance claim expenses	**(29.521)**	(1.070.863)
Other	**(1.292.517)**	(454.221)
Total	**(40.550.615)**	(31.986.995)

22. Income from investing activities

	January 1 – December 31, 2017	January 1 – December 31, 2016
Income from investing activities:		
Interest income	**9.042.752**	4.385.508
Gain on sale of property, plant and equipment	**1.436.125**	2.167.308
	10.478.877	6.552.816

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

22. Income from investing activities (continued)

	January 1 – December 31, 2017	January 1 – December 31, 2016
Expense from investing activities:		
Impairment of tangible assets	**(1.179.709)**	-
Loss on sale of property, plant and equipment	**(175.090)**	(3.229.832)
	(1.354.799)	(3.229.832)

23. Financial income

	January 1 – December 31, 2017	January 1 – December 31, 2016
Foreign exchange gains	**39.410.525**	17.555.481
Gain on derivative instruments	**-**	1.390.041
	39.410.525	18.945.522

24. Financial expenses

	January 1 – December 31, 2017	January 1 – December 31, 2016
Foreign exchange losses	**(72.940.217)**	(75.066.225)
Interest expense related to bank loans	**(52.800.303)**	(17.212.389)
Losses arising from derivative transactions	**(8.228.169)**	(2.691.283)
Guarantee letter commission expenses	**(509.452)**	-
Losses arising from fair value measurement of derivative transactions	**-**	(3.720.993)
Other	**(174.596)**	-
	(134.652.737)	(98.690.890)

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

25. Corporation tax (included deferred tax assets and liabilities)

Corporation tax

Statutory corporate income tax rate in Turkey is 20 %. However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% will be applied as 22% for the corporate earnings for the taxation periods of the years 2018, 2019 and 2020 (for the accounting periods that start within the related year for the institutions that are designated as special accounting period).

Taxation income (expense) reported in the statement of profit or loss	**January 1 – December 31, 2017**	January 1 – December 31, 2016
Current tax expense	**(6.760.693)**	(10.329.086)
Deferred tax income related to the origination and reversal of temporary differences	**13.759.493**	11.116.952
Total	**6.998.800**	787.866

	December 31, 2017	December 31, 2016
Current corporate tax provision	**6.760.693**	10.329.086
Less: Prepaid taxes and funds	**(7.235.517)**	(12.836.526)
Current tax assets	**(474.824)**	(2.507.440)

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

25. Corporation tax (included deferred tax assets and liabilities) (continued)

	Taxable temporary differences		**Deferred tax assets / (liabilities)**	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Revaluation of tangible assets	**(395.524.264)**	-	**(39.552.427)**	**-**
Difference between the tax base and the carrying amount of tangible and intangible assets	**(35.393.221)**	(63.179.345)	**(7.078.644)**	(12.635.869)
The net difference between the tax value and the book value of inventories	**(896.617)**	(1.171.025)	**(179.323)**	(234.205)
Rediscount of merchandise receivables and rediscounts	**(116.454)**	-	**(23.291)**	-
Other	**(444.977)**	(3.569.510)	**(88.995)**	(713.902)
Deferred tax liabilities			**(46.922.680)**	(13.583.976)
Difference between the tax base and the carrying amount of intangible fixed assets	**54.559.308**	60.786.270	**10.911.862**	12.157.254
Taxable financial losses	**46.155.751**	16.405.170	**10.154.264**	3.281.033
Termination indemnity, allowance and severance incentive, performance premium provision	**28.074.969**	23.649.310	**5.614.993**	4.729.862
Reduced investment available	**9.440.964**	10.690.187	**1.416.145**	1.603.528
Procurement of minefield rehabilitation	**7.567.778**	6.780.550	**1.513.556**	1.356.110
Increase in cash capital interest incentive	**5.221.562**	-	**1.148.744**	-
Rediscount of merchandise receivables and rediscounts	**1.930.287**	1.032.935	**386.057**	206.587
Impairment of property, plant and equipment	**1.179.709**	-	**235.942**	-
Litigation provisions	**2.228.506**	-	**445.701**	-
Derivative financial instruments fair value accruals	**-**	3.720.995	**-**	744.199
Deferred tax asset			**31.827.264**	24.078.573
Deferred tax asset/(liability), net			**(15.095.416)**	10.494.597

The expiry dates of the financial losses carried forward that are subject to deferred tax are as follows:

	December 31, 2017	December 31, 2016
Will be expired at 2019	**1.632.769**	1.632.769
Will be expired at 2021	**14.772.401**	14.772.401
Will be expired at 2022	**29.750.581**	**-**
	46.155.751	16.405.170

Within the scope of the "Law Amending the Laws of Some Laws and Amendments to Laws" numbered 6637 published in the Official 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 Official Gazette dated 31 December 2016, 50%.

