ANNUAL REPORT 2017

çimentaş
CEMENTIR HOLDING

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INDEX

1 INTRODUCTION

6 Introduction
6 Agenda
7 Chairman's Speech
8 Çimentaş Group
8 Cementir Holding Group
9 Global Presence
11 Identity, Vision, Mission, Values
12 Performance, financial and equity highlights

2 ANNUAL REPORT

16 Independent Auditors' Report for Annual Report
18 2017 Annual Report
24 Report on the Application of Corporate Governance Principles

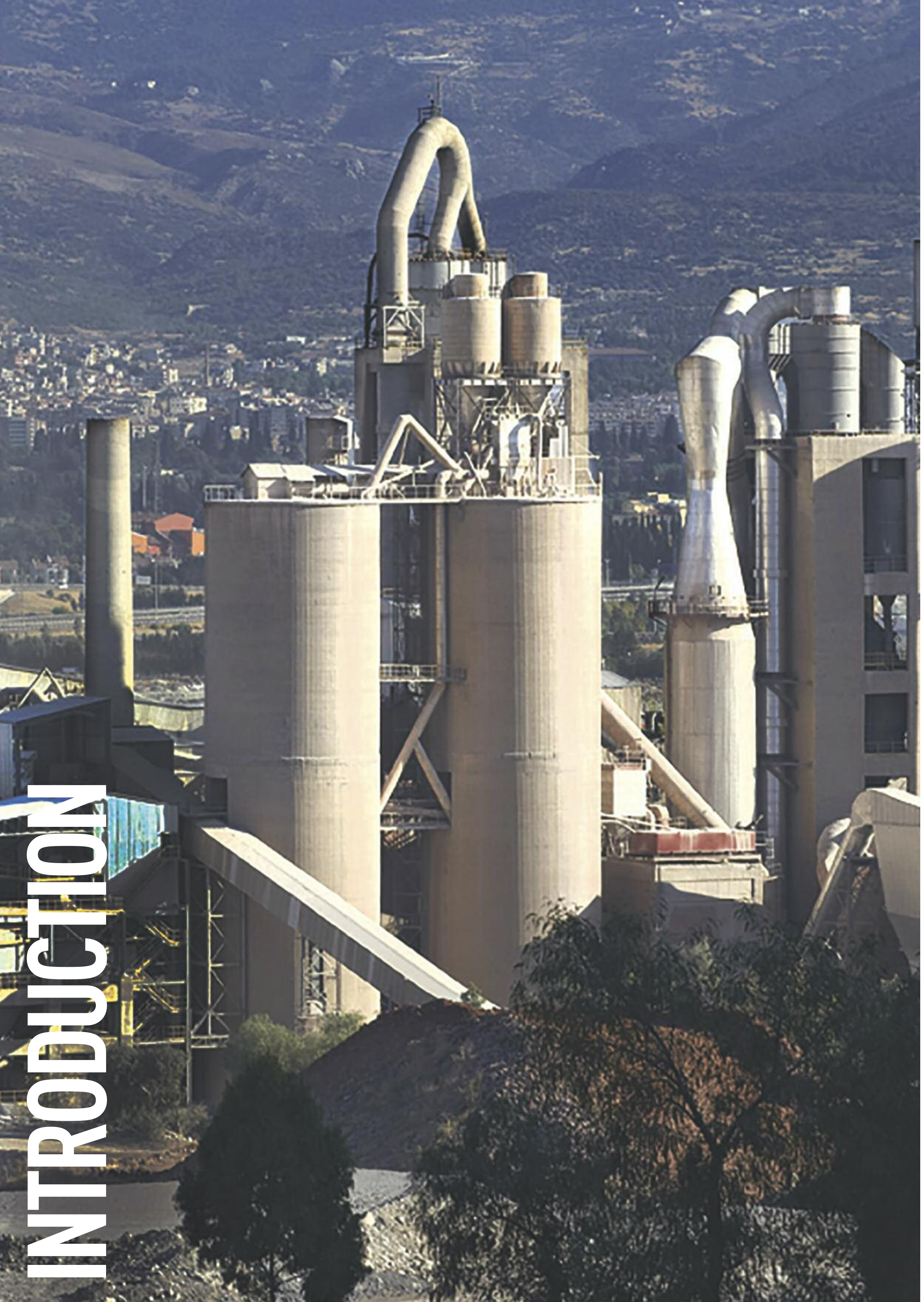
3 CONSOLIDATED FINANCIAL STATEMENTS 2017

34 Independent Auditors' Report for Financial Statements
42 Consolidated Financial Statements
44 Income Statement
46 Statement of Changes in Equity
48 Statement of Cash Flows

4 NOTES TO THE FINANCIAL STATEMENTS

52 Notes to the Financial Statements

112 Proposal for Profit Distribution
114 Çimentaş Group



1 INTRODUCTION

6 Introduction
6 Agenda
7 Chairman's Speech
8 Çimentaş Group
8 Cementir Holding Group
9 Global Presence
11 Identity, Vision, Mission, Values
12 Performance, financial and equity highlights

INTRODUCTION

This report is for presentation to 67th Annual General Assembly Meeting of Shareholders in the Company Çimentaş İzmir Çimento Fabrikası Türk A.Ş. that is to be convened at the Company's headquarters at the address of Egemenlik Mahallesi Eski Kemalpaşa Caddesi No.4B Işıkkent Bornova-İZMİR on 18 April 2018 at 11.30 to examine and approve the Company's operating results for the period 1 January 2017 to 31 December 2017.

AGENDA

1. Opening and roll-call,
2. Formation of the presiding committee and authorization of the committee to sign the minutes and other meeting-related documents pursuant to article 16 of the company's articles of association,
3. Reading and deliberation of the annual report of the Board of Directors and the independent auditing firm,
4. Reading, deliberation, and decision concerning approval of the 2017 balance sheet, income statement and other financial tables,
5. Ratification of the co-optations made within the Board members during the period 2017 by the General Assembly as per article 363 of TCC,
6. Individual acquittal of the members of the Board of Directors of their fiduciary responsibilities for the accounts and transactions of the company in 2017,
7. Deliberation and decision about the 2017 profit/loss,
8. Deliberation and resolution about approval of the Independent External Audit Firm assigned by the Board for the year 2018 and the acceptance of the independent external audit agreement,
9. Determination of the number and the period of the BoD members. Election of BoD members and independent Board members,
10. Deliberation and decision concerning the remuneration of the directors,
11. Information and deliberation concerning to permission to the Chairman and Board members in accordance with articles 395 and 396 of the Turkish Commercial Code,
12. Information and deliberation concerning the donations and charities made within the year 2017,
13. Information and deliberation concerning the donations and charities will make in the year 2018,
14. Information about guarantees given on behalf of 3rd parties,
15. Wishes, Closing.

CHAIRMAN'S SPEECH

Dear Shareholders,

following a challenging 2016, especially during the second half of 2017 our Group has been able to recover some of the lost ground both in terms of sales and profitability.
We have all been focusing on strengthening and reinforcing our competitive position in order to capture all potential opportunities in the domestic market. Such results are all the more encouraging, in the face of significant headwind coming from geopolitical tensions, inputs cost inflation and growing competitive pressures.
The increase in domestic inflation, which reached 11.9% during 2017, has impacted many inputs costs such as labor and domestic services.
In the same period the average Turkish lira exchange rate devaluation of 23,3% vs. the Euro and 20.8% vs. the US dollar determined a marked increase on all imported goods and in particular on the price of fuel and the consequent increase in electricity tariffs. As energy costs account for over 40% of manufacturing inputs, the impact on our profitability has been significant.
With regards to competitive pressures, in the three years ending in 2017, according to TCMB statistics and our internal analysis, clinker capacity in Turkey increased by over 14 million tons or around 21%, followed by a commensurate increase in cement grinding capacity. As demand has not always kept pace with such a capacity increase, the immediate consequence has been a decline in average plant capacity utilization and a subsequent lower return on assets.
On the back of such scenario, Cimentas Group management has implemented an aggressive cost-containment program which has contributed to offset such profitability deterioration. At the same time, we have been able to recover some of the lost volumes in the domestic market and therefore managed to improve our yearly results compared to 2016.
If we look at the long term, we continue to see tremendous opportunities ahead of us, in a country with young population and a growing middle class, with significant pent-up demand in infrastructure and housing.
We strive to maintain a leadership role in the building materials sector in Turkey. We endeavor to collaborate with local authorities and local communities wherever we operate, taking a balanced approach with all stakeholders, taking care of the community, the people and the environment through socially responsible initiatives.
We are grateful to all our employees who dedicate their energy and daily work for the success of our company and believe in the future of Cimentas Group.