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

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

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%,

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 schedule of net deferred tax assets and liabilities is as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Opening balance	**10.494.597**	(501.189)
Recognized in statement of profit or loss	**13.759.493**	11.116.952
Charged to other comprehensive (loss) / income	**(39.349.506)**	(121.166)
December 31, net balances	**(15.095.416)**	10.494.597

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:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Pretax income from continuing operations	**(26.422.508)**	2.147.524
The current effective statutory tax rate	**%20**	%20
Calculated tax income (expense)	**5.284.502**	(429.505)
Cash equity incentive	**1.148.744**	-
The effect of non-deductible expenses	**(803.672)**	(309.055)
The effect of deduction / exception of income	**288.222**	86.698
Share of profit/loss of investments accounted under equity method	**-**	1.809.959
Effect of changes of corporate tax ratio	**923.114**	-
Effect of other adjustments	**157.890**	(370.231)
Taxation income (expense) reported in the statement of profit or loss)	**6.998.800**	787.866

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

26. Earnings per share / (loss)

Earnings per share	**January 1 – December 31, 2017**	January 1 – December 31, 2016
Net profit for the year attributable to owners	**(11.805.706)**	7.311.990
Weighted average number of the shares outstanding	**7.654.427.697**	7.570.979.246
100 unit earnings per share, nominal value is 1 TL	**(0,1542)**	0,0966

As of December 31, 2017, 345.572.303 (December 31, 2016: 345.572.303) Company shares held by Batisöke and Batıbeton, the subsidiaries of the Company, and 2.355.700. The company's share is deducted from the issued share capital in accordance with TAS 33.

27. Derivative financial instruments

The Group uses foreign currency derivatives to hedge its future significant transactions and cash flows from financial loss. The Group is party to various forward contracts and options depending on the management of fluctuations in exchange rates. Derivative instruments purchased are principally denominated in the currency of the market in which the Group operates.

	December 31, 2017			December 31, 2016		
	Nominal amount of contract (TL)	**Fair value (TL)**		Nominal amount of contract (TL)	Fair value (TL)	
		Asset	**(Liability)**		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 2017, and are renewed on revolving basis as required. As of December 31, 2017, there is no exchange derivatives. (31 December 2016: TL 3.720.993). These amounts are based on quoted market prices for equivalent instruments at the reporting date.

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 Group. The Group 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 Group'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, mainly from construction industry. 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 experiences.

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

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

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

December 31, 2017

	Receivables						
	Trade receivables		Other receivables				
	Related Parties	Third Parties	Related Parties	Third Parties	Financial Investment	Deposits at bank	Total
Maximum credit risk as of reporting date (A+B+C+D+E) (*)	**-**	**246.066.030**	**-**	**699.000**	**8.587.462**	**62.726.555**	**318.079.047**
- Secured portion of the maximum credit risk by guarantees (**)	**-**	**180.418.195**	**-**	**-**	**-**	**-**	**180.418.195**
A. Net book value of financial assets that are neither past due not impaired	**-**	**246.066.030**	**-**	**699.000**	**8.587.462**	**62.726.555**	**318.079.047**
B. Net book value of financial assets with renegotiated conditions that are otherwise considered as overdue or impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Net book value of financial assets that are past due but not impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Net book value of the impaired assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Past due (gross book value)	**-**	**1.949.547**	-	-	-	-	-
- Impairment (-)	**-**	**(1.949.547)**	-	-	-	-	-
E. Off-balance-sheet items include credit risk	**-**	**-**	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.
(**) Guarantees consist of the guarantee letters, guarantees, notes and mortgages obtained from customers.

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

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

December 31, 2016

	Receivables						
	Trade receivables		Other receivables				
	Related party	Third party	Related party	Third party	Financial investment	Deposits at banks	Total
Maximum credit risk as of reporting date (A+B+C+D+E) (*)	-	193.048.728	-	1.477.318	10.000	126.665.671	321.201.717
- Secured portion of the maximum credit risk by guarantees (**)	-	168.052.806	-	-	-		168.052.806
A. Net book value of financial assets that are neither past due not impaired	-	193.048.728	-	1.477.318	10.000	126.665.671	321.201.717
B. Net book value of financial assets with renegotiated conditions that are otherwise considered as overdue or impaired							
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1.646.649	-	-	-	-	-
- Impairment (-)	-	(1.646.649)	-	-	-	-	-
E. Off-balance-sheet items include credit risk	-	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.
(**) Guarantees consist of the guarantee letters, guarantees, notes and mortgages obtained from customers.