Marco M. Bianconi
Chairman of the Board

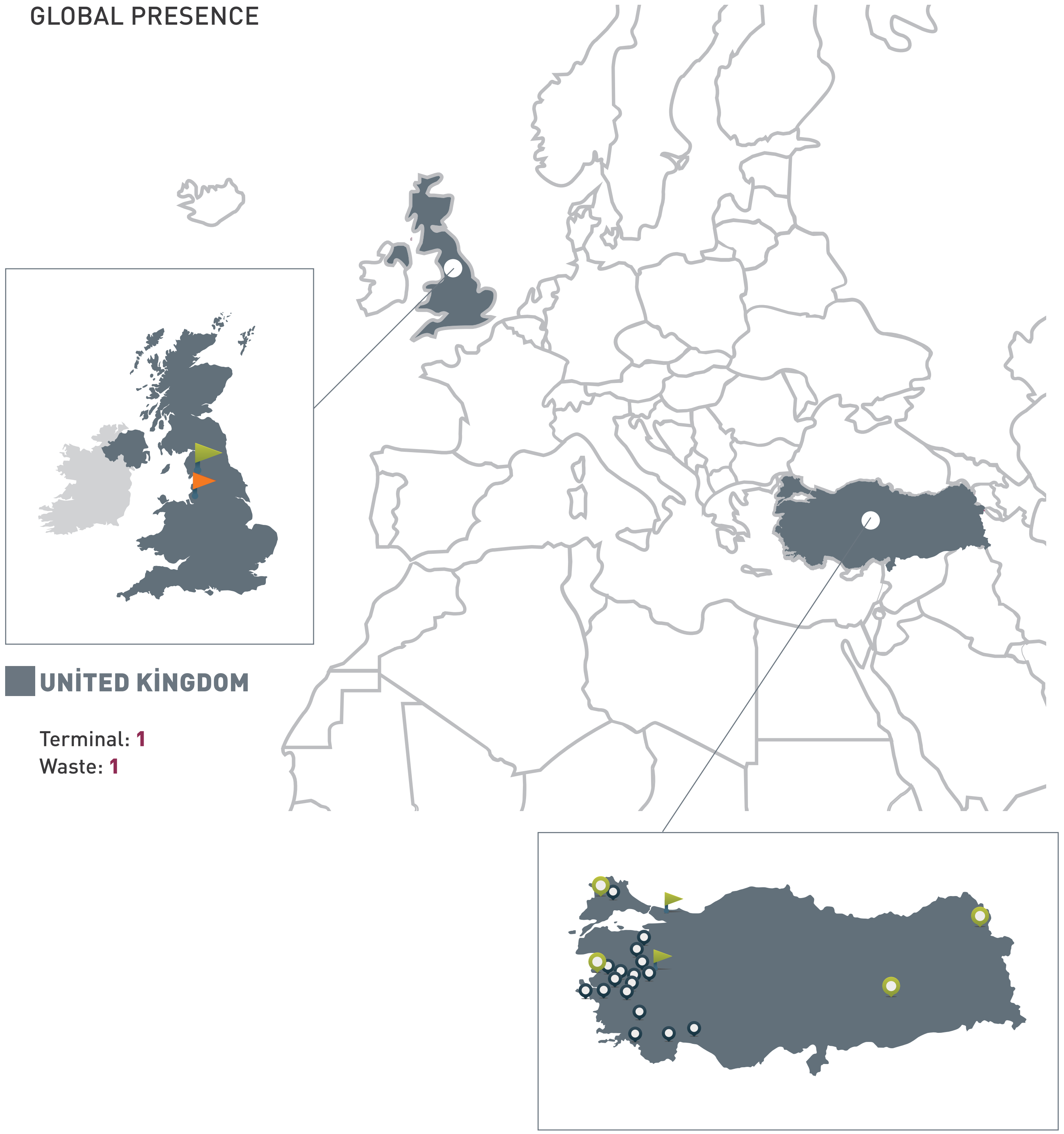
ÇİMENTAŞ GROUP

Founded in İzmir as the very first private cement plant of Turkey and the very first cement plant of the Aegean Region, Çimentaş was acquired in 2001 by the Cementir Holding.
Çimentaş is the most important affiliate of Cementir Holding with its cement plants located at İzmir, Edirne, Elazığ and Kars, 17 concrete plants throughout the country, businesses at İstanbul and Manisa and operations included in the largest and most modern waste management plants of Europe.
Çimentaş forms its responsible and sustainable operation approach under the highest occupational health and safety and environmental policies of the industry together with the group to which it is affiliated and wants all its employees to display behaviours complying with such policy. Çimentaş carries out its operations adopting internationally accepted standards as well as any relevant laws and regulations and aims at being recognised as a good neighbour through its contributions to the region besides being a responsible producer in its areas of activity.
In terms of production capacity, Çimentaş occupies top places amongst largest cement producers of the country, and with its partnerships and the companies it owns, Çimentaş Group is a very strong organisation which opens up from İzmir to the world. Çimentaş is now a Corporation which carries out and merchandises high-quality products with its production capacity, its own quarries and world-class modern integrated plants at home and abroad.

CEMENTIR HOLDING GROUP

Cementir Holding is an Italian multinational company specialised in the production and distribution of grey and white cement, ready-mixed concrete, aggregates and concrete products. It is also active in the management of urban and industrial waste. The company was formed in Italy in 1947 and is part of the Caltagirone Group. It has been listed on the Milan Stock Exchange since 1955 and is currently in the STAR segment.
Over the years the Cementir Group has grown through major investments and acquisitions throughout the world, becoming the global leader in the production of white cement. The Cementir Group is the only cement manufacturer in Denmark, the third-largest in Belgium and one of the biggest in Turkey. It is also the leading ready-mixed concrete manufacturer in Scandinavia. Cementir is now present in 18 countries across 5 continents. Its strategy is aimed at increasing the integration of its business activities as well as geographical diversification.

GLOBAL PRESENCE



UNİTED KİNGDOM

Terminal: **1**
Waste: **1**

TURKEY

Grey cement production capacity: **5,4 million**
Grey cement plants **4**
Ready-mixed concrete plants: **17**
Waste management facilities: **2**

Ready mixed concrete plants   Waste   Grey cement plants   Terminals

IDENTITY

Cementir is an International Group that:

- aspires to be a product leader.
- believes that continuously seeking quality in every business process is the key to success.
- is dynamic on the market, constantly seeking new opportunities.
- gives importance to the growth of its employees, its shareholders and the communities in which it operates.
- believes in sustainable development and works to achieve it.
- believes that diversity is an element of strength and value on which to base its actions.

VISION

We want to maintain our uniqueness on the market through product segmentation and business diversification.

We want to create value, thanks to an agile organization capable of sustaining growth, respecting the environment and fostering integration with local communities.

MISSION

We develop our growth through product leadership and a continuous improvement of processes.

We work dynamically to seize the best opportunities, leveraging our know-how and our people's flexibility.

We adapt our organization to the territory where it operates, to increase its value and to ensure mutual benefit.

VALUES

Dynamism

We look beyond to anticipate and seize the best opportunities. Being dynamic and flexible is the feature that makes us unique on the market and allows us to quickly meet our customers' demands.

Quality

We engage and invest in constantly improving the quality of our products. We seek the efficiency and effectiveness of our processes.

Value of people

We build relationships with our employees and stakeholders that last over time. We believe it is our responsibility to recognize the merits and abilities of our people and anyone working with the Group.

Diversity and inclusion

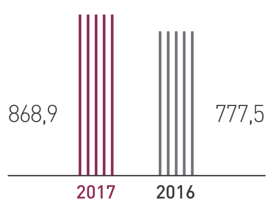
We consider diversity and inclusion a great asset. We work every day promoting diversity in all its forms and expressions.

Sustainability

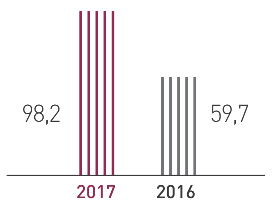
We believe that there can be no success without respect for the environment. We are responsible for the communities in which we live and work. It is our responsibility to take care of our property while safeguarding the environment and natural resources.

PERFORMANCE, FINANCIAL AND EQUITY HIGHLIGHTS

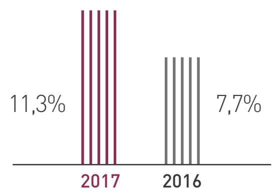
Revenue (TL million) +11.8%



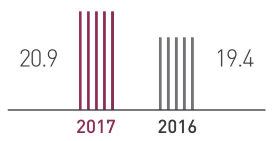
EBITDA (TL million) +64.5%



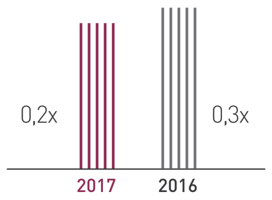
EBITDA Margin (%) +3.6 percentage points



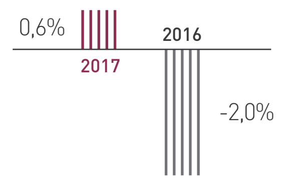
Net financial debt (TL million) +1.4 million



Net financial debt / EBITDA



Return on Equity ROE (%)



Performance highlights

('000 TL)	2017	2016	2015	2014	2013	2012	2011
Revenue	868.945	777.463	747.987	780.621	676.503	597.122	558.665
EBITDA	98.235	59.721	133.128	193.719	138.831	64.803	105.659
EBITDA Margin %	*11,3%*	*7,7%*	*17,8%*	*24,8%*	*20,5%*	*10,9%*	*18,9%*
EBIT	38.600	(2.918)	69.497	132.055	83.138	19.278	64.422
EBIT Margin %	*4,4%*	*-0,4%*	*9,3%*	*16,9%*	*12,3%*	*3,2%*	*11,5%*
Financial income/expense	2.353	(2.508)	(1.975)	423	-30.194	11.812	(8.221)
Profit/(loss) before taxes	40.953	(5.426)	67.522	132.478	52.944	31.090	56.201
Income taxes	(33.960)	(17.793)	(9.234)	(16.118)	(16.674)	(9.970)	(19.039)
Profit/(loss) for the year	6.993	(23.219)	58.288	116.360	36.270	21.120	37.162
Profit/(loss) for the period margin %	*0,8%*	*-3,0%*	*7,8%*	*14,9%*	*5,4%*	*3,5%*	*6,7%*
Group net profit	31.640	4.667	73.232	110.866	34.301	12.744	21.184
Group net profit margin %	*3,6%*	*0,6%*	*9,8%*	*14,2%*	*5,1%*	*2,1%*	*3,8%*

Financial and equity highlights

('000 TL)	2017	2016	2015	2014	2013	2012	2011
Net capital employed (a)	912.719	904.034	938.028	962.845	936.092	910.989	642.361
Total assets	1.567.200	1.500.017	1.539.627	1.482.668	1.402.618	1.271.906	1.197.660
Total equity	1.175.934	1.175.409	1.199.162	1.141.423	1.028.678	924.755	888.740
Group shareholders' equity	1.021.404	996.639	992.593	919.710	810.581	767.767	740.461
Net financial debt	20.855	19.429	22.730	44.350	89.081	134.551	143.899

(a) Intangible assets + tangible assets + working capital

Profit and equity ratios

	2017	2016	2015	2014	2013	2012	2011
Return on equity (a)	0,6%	-2,0%	4,9%	10,2%	3,5%	2,3%	4,2%
Return on capital employed (ROCE) (b)	4,2%	-0,3%	7,4%	13,7%	8,9%	2,1%	10,0%
Equity ratio (c)	75,0%	78,4%	77,9%	77,0%	73,3%	72,7%	74,2%
Net gearing ratio (d)	1,8%	1,7%	1,90%	3,9%	8,7%	14,5%	16,2%
Net financial debt / EBITDA	0,2x	0,3x	0,2x	0,2x	0,6x	2,1x	1,4x

(a) Net profit / Total equity
(b) EBIT / Net capital employed
(c) Total equity / Total assets
(d) Net financial debt / Total equity

Cash flows

('000 TL)	2017	2016	2015	2014	2013	2012	2011
Cash flows from operating activities (CFFO)	13.844	56.779	91.727	90.452	110.639	66.978	30.549
Cash flows from investing activities (CFFI)	(28.185)	(45.332)	(39.234)	(74.120)	(20.025)	(122.823)	(31.699)
Cash flows from financing activities (CFFF)	(384)	(19.994)	(32.038)	(33.865)	(53.176)	(8.225)	(17.795)
Free cash flow (FCF)	(14.725)	(8.547)	20.455	(17.533)	37.438	(64.070)	(18.945)

Employees

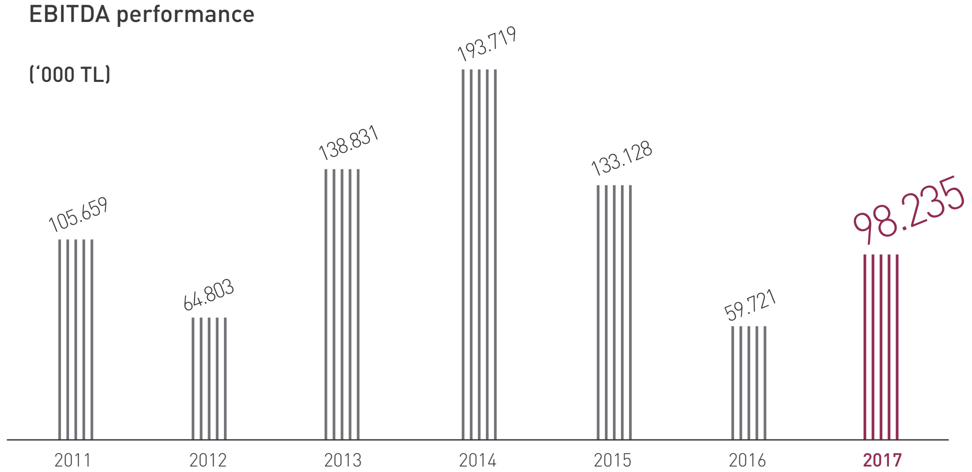
	2017	2016	2015	2014	2013	2012	2011
Number of employees (at 31 Dec.)	885	919	1.047	1.082	1.129	1.204	1.070
Acquisitions (000 TL)	0,0	0,0	0,0	0,0	0,0	24.170	12.100
Investments (000 TL)	38.342	46.827	58.038	83.707	87.985	111.755	83.982

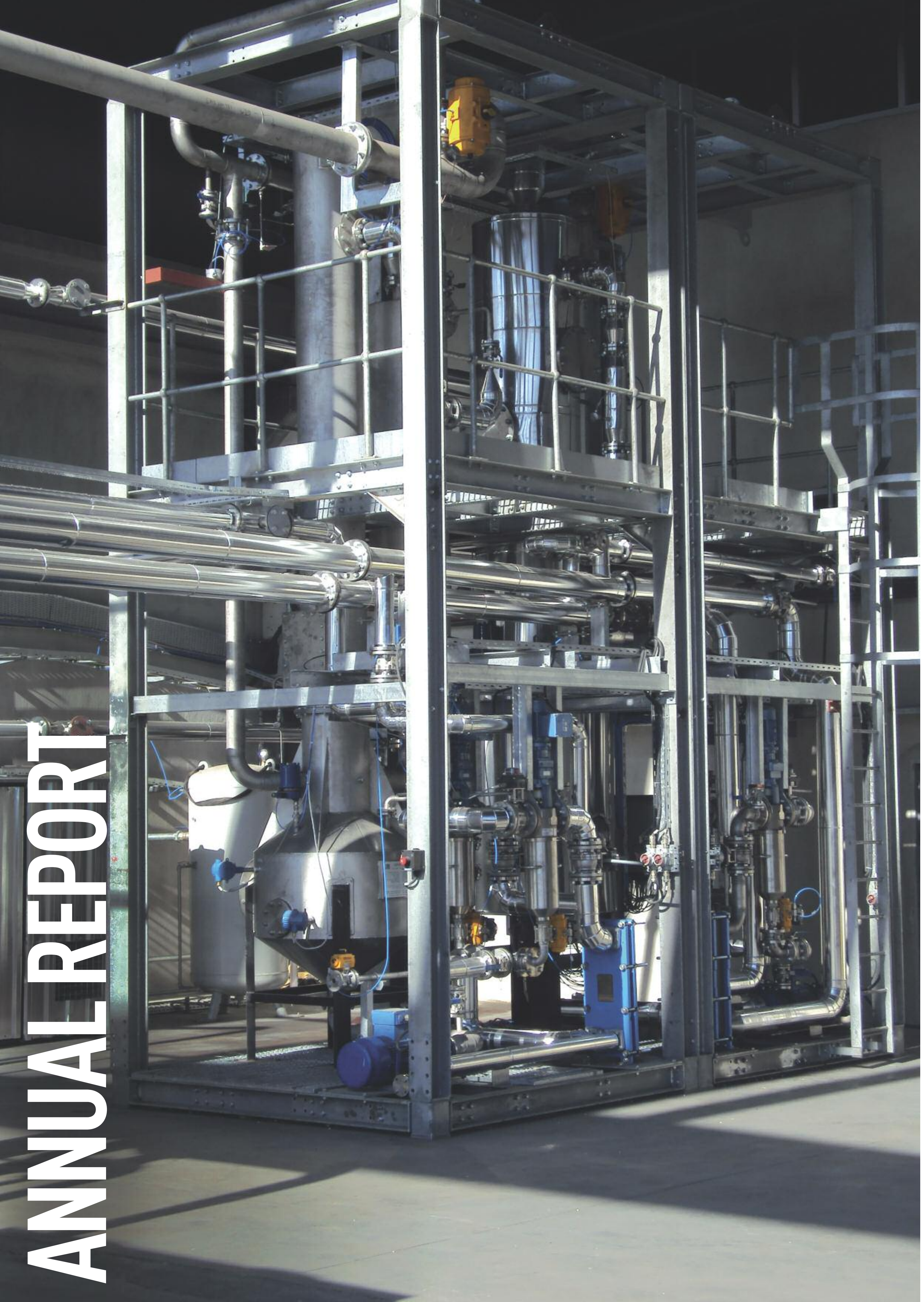
Sales volumes

('000 TL)	2017	2016	2015	2014	2013	2012	2011
Grey cement (tonnes)	4.239.403	4.087.727	3.621.625	3.908.297	3.970.173	3.940.353	3.865.840
Ready-mixed concrete (m^3)	1.562.814	1.892.886	1.491.148	1.387.029	1.483.881	1.400.485	1.521.477

EBITDA performance

('000 TL)





2 ANNUAL REPORT

16 Independent Auditors' Report for Annual Report
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**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

1. Opinion

We have audited the annual report of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 6 March 2018 on the full set consolidated financial statements for the 1 January - 31 December 2017 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

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4. Board of Director's Responsibility for the Annual Report (Continue)

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:
- events of particular importance that occurred in the Company after the operating year,
- the Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINAL COPY ACCEPTED AND SIGNED IN TURKISH

Mehmet Karakurt
Partner

İstanbul, 6 March 2018

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş
2017 ANNUAL REPORT

A-General Information

1. Accounting Period
01.01.2017-31.12.2017

2. Corporate Information:

Company Name:	Izmir Çimento Fabrikası Türk A.Ş – ÇİMENTAŞ
Registration Number:	Commercial Register of Izmir – 20907 / K-47
Contact Details:	www.cimentas.com.tr
Head Office:	Egemenlik Mah. Eski Kemalpaşa Cad. No: 4B Işıkkent Bornova İzmir Tel: 0 232 472 1050 Fax: 0 232 472 1055
Branch:	Sinanköy Mevkii Lalapaşa Edirne Tel: 0 284 1104 Fax: 0 284 323 1240

3. Shareholding Structure and Capital:

Shareholder	Shares (TL)	%
Aalborg Portland Espana SL	85.198.814,11	97,80
Other	1.913.649,09	2,20
TOTAL	**87.112.463,20**	**100**

4. Members of the Board of Directors Involved During the Period

Name-Surname	Title	Term
Walter Montevecchi*	Chairman	18.04.2017-10.01.2018
Marco Maria Bianconi	Chairman	10.01.2018-18.04.2018
Marco Maria Bianconi	Vice Chairman	18.04.2017-18.04.2018
Stefano Pantaleo	Vice Chairman	10.01.2018-18.04.2018
Paolo Zugaro**	CEO	18.04.2017-07.07.2017
Veysi Taner Aykaç**	CEO	07.07.2017-18.04.2018
Stefano Pantaleo	Member	18.04.2017-10.01.2018
Daniela Cristarella	Member	06.06.2017-18.04.2018
Paolo Luca Bossi*	Member	10.01.2018-18.04.2018
İlhan F. Gürel	Independent Board Member	18.04.2017-18.04.2018
Taha Aksoy	Independent Board Member	18.04.2017-18.04.2018

* Mr Walter Montevecchi resigned from Board Membership on 17.01.2018. Mr Paolo Luca Bossi has been appointed as Board member accordingly.

** Mr Paolo Zugaro resigned from Board Membership on 07.07.2017. Mr Veysi Taner Aykaç has been appointed as Board member accordingly.

Authorization Limits
Invested with the powers specified in Capital Market Law, Turkish Commercial Code, Articles of Association of the Company and other legislation.

5. The Executives in Charge during the Period

Name-Surname	Title
Walter Montevecchi*	Chairman
Marco Maria Bianconi*	Chairman
Paolo Zugaro**	CEO
Veysi Taner Aykaç**	CEO
Yalçın Alpbaz*****	Managing Director
Ali İhsan Özgürman	CFO
Kübra Bolay Özemre	Human Resources Director
Barış Karahüseyin	Commercial Director
Kayhan Karabayır	Legal Affairs and Investment Relations Director
Uğur Aydın****	Technical Operations Director
Sorin Viorel Bogdan***	Regional Industrial Centre Director
Selçuk Kuntalp	Procurement Director

* Mr Walter Montevecchi resigned from the Chairman function. Mr Marco Maria Bianconi was appointed as Chairman on 17.01.2018.

** Mr Paolo Zugaro resigned from the CEO function. Mr Veysi Taner Aykaç was appointed as Chairman on 07.07.2017.

*** Mr Sorin Viorel Bogdan was appointed as Regional Industril Centre Director on 10.10.2017.

**** Mr Uğur Aydın resigned from the Technical Operations Director function on 31.12.2017.

***** Mr Yalçın Alpbaz resigned from the Managing Director function on 30.01.2018.

6. Corporate Governance Committee

İlhan F.Gürel	President
Stefano Pantaleo	Member
Gökçe Oyal Püskülcü	Member

7. Audit Committee

İlhan F.Gürel	President
Taha Aksoy	Member

8. Risk Committee

Taha Aksoy	President
Stefano Pantaleo	Member
Vedat Özer	Member

9. Personnel
Seven hundred and sixty-five employees, including executives, were working in Çimentas Group Companies as at 31.12.2017. Neals Waste Management Holdings Ltd. located in the UK which was acquired by our subsidiary, Recydia A.Ş, employees 120 resources, taking our total complement of staff to 885.

A Collective Labour Agreement for the years 2016 and 2017 has been signed by and between Çimento İşverenleri Sendikası and ÇİMSE-İŞ Sendikası resulting in an increase in salary and social benefits for blue-collar personnel. Salary and social benefits of other personnel has been determined based on merit and work performance by taking into consideration the financial status of the company.

10. Amendments to the Articles of Association during the Period

There were no amendments to the Articles of Association during the period.

11. Issuance of Securities during the Period and Related Obligations

Since there were no securities issued during the period, there are no potential financial obligations for the Company.

12. Subsidiaries and Shareholding Percentages in Subsidiaries

Subsidiary	Shares (TL)	%
Çimbeton A.Ş.	890.042	50,28
Kars Çimento A.Ş.	1.751.429	58,38
Recydia A.Ş.	137.536.620	24,94
Destek A.Ş.	49.993	99,99
Yapıtek A.Ş.	36.345	2,00

B-BENEFITS PROVIDED TO THE TOP EXECUTIVES

A decision was made during the ordinary general assembly meeting of the company for the year 2016 that each member of the Board of Directors was to be paid a 2.000-TL gross fee for each board meeting to attend and no fee other than this has been paid to the members of the Board of Directors.