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

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

b) Liquidity risk:

The ultimate responsibility for liquidity risk management belongs the Board of Directors, which has built an appropriate liquidity risk management framework for the management of Group 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 Group’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 Group’s can be required to pay. The table includes both interest and principal cash flow.

December 31, 2017

Expected terms	**Book value**	**Contracted cash outflow (I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 – 5 years and more (III)**	**More than 5 years (IV)**
Non-derivative financial Liabilities						
Financial borrowings	**926.583.469**	**1.171.920.692**	**77.696.297**	**178.765.445**	**610.727.042**	**304.731.908**
Trade payables	**232.686.190**	**235.312.153**	**235.312.153**	**-**	**-**	**-**
Other payables	**311.494**	**311.494**	**311.494**	**-**	**-**	**-**
Total	**1.159.581.153**	**1.407.544.339**	**313.319.944**	**178.765.445**	**610.727.042**	**304.731.908**

December 31, 2016

Expected terms	Book value	Contracted cash outflow (I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 – 5 years and more (III)	More than 5 years (IV)
Non-derivative financial Liabilities						
Financial borrowings	661.955.959	832.671.739	30.733.118	91.238.660	365.372.189	345.327.772
Trade payables	166.932.950	184.692.262	184.692.262	-	-	-
Other payables	311.494	311.494	311.494	-	-	-
Total	829.200.403	1.017.675.495	215.736.874	91.238.660	365.372.189	345.327.772
Derivative financial liabilities						
Derivative cash inflows	-	48.699.150	41.511.150	7.188.000	-	-
Derivative cash outflows	(3.720.993)	(52.392.159)	(44.779.864)	(7.612.295)	-	-
Derivative Instruments (net)	(3.720.993)	(3.693.009)	(3.268.714)	(424.295)	-	-

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

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

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

	December 31, 2017			December 31, 2016		
	TL	**USD**	**EUR**	TL	USD	EUR
1. Trade receivables	**181.801**	**43.831**	**3.649**	4.451.607	1.264.921	27
2a. Monetary financial assets (including cash and bank accounts)	**68.177.381**	**14.615.335**	**2.890.001**	84.320.431	5.406.709	17.599.703
2b. Non-monetary other liabilities	**-**	**-**	**-**	-	-	-
3. Other	**5.476.684**	**112.273**	**1.119.079**	13.968.146	29.617	3.737.006
4. Current assets (1+2+3)	**73.835.866**	**14.771.439**	**4.012.729**	102.740.184	6.701.247	21.336.736
5. Trade receivables	**-**	**-**	**-**	-	-	-
6a. Monetary other assets	**-**	**-**	**-**	-	-	
6b. Non-monetary other assets	**-**	**-**	**-**	-	-	-
7. Other	**-**	**-**	**-**	3.211.689	34.459	833.020
8. Non-current assets (5+6+7)	**-**	**-**	**-**	3.211.689	34.459	833.020
9. Total assets (4+8)	**73.835.866**	**14.771.439**	**4.012.729**	105.951.873	6.735.706	22.169.756
10. Trade payables	**35.692.538**	**3.279.818**	**5.164.742**	16.609.119	1.705.291	2.859.338
11. Financial liabilities	**155.915.084**	**9.313.697**	**26.748.921**	92.841.809	15.788.412	10.048.581
12a. Monetary other liabilities	**234.775**	**61.525**	**600**	218.745	61.525	600
12b. Non-monetary other liabilities	**-**	**-**	**-**	-	-	-
13. Shırt term liabilities (10+11+12a+12b)	**191.842.397**	**12.655.040**	**31.914.263**	109.669.673	17.555.228	12.908.519
14. Trade payables	**-**	**-**	**-**	-	-	-
15. Financial liabilities	**517.656.528**	**23.982.585**	**94.606.714**	486.809.286	32.894.705	100.015.160
16a. Monetary other liabilities	**-**	**-**	**-**	-	-	-
16b. Non-monetary other liabilities	**-**	**-**	**-**	-	-	-
17. Long term liabilities (14+15+16a+16b)	**517.656.528**	**23.982.585**	**94.606.714**	486.809.286	32.894.705	100.015.160
18. Total liabilities (13+17)	**709.498.925**	**36.637.625**	**126.520.977**	596.478.959	50.449.933	112.923.679
19. Net asset/(liability)position of off-balance sheet derivative instruments (19a-19b)	**-**	**-**	**-**	(51.938.600)	-	(14.000.000)
19a Off-balance sheet foreign currency derivative assets	**-**	**-**	**-**	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	**-**	**-**	**-**	51.938.600	-	14.000.000
20. Net foreign currency asset/(liability) position (9-18+19)	**(635.663.059)**	**(21.866.186)**	**(122.508.248)**	(542.465.686)	(43.714.227)	(104.753.923)
21. Net foreign currency asset/(liability)position of monetary items (TFRS7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(641.139.743)**	**(21.978.459)**	**(123.627.327)**	(507.706.921)	(43.778.303)	(95.323.949)
22. Total fair value of financial instruments used for foreign currency hedging	**-**	**-**	**-**	(3.720.993)	-	-
23. Hedged amount for current assets	**-**	**-**	**-**	-	-	-
24. Hedged amount for current liabilities	**-**	**-**	**-**	-	-	-