The total amount of benefits provided to the senior management of the Cimentas group is 10.369.132-TL. Private health insurance has been provided to top company executives along with their salaries. Other than this, there is no fixed dividend, premium, bonus or any other payment that has been paid to them.

On behalf of the Company the total amount of all benefits provided to the top executives during the year 2017 was 9.115.039-TL. 8.629.641-TL of such amount consists of salaries and other payments while 485.389-TL consists of individual retirement and health insurance expenses and Social Security Institution premiums.

C-R&D ACTIVITIES

Quality improvement studies have been carried out at the Elazığ Cement Factory, Kars Cement Factory and Trakya Cement Factory within the scope of customer-focused during 2017. As a result of such studies and improvements, there has been significant improvement, particularly in the quality of clinker and product quality stabilization.

D-INFORMATION REGARDING COMPANY ACTIVITIES

1. Production Activity of the Company

As Çimentaş Group, the cement production is conducted through four clinkers/cement production Plants located in İzmir, Edirne, Kars and Elazığ. Among the Plants which are active in different regions of Turkey. Kars and Elazığ Plants have legal status, whereas the Plant in Edirne is structured as a branch.

The Company performs production activities in İzmir Plant using 2 rotary kilns, the clinker production in Edirne Plant is conducted using 1 kiln with calciner. Clinker production is performed using 1 kiln with pre-heat in Kars Plant and 1 kiln with calciner and 1 kiln semi-dry process in Elazığ Plant.

The cement grinding capacity of the Plants is higher than the clinker production capacity. The clinker production capacity is as follows:

Plant Name	Annual Clinker Production Capacity (Tons)
Çimentaş-İzmir	1.801.848
Çimentaş-Trakya	990.000
Elazığ Çimento A.Ş.	1.000.000
Kars Çimento A.Ş.	435.000

2. Investments

In 2017, our factories maintained the current efficiency levels and with them, maintenance, development and replacement investments were made in order to upgrade automation control levels in factories. The existing plants can be serviced with high reliability in a sustainable manner and at a cost savings.

In this context, the clinker cooling system has been improved at the İzmir plant; raw-mix mill equipment renovation work has continued at the Elazığ plant; the Trakya plant clinker stockyard has been improved and in order to regain waste heat in İzmir plant, heat recuperator investment has continued. Comprehensive upgrading of packaging and loading systems has been implemented at the İzmir plant. Comprehensive fire prevention and hydrant systems have been installed at the plants.

The investments to be made in 2018 will be carried out under the same understanding and will be mostly in the field of occupational health and safety and the environment and the increase in use of alternative fuels in Trakya and İzmir.

3. Internal Control and Independent Audit

The Internal Audit Function at Cementir Holding conducts the company's internal control and audit processes.

There is a Budget Planning & Controlling department in the company where the company's activities and transactions are audited to verify whether they are in compliance with the law and procedures along with activity results which are also controlled to verify whether they are in compliance with the budget and/or plans.

Both departments have been operating efficiently and actively. They duly inform the related departments on time. By doing so, they actively perform by taking precaution measures, implementing and enhancing additional operations.

Our company was audited by the independent auditing company PwC during the fiscal year and received a positive report.

No lawsuits were filed against the company, which would adversely affect its financial situation and operations.

No administrative or judicial sanctions were applied against the company and the members of the Board of Directors due to practices against legislative provisions.

Objectives set by the company were achieved within the 2017 period and the resolutions of general assembly were carried out.

4. Donations and Remittance

The consolidated amount of donations made on behalf of Cimentas Group was 541.196,61-TL.

The total amount of donations made on behalf of the Company in 2017 was 269.049,54-TL, consisting of 267.879,59-TL in cash and 1.169,95- TL as commodities.

5. Information on Production and Sales

As seen from the growth numbers of the first nine months of 2017, Turkey has seen growth of 7,4% overall. The growth expectations for 2018 are around 4,0%. The growth for the first nine months in the construction sector was 10,2%. Although there are regional differences, the cement sector increased by 3,8%, domestic sales grew by 5,1% and global sales grew by 3,7% for the first eleven months. Our company, within the regions where it is active as well as within the scope of the differences in relation to market conditions, saw domestic sales increase by 4,3% and export sales by 7,8%.

Within this context, total group sales increased by 4,6% compared to the same period of the previous year.

6. Main Factors Affecting the Performance of the Sector and the Business

More than 50% of costs of all enterprises in the sector and our company are composed of energy which includes fuel and electricity. It is known that the increase in coal and petroleum coke prices along with a 20% increase in electricity prices which came into effect at the end of 2011 have negatively affected capacity usage and competitive strength in the sector. Such negative effects will be observed more with the new increases in electricity prices in October, 2012 and possible increases to be made in energy prices in 2013.

We need to use current resources more efficiently by taking into consideration that the demand for electricity will increase in the in the future due to a rapidly increasing population. In the meantime, incentives for waste management should be improved in order to increase the use of alternative fuels in the sector.

One of the matters that enterprises in the sector are having difficulty with is a shortage of ports. The steps to be taken in this area will play an important role in increasing the export figures of Turkish cement companies in the future.

Urban transformation projects to be implemented within the framework of the "Law regarding the Transformation of Places Located in Disaster Areas" are considered to be a significant potential for the sector.

In this context, foreign investors will invest in Turkey largely due to the existing 8 million residential buildings which need renovation, but also due to the new 2B law allowing landlords to invest and the new regulation that will be made regarding reciprocity. On the other hand, an increase in VAT rates for real estate sales will have a negative effect for the sector. The energy price incentives that will be provided to the companies will result in an increase in cement production and export revenues via an increase in the capacity usage ratio.

7. Result Section of the Commitment Report

IT, management consultancy, administrative support and trademark usage services which are listed in the report provided by the parent company are in compliance with market practices. In this regard, no damage has been sustained by the company and no harmful act has been done/committed with the management of the parent company.

E-FINANCIAL POSITION

1. Basic Ratios

There is no value not recorded in the financial statements as per the Capital Market Legislation and Accounting Standard. Our company has not experienced technical bankruptcy or over-indebtedness. The ratios compared with the previous year are as below:

Rate	2017	2016
Current Rate	1,70	1,84
Liquidity Rate	1,27	1,37
Liabilities/Assets	0,25	0,22
Liabilities/Equity	0,33	0,28
Equity/Assets	0,75	0,78
Profitability by sales	0,17	0,20

2. Profit and Investment Policies Applied by the Company in Order to Strengthen the Performance of the Company

The key point for strengthening the company's performance is a financial policy mainly based on equity capital. Our main shareholder Cementir Holding S.p.A recognizes this policy and supports the company's application of it aimed at using equity capital for cost decreasing investments. This point of view is effective for achieving the sustainability of the profit margin. Our company, by distributing profit over the market conditions via ready money or free stock certificates, creates a higher premium performance for its partners with the increase in the share value.

3. Financial Resources and Risk Management Policies

The financing of investments and the company's needs are mainly met with equity capital together with medium and long term Turkish Lira or foreign-currency loans.

The risks that can be faced by the Company are audited by specialized groups in accordance with the main shareholder's policies.

F-EVALUATION OF RISKS

Risk Management, which is also a management function, has become legally necessary following the enactment of new Capital Market Law and Turkish Commercial Code. Article 378 of Turkish Commercial Code sets forth that the "Board of Directors in publicly held companies is responsible for: pre-determination of the reasons that could endanger the continuance and development of the company, implementation of necessary solutions in order to prevent the risks, formation of a committee and making such system work and improve.

In order to develop the current risk management skills and align with article 378 of Turkish Commercial Code:

a "Risk Committee" was formed within Çimentaş in November 2012. The committee members are Mr Taha Aksoy, Mr Stefano Pantaleo and Mr Vedat Özer for 2017. Risk Committee meetings are held periodically and it submits a report to the Board of Directors.

In this regard, a "Risk Management Project" was implemented in 2013. Within the scope of this project, risk inventories have been prepared; risks have been prioritised and evaluated by using the appropriate risk methodology in compliance with the internationally recognised "COSO Corporate Governance". As a result of such evaluations, risk maps have been created; roles and responsibilities including the steps of monitoring and reporting have been defined and documented. The Risk Committee works based on this methodology.

REPORT ON THE APPLICATIONS OF CORPORATE GOVERNANCE PRINCIPLES

SECTION I-DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company implements all the necessary corporate governance principles contained in the annex of the provisions communiqué related to the determination and the implementation of Corporate Governance Principles II-17.1 of Capital Markets Board, during the year 2017. There are non-compulsory principles, some of which are contained in the Turkish Commercial Code and some are waived based on the structure of the sector and the management structure of the company. Remarks on the subject are provided below.

SECTION II-SHAREHOLDERS

2.1 Investor Relations Department

The "Legal Affairs and Investor Relations Department" conducts relations with shareholders in coordination with the "Finance Directorate".

The primary activities of this department have been focused on conducting relations with either shareholders or the Capital Markets Board ("CMB") and the Istanbul Stock Exchange ("ISE"). Accordingly, monitoring the company's stock certificates, transactions related to shareholders' rights, disclosure of special events to the public and arrangement of General Assembly meetings of the Company are handled by this department.

The authorized person is Gökçe Oyal Püskülcü who has a Capital Market Activities Level 3 License numbered 203403 and Corporate Governance Rating License numbered 700351. The director of the Investor Relations Department is Kayhan Karabayır. This department can be reached at hukuk@cimentas.com via email or at 0.232.472 10 50/extension 1402 extension.

Twelve applications have been received from individual and institutional investors as well as intermediary entities and relied to, and the requirements of the relevant parties have been met within the period.

2.2 Shareholders' rights on Acquisition of Information

Requests for information received by the company from shareholders as well as investors and intermediary entities have been especially intense in terms of requests for the report on operations as well as 2017 General Assembly Meeting and the performance of the company with the profit distribution issues. These requests have been met by providing the necessary explanations and documents. Studies related to publishing the developments concerning the utilization of rights by shareholders through electronic media are still in progress. Updates, related to the subject are made on the Company's website. Such developments are announced within the framework of legal regulations which are presently in force.

The appointment of a private auditor was not regulated as an individual right within the scope of the Articles of Association, and no request for the appointment of a private auditor was received within the period. Çimentaş is audited by an Independent External Audit firm periodically within the context of Capital Market Law. On the other hand, systematic auditing of the group is periodically conducted by the Internal Audit Function within the framework of a specific programme. Also, a regulation on the subject is available in the new Turkish Commercial Code article 438.

2.3 General Assembly Meetings

During the period, the Ordinary General Assembly meeting for the year 2016 was held on 18 April 2017 and 98% participation was recorded at the Ordinary General Assembly for the year 2016. Before the General Assembly meeting, the agenda, information about company activities and the financial statements were communicated to the shareholders on the company's website. Shareholders used their questioning rights during the meeting. Information about donations made during the period was given to the shareholders with a separate agenda item. The Articles of Association do not contain a particular provision related to the quorum, therefore the relevant provisions of Turkish Commercial Code (TCC) are applied.

Invitations to the General Assembly Meeting are published as required by the provisions of the Turkish Commercial Code and Capital Markets Law and are also published on the company's website three weeks prior to the meeting. Registration proceedings for shareholders to participate in the General Assembly are conducted under the provisions of the TCC and Capital Markets Law.

Information related to the Ordinary and Extraordinary General Assembly meetings is made available for shareholders to review at the company headquarters pursuant to the Turkish Commercial Code.

In order to facilitate the participation of shareholders in the General Assembly, in addition to announcements and publications, due diligence is used for access to information on the issues constituting the agenda of the General Assembly and requirements of legal regulations are complied with. Media operators are also invited to the General Assembly meeting and they attend.

Minutes and documents related to the General Assembly meetings are permanently made available for shareholders to review at the Company headquarters.

2.4 Voting Rights and Minority Rights

Company shares do not provide voting privileges and each share gives only 1 voting right to its holder.

For the issue of voting by companies having a mutual participation relation, the rules of "disfranchisement" stated in the Turkish Commercial Code are applied.

Since the number of minority shares in the Company is low (around 2%), they are not represented in the management.

The Articles of Association of the Company do not contain a provision for the method of cumulative voting in the election of the Board of Directors and Statutory Auditors.

2.5 Profit Distribution Policy and Profit Distribution Timing

A written Company profit distribution policy has been drafted and approved by the Board of Directors and the issue has been regulated explicitly in detail in the Articles of Association. With regard to the share of the Company's profit, founder certificate holders have privileged rights, so, after deduction of taxes and legal liabilities as well as losses of past years from net profit and after allocation of 5% legal reserve as per article 519 of the Turkish Commercial Code and 50% for the first dividend under Articles of Association, 10% of the remaining dividend amount is distributed to the Founder Certificate holders.

Although the communiqué published by the Capital Markets Board gives a rate of 20% for first dividend, the rate is set at 50% in the Articles of Association of the Company as specified above. This circumstance is the result of the policy to maximize the profit share rights of the shareholders. This policy is applied considering the economic conditions of the country and the present situation of Company. Legal periods in profit distribution are strictly followed.

The Board of Directors' profit distribution proposal is submitted to the shareholders for information via special event disclosures prior to the General Assembly meeting and are also stated in the activity report. In case of non-distribution, the information on the reason and the usage of the non-distributed profit is given in the General Assembly.

2.6 Assignment of Shares

Since all of the Company shares were converted into bearer shares upon modification of the Articles of Association as resolved in the Ordinary General Assembly meeting for the year 2005, a particular provision restricting assignment of shares does not exist.

SECTION III-PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Company Website

A website named www.cimentas.com, established in the name of our Company, was activated during the year 2009.

The content of the website has reached the level established by the Principles of Corporate Governance thanks to improvements made since early 2012. Information on the website is updated continuously. The Company's press documents are stated at the website address. Information on the website is also stated in English as necessary taking into consideration the needs of international investors.

3.2 Annual Report

Information on the corporate governance principles are featured in the annual report.

SECTION IV-STAKEHOLDERS

4.1 Information on the Company Policy Relevant to the Stakeholders

Relations between stakeholders and the Company are entirely based on written agreements, while relations and operations between the parties are governed within the framework defined by the agreements. In case of non-existence of agreements, the parties' interests are preserved within the framework of legislation and goodwill rules and the Company's possibilities.

Stakeholders are informed about subjects pertaining to them by the company, with meetings organized by the company and e-mails.

4.2 Support for Stakeholder Participation in Management

Information on the Company and its activities is given during the meetings held both with personnel and other stakeholders from time-to-time. In addition, although no model regarding participation of the personnel in management and disclosures has been established, expectations, complaints and suggestions of the personnel and the customers are collected through surveys and enquiries conducted with the personnel and the customers. Corrective and regulative actions are taken with the findings which are evaluated and prioritized by top management.

4.3 Human Resources Policy

Çimentaş Group seeks to build a competent community of managers and employees through the improvement of organizational efficiency and individual skills in the workplace, in order to create a unique difference and competitive advantage.

The basic guidelines of Company HR policy may be summarized under the headings below.

(i) Recruiting and employment; Raising quality by employing new staff and continuously increasing the current labour quality.

(ii) Training; Focusing on training studies for the purpose of developing the current human resources.

(iii) Remuneration; Developing a remuneration system that also takes market conditions into account.

(iv) Activities increasing motivation and communication; Creating organizations and programmes to raise loyalty and working motivation of employees.

The process of recruitment and replacement is performed to the same standards within all Çimentaş Group companies and equal opportunities are provided to applicants. Job applications are collected through online sites and our website which can be reached easily. Pre-selection criteria determined specially per job and stated in the job description are implemented similarly to all applications and predefined standard tests are given to all candidates who meet the initial qualifications and those results are taken into consideration.

Training to increase the knowledge, skills and experience of employees is planned at the beginning of each year and applied fairly and equally in accordance with the approved budget. Training needs are planned and applied individually in line with the performance evaluation results for management positions. Furthermore, group training is planned in accordance with the needs of the function and team.

The Cement Industry Employer's Union Collective Labour Agreement is applied in Çimentaş. A Company Union Representative is selected according to the law from among the employees working in the place of business included within the scope of Cement Industry Employer's Union Collective Labour Agreement.

The Union Representative's duties are to:

- **i.** Provide solutions to conflicts and complaints arising from the implementation of the collective labour agreement by negotiating with the employee and the employer which are referred either from the employer or the employee
- **ii.** Protect employee rights and laws, compliance with the employer's rights in accordance with this agreement and legislation provisions.
- **iii.** Assist the employer to study the training that will be conducted in the workplace or outside by the employer in order to increase employee knowledge and proficiency and ensure the participation of the employees.
- **iv.** Provide the continuance of good industrial relations through cooperation between the employer and the employee and work harmony in the workplace.

The job descriptions of white collar employees in Çimentaş Group companies were established in 2009 and have been communicated to all our employees. Revisions are implemented depending on the needs in case of organizational modifications. Blue collar employees work with the job classifications and descriptions of the union. Systematic job classifications and market conditions are taken into account in determining the remuneration and other benefits of white collar employees. Job evaluation, job groups and job titles determined by the Cement Industry Employer's Union are applied for blue collar employees and the provisions of the Collective Labour Agreement is complied with.

Decisions taken within the Company and developments in the Company are transmitted to our employees through the union representative, notice boards, internal and group websites (Cementir Holding Cnergy, Çimentaş Group Intracim), internal and group media organs (Cementir Holding Voice, Çimentaş Group Habercim). Information sharing between the management positions takes place during the Management Communication meetings that Çimentaş Group Managers attend and that are conducted quarterly. Demands and reformations received from the Occupational Health Safety sub-committees are communicated during the Occupational Health Safety committee meetings conducted regularly each month. The workplace representative transfers the decisions of the Occupational Health Safety committee to the employees and submits the requests and proposals received from the employees to the committee. No discrimination based on race, religion, language and sex is permitted in Çimentaş Group companies.

No complaint has been received related to discrimination or physical or psychological harassment in our Companies.

4.4 Codes of Conduct and Social Responsibility

There is a Code of Conduct that has been accepted and approved by the Board of Directors and implemented by our main shareholder Cementir Holding. This regulation has been published on the Company's website.

The Company within the framework of social responsibility culture and understanding has sustained its support especially to the fields of training, health and sports over the years through ÇESVAK Foundation.

Moreover, no penalties related to environmental issues were reported within the period. All permits and licenses necessary to carry out the Company's activities exist and are renewed as needed.

SECTION V-BOARD OF DIRECTORS

5.1 Structure of the Board of Directors

Members of Board of Directors

Marco Maria Bianconi	Chairman
Stefano Pantaleo	Vice Chairman
Veysi Taner Aykaç	CEO
Daniela Cristarella	Member
Paolo Luca Bossi	Member
İlhan F. Güler	Independent Member
Taha Aksoy	Independent Member

All members of the Board of Directors meet the qualifications determined by the CMB Corporate Governance Principles. There is no special provision regarding the qualifications of the members of the Board of Directors in the Articles of Association.

Most of the members of the Board of Directors are non-executive members. Independent members will take part in the 2016 Ordinary General Assembly Meeting as per the Capital Markets Board Regulations and Corporate Governance Principles.

Brief CVs of the BoD Members

Marco Maria Bianconi, started his career at IRI Rome in 1989 and later worked as ''Portfolio Director' at Fidelity Investments, as 'Capital Market Analyst' at Pan European Equities, 'Finance Director' at Caltagirone S.p.A, and 'Budget and Controlling Director' and 'M&A and IR Director' at Cementir S.p.A. He's currently working as a 'Business Development Director' at Cementir Holding S.p.A.
Marco Maria Bianconi graduated from Luiss University as an Economist and has an MA in Business Administration from New York University School of Business. Marco Maria Bianconi can speak Italian, Spanish and English and has 'Chartered Accountant' and 'IMC' certificates.

Stefano Pantaleo, graduated from Law School and he's currently working as Corporate Senior Legal Counsel at Cementir S.p.A. Mr Pantaleo was born in Bari Italy in 1974.

Veysi Taner Aykaç, started his business life in Pioneer Overseas Corporation and worked as Research Specialist, Production Specialist, Production Manager. Afterwards in turn he worked as marketing director in Ciba-Geigy, Novartis Crop Protection, as General Manager in Zeneca Agrochemical, as President of the Europe Region in Syngenta Crop Protection, as President of EAME Region in Syngenta Seeds and He's currently working as General Manager and CEO at Cimentas Group.
Veysi Taner Aykaç completed his MA in business at Solvay Business School.

Daniela Cristarella, started her career as an auditor at Arthur Andersen SpA in 2002. Afterwards, she worked as senior auditor at KPMG SpA. She has been working at Cementir Holding SpA since 2005, and currently she is Group Finance Director at Cementir Holding SpA. Daniela Cristarella graduated from Messina University faculty of economics.

Paolo Luca Bossi, after taking a BSc in Industrial Engineering at the Polytechnic University of Milan, he started his business life in Shaffer AG (Switzerland) as design and project engineer. In 1995, he joined ENI group (Saipem) in London where his roles ranged from project engineer to project director and platform manager for offshore oil platforms EPIC projects in Nigeria, Italy, Kazakhstan, Norway, Russia and Libya. After 12 years in the oil & gas sector, in 2006 he moved to the building material sector at Cementir Holding. He started as GM in Cimentas, then he moved to Russia as MD of Cemit. Subsequently, he was appointed MD of Sinai White Cement in Egypt and finally in 2016 he became the Head of the Central Mediterranean Region and MD of the 3 Italian companies. After Cementir Italy was sold to Heidelberg Group he was appointed BoD member in Cimentas.
Paolo Bossi completed his integrated MBA from: Kellogg School of Management (USA), HKUST Business School (Hong Kong) & American University School of Business (Egypt).