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

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

Table of foreign currency sensitivity analysis

		December 31, 2017
		Profit / (loss) effect before tax
	Foreign currency appreciation	**Foreign currency depreciation**
When USD changes by 10% against TL		
1 - USD net asset/liability	**(8.247.707)**	8.247.707
2- Amount hedged from USD risk (-)	**-**	-
3- USD net effect (1 +2)	**(8.247.707)**	8.247.707
When Euro changes by 10% against TL		
4 - Euro net asset/liability	**(55.318.599)**	55.318.599
5 - Amount hedged from Euro risk (-)	**-**	-
6- Euro net effect (4+5)	**(55.318.599)**	55.318.599
Total (3 + 6)	**(63.566.306)**	63.566.306

		December 31, 2016
		Profit / (loss) effect before tax
	Foreign currency appreciation	Foreign currency depreciation
When USD changes by 10% against TL		
1 - USD net asset/liability	(15.406.461)	15.406.461
2- Amount hedged from USD risk (-)	-	-
3- USD net effect (1 +2)	(15.406.461)	15.406.461
When Euro changes by 10% against TL		
4 - Euro net asset/liability	(35.364.231)	35.364.231
5 - Amount hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(35.364.231)	35.364.231
Total (3 + 6)	(50.770.692)	50.770.692

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

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

Interest rate risk

Group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk aptitude; 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 31 December 2017, and 2016 table of sensitivity analysis for foreign currency risk is as follows:

	2017	2016
Fixed rate instruments		
Financial assets	**70.150.672**	125.152.290
Financial liabilities	**802.855.198**	520.295.963
Floating rate instruments		
Financial liabilities	**123.728.271**	141.659.996

If there is a change of +/- 1% in interest rates on variable rate loans, the interest expenses will change +/- 1.237.283 TL (December 31, 2016 - 1.416.600 TL).

d) Capital management

The Group manages its capital to Group will be able to continue a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance

The capital structure of the Group consist of debt, which includes the borrowing disclosed in Note cash and cash equivalents and equity attributable to equity holders of parent, comprising issued capital, reserves and retained earnings.

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

In parallel with the other entities in the sector, the Company monitors its debt/equity ratios for capital management purposes. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (total amount of short and long term liabilities in the statement of financial position) less cash and cash equivalents. Total share capital is the sum of all equity items recognized in the statement of financial position.

	December 31, 2017	December 31, 2016
Total financial liabilities	**926.583.469**	661.955.959
Cash and cash equivalents (-)	**(62.808.370)**	(126.730.982)
Net financial liabilities	**863.775.099**	535.224.977
Total capital	**985.377.334**	603.264.018
Net liabilities / total equity ratio	**0,88**	0,89

29. Fair value

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.

The Company has determined the estimated values of its financial instruments by using the available market information and best practices for valuation. However, fair value measurement requires interpretation and reasoning. Accordingly, the estimates arrived at may not always be the indicators of values that the Company would obtain from a current market operation.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which fair value could be determined:

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.

Levels of fair value measurement

The Company classifies the fair value measurement of each class of financial instruments according to their sources, using a three-level hierarchy as follows:

Level 1: Based on registered (uncorrected) prices in active markets;
Level 2: Either directly (through the prices in the active market) or indirectly (by deriving from the prices in active markets);
Level 3: Not based on observable market data.

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

29. Financial Instruments (Fair value and hedge accounting disclosures) (continued)

The hierarchy table of financial assets and liabilities carried at fair value as of December 31, 2016 and December 31, 2017 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial liabilities carried at fair value	-	(3.720.993)	-	(3.720.993)
Total liabilities	-	(3.720.993)	-	(3.720.993)

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 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	**-**	**-**	**497.973.573**
	-	**-**	**497.973.573**

The methods used to determine the fair values of 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**
Property, plant and equipment				
Land	Equivalent of precedent	• comparative selling price – (TL/m2)	8-1.200 TL	103 TL

30. Subsequent events

None.

31. Disclosure of other matters

Convenience translation to English:

As at December 31, 2016, 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.