Ilhan F.Gürel, is currently Deputy Chairman of the Board of Directors at Sünel TTAŞ, Chairman of Board of Directors at Kütaş Food Group and Gürel Gayrimenkul A.Ş. and member of the Board of Directors at Ege Endüstri Ve Ticaret A.Ş. and CJSC Sünel Tobacco.
İlhan f. Gürel graduated from Newcastle University as a Mechanical Engineer and earned an MA from Durham University.

Taha Aksoy, started his career as an assistant at METU and then went to Munich Technical University. He worked as 'General Manager' at Betonsan A.Ş., Çimentaş Gazbeton İşletmeleri and Beşer Balatacılık. He worked as a member of the Turkish National Assembly Parliament 2007-2011 and recently he worked as General Coordinator at the 17th Mediterranean Games and Mersin 2013.
Taha Aksoy graduated from METU as a Construction Engineer and has an MSc from the same university.
Since the Candidate Presentation Committee has not been formed, Mr F. Ilhan Gürel and Mr Taha Aksoy, who have been determined by Corporate Governance Committee and approved in terms of independency, have been presented as independent member candidates to the Board of Directors in a report dated 01.03.2017 and approved at the Board of Directors Meeting on 02.03.2017. Independent members presented their independency statements in accordance with relevant legislation, and they have maintained their independence criteria.
To get duties outside the company the status of members of the Board of Directors and company managers is regulated by the corporate Code of Ethics.
Since Members of Board of Directors has no duty outside the group organization, there is no need to determine a rule for such duties.

5.2 Activity Principles of the Board of Directors

As the majority of the members of Board of Directors are located abroad, meetings of Board of Directors are usually performed without being convened in person, but by video-conference.
There were 11 meetings of the Board of Directors in the period.
There were no questions or opposing opinions from members of Board of Directors. Since there was no unfavourable vote, there was no dissenting opinion in the minutes of the meeting.
The date of the Board of Directors meeting, agenda and annotations related to the agenda together with information documents were delivered to the members of the Board of Directors prior to the meeting as per the "Corporate Actions Management" procedure.
Each member has only 1 voting right. There is no cumulative vote or negative veto right in the Board of Directors.
During the meetings of the Board of Directors, all subjects are resolved by discussing in detail and clearly. The provisions of TCC are applied regarding the quorum.
Prohibition of activities in competition with the company is not applied to the members of Board of Directors based on the permission of the General Assembly within the period. Moreover, these persons have neither been dealing with any treatment of the company or performing any activity requiring competition with the Company.
There are related party transactions submitted for approval to the independent board members but there are no significant transactions.

5.3 Committees Established within the Company

The "Audit Committee", "Corporate Governance Committee" and "Risk Committee" were established from the members of Board of Directors.
The Audit Committee is composed of two members and independent board members F. İlhan Gürel and Taha Aksoy were elected by the BoD as members.
Independent board member F. İlhan Gürel was elected as the chairman of Corporate Governance Committee and board member Stefano Pantaleo and Legal Affairs and Investments Relations personnel Gökçe Oyal Püskülcü were elected as the members.
Independent board member Taha Aksoy was elected as the chairman of the Risk Committee and board member Stefano Pantaleo and financial affairs deputy director Vedat Özer were elected as the members.
The working principles of the Committees established from the members Board of Directors, are determined and disclosed to the public by the BoD.

5.4 Risk Management and Internal Control Mechanism

The "Risk Committee" was established by the Board of Directors and has started to function.
There is an internal audit function within the group and there are mechanisms related to internal control and audit.

5.5 Strategic Purposes of the Company

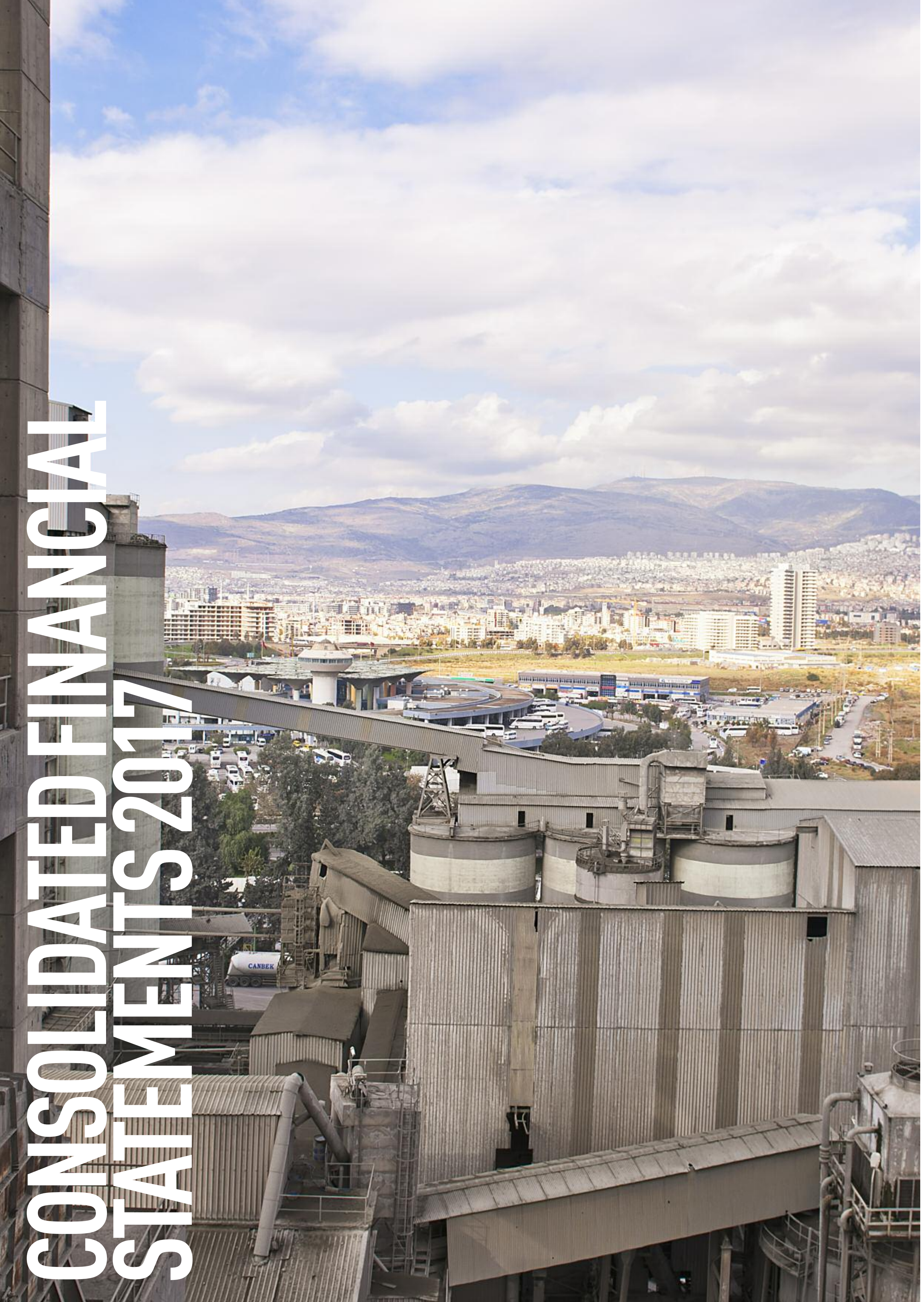
The mission, vision and purposes of the company are established by the BoD. These Purposes are established within 5 years plans and reviewed each year.

5.6 Financial Rights Provided to Board of Directors and Top Management

In addition to the attendance fee for the Board of Directors (BoD) members and the salary paid to the Chairman and Managing Directors, there is no other fee paid to the BoD members, or a reward system based upon the performance. The Board of Directors determines the amount of salary paid to the Chairman and Managing Director.

Remuneration principles are disclosed to the public through the company website, annual report and Public Disclosure Platform. These disclosures are made based on information from the BoD.

As a principle, the Company does not provide credit to members of the Board of Directors and managerial personnel. However, the Managing Director may provide limited credit to managers in extraordinary cases.



3 CONSOLIDATED FINANCIAL STATEMENTS 2017

34 Independent Auditors' Report for Financial Statements
42 Consolidated Financial Statements
44 Income Statement
46 Equity Capital Changing Table
48 Cash Flow Table

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of
Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 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 the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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. Key audit matters were addressed in the context of our independent 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.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investment properties: **Refer to the Notes 2 and 11.** In accordance with IAS 40, "Investment Properties", the investment properties are carried at fair value on the consolidated financial statements. The fair value gain amounting to TL41.538 thousands was appraised by the independent professional valuers at 31 December 2107. The fair value gain, net off tax, was recognised in the current year consolidated profit or loss and other comprehensive income statement. This was a key audit matter since the total amount of the investment property as of 31 December 2017 has a significant share in the assets of the Group and these valuations include estimations and assumptions that are sensitive to the location and zoning status, benchmark prices per m^2, and the construction costs per m^2.	The following audit procedures were addressed in our audit work for the fair valuation for investment properties: • We assessed in accordance with relevant audit standards that the competence, capability and objectivity of the independent professional valuers who were appointed by the Group management. • We checked and agreed the completeness and reconcile the input data in terms of m^2, location and zoning status of investment properties, used by the independent professional valuers who were appointed by the Group management, on a sample basis, with the Group's records. • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Group management and the independent professional valuers who were appointed by the Group management. • The compliance of the disclosures of fair value determination of investment properties in the consolidated financial statements in accordance with the relevant accounting standards were evaluated.
Impairment of assets in waste management segment:	

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız: 0-1460-0224-0500015

pwc

Key audit matter	How our audit addressed the key audit matter

Refer to the Notes 2,12 and 13.

In accordance with IAS 36, Impairment of Assets, the Group shall assess at the end of each reporting period whether there is any indication that property, plant and equipment may be impaired, and perform impairment test accordingly.

There was an impairment indicator of assets in Recydia Atik Yönetimi Yenilenebilir Enerji Üretimi Nakliye Lojistik Hizmetleri San.ve Tic. A.Ş. İstanbul Hereko Şubesi ("Hereko") operating in waste management segment which the Group cannot generate operating profits for the recoverability of Hereko.

The estimates and assumptions used in the calculation of the recoverable amount of Hereko, as a seperate cash generating unit, are discount and growth rates and earnings before interest, tax and depreciation ("EBITDA") (Notes 2.7.4 and 13) and as a result of the impairment tests conducted by the Group management, and an impairment amounting to TL14.289 thousands was accounted for in the consolidated financial statements at
31 December 2017.

This was a key audit matter due to the magnitude of the carrying amount of the assets subject to impairment assessment and as well as judgement and estimates used in this impairments test.

The following audit procedures were addressed in our audit work for the impairment of assets in Hereko:

- We assessed the indicators of property, plant and equipment as described in IAS 36 that whether there is any indication that any CGU in waste management segment may be impaired.
- Evaluating the future business plans and explanations by considering macroeconomic data and inquiry with the Group management for the assumptions and estimations used in the budgets prepared by the Group management.
- The future cash flow projections prepared for each cash-generating unit were compared with past financial performances to assess whether they were reasonable.
- In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, as an independent auditor, we got our auditor expert involved in evaluating the following assumptions and methods used by the Group management in each impairment test. The principal methods used by the Group management to evaluate the estimates and assumptions in the impairment tests were as follows:
    - Checking the design and mathematical accuracy of the calculation model of discounted cash flows.
    - The discount rate was evaluated by our specialists in order to control the reasonableness of the rate as well as the other components.
- In addition, disclosures and explanations for the goodwill impairment tests were evaluated in compliance with relevant accounting standards.

pwc

Key Audit Matters (Continued)	How our audit addressed the key audit matter (Continued)

***Impairment of goodwills*:**

Refer to Note 2 and 14.

Goodwills amounting to TL 187.538 thousand in total is presented under the goodwill line item included in intangible assets in the statement of financial position in the consolidated financial statements.

Goodwill shall be tested for impairment annually, and whenever there is an indication that the cash generating unit ("CGU") that goodwill is adhered to may be impaired.

In that respect, we focused on this matter due to materiality of goodwill and estimations and assumptions in impairment testing used by the Group management, like discount and growth rates, earnings before interest, tax and depreciation ("EBITDA") which they are highly sensitive to expected future market conditions (Note 2.7.2).

The following audit procedures were addressed in our audit work for the impairment of goodwill:

- Evaluating the future business plans and explanations by considering macroeconomic data and inquiry with the Group management for the assumptions and estimations used in the budgets prepared by the Group management.
- The future cash flow projections prepared for each cash-generating unit were compared with past financial performances to assess whether they were reasonable.
- In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, as an independent auditor, we got our auditor expert involved in evaluating the following assumptions and methods used by the Group management in each impairment test. The methods used by the Group management to evaluate the estimates and assumptions in the impairment tests were as follows:
    - Checking the design and mathematical accuracy of the calculation model of discounted cash flows.
    - The discount rate was evaluated by our specialists in order to control the reasonableness of the rate as well as the other components.
- In addition, disclosures and explanations for the goodwill impairment tests were evaluated in compliance with relevant accounting standards.

4. Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 were audited by another auditor whose report, dated 2 March 2017, expressed an unqualified opinion on those statements.

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

The Group 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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.

- Assess the 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 independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

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We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January - 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on
6 March 2018.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINAL COPY ACCEPTED AND SIGNED IN TURKISH

Mehmet Karakurt,
Partner

İstanbul, 6 March 2018

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. and SUBSIDIARIES

INDEPENDENTLY AUDITED AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

Unless otherwise stated, the figures are shown in Turkish lira ("000 TL")

ASSETS	Note	31 December 2017	31 December 2016
Current Assets		**483.987**	**427.474**
Cash and Cash Equivalents	5	56.852	73.682
Trade Receivables		278.902	209.734
- Due From Related Parties	*4.1*	*2.618*	*91*
- Due From Third Parties	*7.1*	*276.284*	*209.643*
Other Receivables		15.554	30.064
- Due From Related Parties	*4.2*	*10.206*	*24.744*
- Due From Third Parties	*8.1*	*5.348*	*5.320*
Inventories	9	124.276	108.300
Prepaid Expenses	10.1	6.953	4.202
Current Income Tax Assets	26	120	98
Other Current Assets	18.1	1.330	1.394
Non-Current Assets		**1.083.213**	**1.072.543**
Other Receivables		750	11.669
- Due From Related Parties	*4.3*	*--*	*10.059*
- Due From Third Parties	*8.2*	*750*	*1.610*
Investment Properties	11	299.922	258.384
Tangible Assets	12	527.808	554.811
Intangible Assets		195.870	195.995
- Goodwill	*14*	*187.538*	*185.489*
- Other Intangible Assets	*13*	*8.332*	*10.506*
Prepaid Expenses	10.2	4.831	848
Deferred Tax Assets	26	23.383	26.687
Other Non-Current Assets	18.2	30.649	24.149
TOTAL ASSETS		**1.567.200**	**1.500.017**

LIABILITIES	Note	31 December 2017	31 December 2016
Short-Term Liabilities		**284.068**	**232.518**
Short-Term Borrowings	6	20.741	19.221
Trade Payables		214.137	164.806
- Due to Related Parties	*4.4*	*46.477*	*30.818*
- Due to Third Parties	*7.2*	*167.660*	*133.988*
Payables for Employee Benefits	17.1	6.851	5.497
Other Payables		12.254	14.643
- Other Payables to Related Parties	*4.5*	*11.030*	*8.759*
- Other Due to Third Parties	*8.3*	*1.224*	*5.884*
Deferred Income	10.3	7.687	7.249
Current Income Tax Liability	26	5.761	2.897
Short-Terms Provisions		10.615	14.932
- Short-term Provisions for Employee Benefits	*17.2*	*2.315*	*1.769*
- Other Short-term Provisions	*15.3*	*8.300*	*13.163*
Other Short-Term Liabilities	18.3	6.022	3.273
Long-Term Liabilities		**107.198**	**92.090**
Long-Term Borrowings	6	114	208
Deferred Income	10.4	--	195
Long-term Provisions		49.410	43.940
- Long-term Provisions for Employee Benefits	*17.3*	*21.105*	*20.503*
- Other Long-term Provisions	*15.3*	*28.305*	*23.437*
Deferred Tax Liability	26	57.674	41.395
Other Long-Term Liabilities	18.4	--	6.352
TOTAL LIABILITIES		**391.266**	**324.608**
EQUITY		**1.175.934**	**1.175.409**
Equity of Parent Company		**1.021.404**	**996.639**
Paid-in Capital	19	87.112	87.112
Capital Adjustment Differences	19	20.069	20.069
Cross Shareholding Capital Adjustment	19	(3.381)	(3.381)
Share Premiums / Discounts	19	161.554	161.554
Other Accumulated Comprehensive Income / Expenses that will not be Reclassified through Profit or Loss	19	85.742	92.374
- Revaluation and Remeasurement Gains	*19*	*85.742*	*92.374*
- Tangible Fixed Assets Revaluation Fund Increases	*19*	*100.958*	*106.483*
- Re-measurement Loss on Defined Benefit Plans	*19*	*(14.639)*	*(13.532)*
- Other Revaluation and Remeasurement Losses	*19*	*(577)*	*(577)*
Other Accumulated Comprehensive Income / Expenses that will be Reclassified through Profit or Loss		5.870	5.356
- Foreign Currency Translation Differences		*5.870*	*5.356*
Legal Reserves		57.424	41.566
Retained Earnings		575.374	587.322
Net Profit for the Period		31.640	4.667
Non-Controlling Interests		**154.530**	**178.770**
TOTAL LIABILITIES		**1.567.200**	**1.500.017**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. and SUBSIDIARIES
INDEPENDENTLY AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017
Unless otherwise stated, the figures are shown in Turkish lira ("000 TL")

PROFIT OR LOSS	Note	31 December 2017	31 December 2016
Revenue	20	868.945	777.463
Cost of Sales (-)	20	(725.106)	(621.794)
GROSS PROFIT	20	**143.839**	**155.669**
General Administrative Expenses (-)	21.1	(104.108)	(103.752)
Marketing Expenses (-)	21.2	(21.498)	(18.665)
Other Income from Operating Activities	23.1	19.667	11.163
Other Expenses from Operating Activities (-)	23.2	(26.491)	(25.410)
OPERATING PROFIT		**11.409**	**19.005**
Income from Investing Activities	24.1	41.710	3.308
Expenses from Investing Activities (-)	24.2	(14.290)	(24.814)
Loss of Investments Accounted With Equity Method		(229)	(417)
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL EXPENSES		**38.600**	**(2.918)**
Financial Income	25.1	9.554	6.818
Financial Expenses (-)	25.2	(7.201)	(9.326)
PROFIT / (LOSS) BEFORE TAXES		**40.953**	**(5.426)**
Tax Expense		**(33.960)**	**(17.793)**
Period Tax Expense	26	(18.975)	(21.878)
Deferred Tax (Expense) / Income	26	(14.985)	4.085
NET PROFIT / (LOSS)		**6.993**	**(23.219)**
Distribution of Net Profit / (Loss)			
Non-Controlling Interests		(24.647)	(27.886)
Equity of Main Shareholders		31.640	4.667
Net Profit / (Loss) for the Period		**6.993**	**(23.219)**
Basic and Diluted Earning per Share (TL)	27	**0,3654**	**0,0539**
OTHER COMPREHENSIVE INCOME / (EXPENSE):			
Remeasurement of Defined Benefit Plans:		**(7.487)**	**(1.090)**
Income that will not be Reclassified through Profit or Loss		(1.584)	(1.362)
Other Comprehensive (Expense) / Income		(851)	--
Items that will not be Reclassified as Other Profit or Loss			
Taxes for the Other Comprehensive Income / (Expense) Items that will not be Reclassified as Profit or Loss		(5.052)	272
- Deferred Tax (Expense) / Income		*(5.052)*	*272*
Income that will be Reclassified through Profit or Loss		**1.356**	**852**
Foreign Currency Translation Differences		1.356	852
OTHER COMPREHENSIVE EXPENSE		**(6.131)**	**(238)**
OTHER COMPREHENSIVE INCOME / (EXPENSE)		**862**	**(23.457)**
Distribution of Total Comprehensive Income / (Expense)			
Non-Controlling Interests		(24.240)	(27.799)
Equity of Main Shareholders		25.102	4.342
Total Comprehensive Income		**862**	**(23.457)**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. and SUBSIDIARIES

INDEPENDENTLY AUDITED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

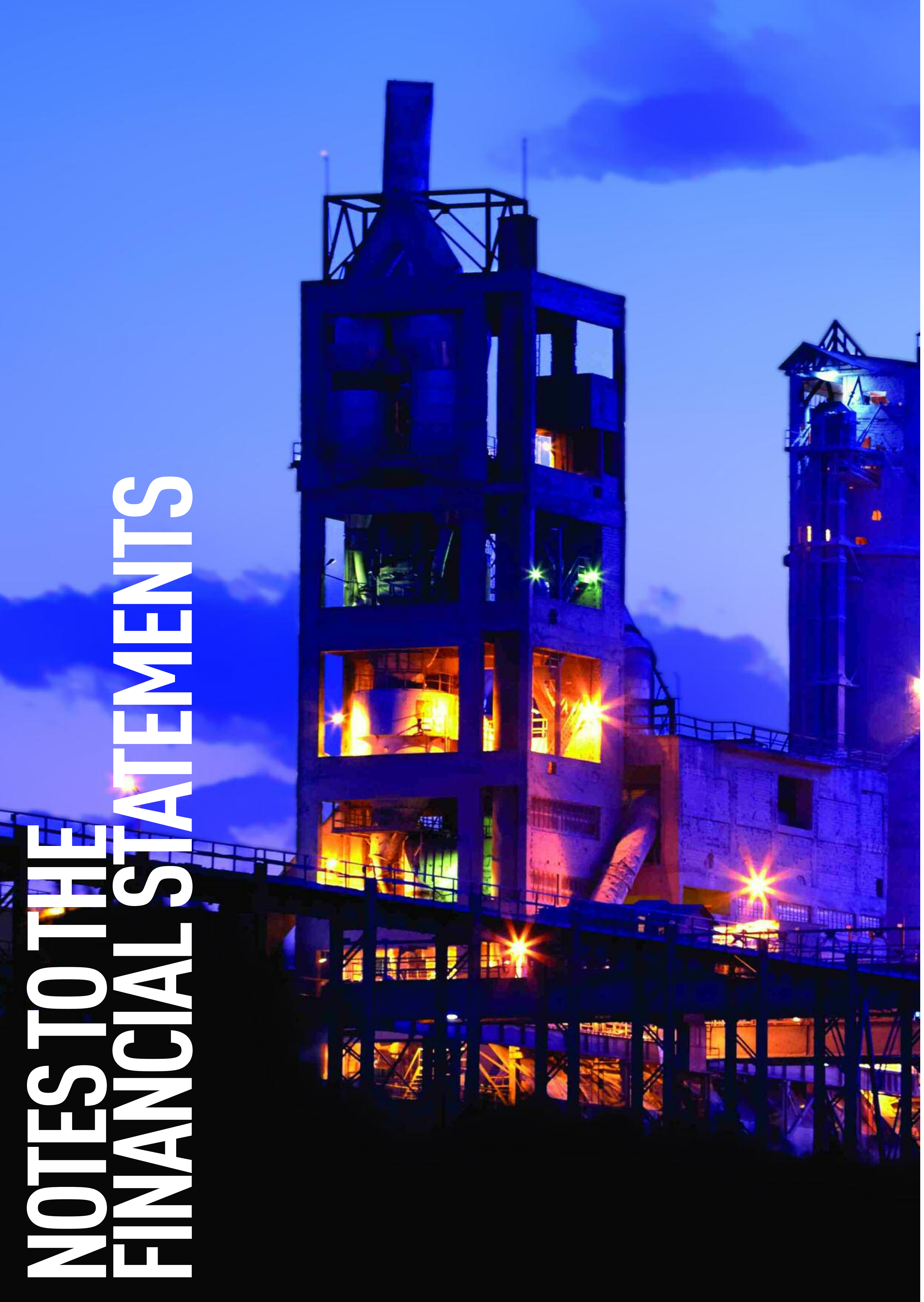
Unless otherwise stated, the figures are shown in Turkish lira ("000 TL")

					Other Accumulated Comprehensive Income / Expenses that will not be Reclassified through Profit or Loss		Other Accumulated Comprehensive Income/Expenses that will be Reclassified through Profit or Loss							
					Revaluation and Remeasurement Gains					Accumulated Profits				
PRIOR PERIOD	Paid-in Capital	Capital Adjustment Differences	Cross Shareholding Capital Adjustment	Share Premium	Revaluation Increases in Tangible Long-Term Assets	Remeasurement Losses on Defined Benefit Plans	Other Revaluation and Measurement Losses	Foreign Currency Translation Differences	Retained Earnings	Retained Profits	Net Profit for the Period	Equity of Parent Company	Non-Controlling Interests	Equity
Balances as of 1 January 2016	87.112	20.069	(3.381)	161.554	110.111	(12.642)	(577)	4.791	70.372	481.952	73.232	992.593	206.569	1.199.162
Transfers	--	--	--	--	--	--	--	--	(28.806)	102.038	(73.232)	--	--	--
Dividends	--	--	--	--	--	--	--	--	--	(296)	--	(296)	--	(296)
Net Profit (Loss) for the Period	--	--	--	--	--	--	--	--	--	--	4.667	4.667	(27.886)	(23.219)
Other comprehensive income / (expense)	--	--	--	--	(3.628)	(890)	--	565	--	3.628	--	(325)	87	(238)
Total comprehensive income / (expense)	--	--	--	--	(3.628)	(890)	--	565	--	3.628	4.667	4.342	(27.799)	(23.457)
Balances as of 31 December 2016	87.112	20.069	(3.381)	161.554	106.483	(13.532)	(577)	5.356	41.566	587.322	4.667	996.639	178.770	1.175.409
CURRENT PERIOD														
Balances as of 1 January 2017	87.112	20.069	(3.381)	161.554	106.483	(13.532)	(577)	5.356	41.566	587.322	4.667	996.639	178.770	1.175.409
Transfers	--	--	--	--	--	--	--	--	15.858	(11.191)	(4.667)	--	--	--
Dividends	--	--	--	--	--	--	--	--	--	(337)	--	(337)	--	(337)
Net Profit (Loss) for the Period	--	--	--	--	--	--	--	--	--	--	31.640	31.640	(24.647)	6.993
Other comprehensive income / (expense)	--	--	--	--	(5.525)	(1.107)	--	514	--	(420)	--	(6.538)	407	(6.131)
Total comprehensive income / (expense)	--	--	--	--	(5.525)	(1.107)	--	514	--	(420)	31.640	25.102	(24.240)	862
Balances as of 31 December 2017	87.112	20.069	(3.381)	161.554	100.958	(14.639)	(577)	5.870	57.424	575.374	31.640	1.021.404	154.530	1.175.934

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. and ITS SUBSIDIARIES
INDEPENDENTLY AUDITED AND CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017
Unless otherwise stated, the figures are shown in Turkish lira ("000 TL")

		31 December 2017	31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		**13.844**	**56.779**
Income / (Loss) for the Period		**6.993**	**(23.219)**
Profit / (Loss) from Ongoing Operations		6.993	(23.219)
Adjustments Related to Reconciliation of Net Profit / (Loss) for the Period		**77.493**	**117.493**
Adjustments for Depreciation and Amortization Expense	12, 13, 22	59.635	62.639
Adjustments for Impairment		13.748	24.781
Adjustments for Impairment Value in Receivables	*7.1, 23.2*	*272*	*461*
Adjustments for Inventory Value	*9*	*(813)*	*(494)*
Adjustments for Impairment in Tangible Fixed Assets	*24.2*	*14.289*	*24.814*
Adjustments to Provisions		1.591	14.762
Adjustments to Provisions for Benefits to Employees		*2.657*	*2.374*
Adjustments for Provisions / (Cancellation) for Litigation and Fines		*(4.409)*	*9.516*
Adjustments for Other Provisions		*3.343*	*2.872*
Adjustments for Interest Income and Expenses		504	642
Adjustments for Unrealized Foreign Currency Exchange Differences		957	3.344
Adjustments to Earnings on Fair Value	24.1	(41.538)	--
Adjustments for the Undistributed Profits of Investments accounted for using the Equity Method		229	417
Adjustments for Tax Expense	26	33.960	17.793
Adjustments for Earnings through Sale of Long-Term Assets	24.1, 24.2	(171)	(3.308)
Adjustments for Reconciliation of Net Profit / (Loss)	23.2	8.578	(3.577)
Changes in Operating Capital		**(50.414)**	**(8.496)**
Adjustments for Increase in Trade Receivables		(69.777)	(14.405)
Increase in Trade Receivables from Related Parties		*(2.527)*	*(75)*
Increase in Trade Receivables from Non-Related Parties		*(67.250)*	*(14.330)*
Adjustments for Decrease in Other Receivables Related to Operations		832	1.211
Decrease in Other Receivables due to Non-Related Party Transactions		*832*	*1.211*
Adjustments for Inventory (Increase) / Decrease		(13.088)	16.640
Adjustments for Increase / (Decrease) in Trade Payables		46.259	(337)
Increase / (Decrease) in Trade Payables to Related Parties		*12.277*	*(3.844)*
Increase in Trade Payables to Non-Related Parties		*33.982*	*3.507*
Adjustments for (Decrease) / Increase in Other Payables Related to Operations		(4.660)	211
(Decrease) / Increase in Other Payables due to Non-related Party Transactions		*(4.660)*	*211*
Adjustments for Other Decreases in Working Capital		(9.980)	(11.816)
(Increase) / Decrease in Other Assets Related to Operations		*(9.171)*	*946*
Decrease in Other Liabilities Related to Operations		*(809)*	*(12.762)*
Cash Flows from Operations		**34.072**	**85.778**
Payments Made Related to Provisions for Employee Benefits		(4.094)	(4.470)
Tax Payments	26	(16.134)	(24.529)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		**(28.185)**	**(45.332)**
Cash Inflows from Proceeds from Sale of Tangible and Intangible Assets		216	202

		31 December 2017	31 December 2016
Cash Outflows from Acquisition of Tangible and Intangible Assets	12, 13	(38.342)	(46.827)
Proceeds from Sale of Investment Properties		11.085	40
Cash Advances and Loans to Other Parties		(4.280)	(342)
Cash Advances and Loans to Related Parties		*(297)*	*(342)*
Other Cash Advances and Loans		*(3.983)*	*--*
Interest Received		3.136	1.595
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(384)**	**(19.994)**
Cash Inflows from Loans and Borrowing		18.048	19.876
Cash Outflows from Repayment of Loans and Borrowings		(19.036)	(22.973)
Increase in Other Trade Payables Received from Related Parties		1.850	8.638
Decrease in Other Trade Payables Received from Related Parties		(80)	(23.884)
Dividend Payment		(337)	(296)
Interest Paid		(829)	(1.355)
BEFORE THE EFFECT OF FOREIGN EXCHANGE DIFFERENCES NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**(14.725)**	**(8.547)**
D. THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(2.105)**	**856**
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(16.830)**	**(7.691)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**73.682**	**81.373**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	**56.852**	**73.682**



4 NOTES TO THE FINANCIAL STATEMENTS

52 Notes to the Financial Statements

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. and SUBSIDIARIES

NOTES TO THE INDEPENDENTLY AUDITED AND CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

Unless otherwise stated, the figures are shown in Turkish lira ("000 TL")

1. ORGANIZATION OF THE COMPANY AND NATURE OF BUSINESS

Çimentaş İzmir Çimento Fabrikası Türk A.Ş. ("Çimentaş" or "the Company"), parent company, was established on 7 August 1950. The Company operates in the production, trade, sale and transportation of bulk and bagged cement. The company's parent company is Spanish-based Aalborg Portland Espana SL ("Aalborg Portland Espana"). Italy-based Cementir Holding S.p.A ("Cementir Holding"), the previous parent company of Çimentaş, remains as the controlling shareholder.

Subsidiaries ("Subsidiaries") and jointly managed partnerships of Çimentaş operate in the following main areas:

Subsidiaries	Operating Country	Nature of Business
• Çimbeton Hazır Beton ve Prefabrik Yapı Elemanları San. ve Tic. A.Ş. ("Çimbeton")	Turkey	Ready-mixed concrete and cement production
• Kars Çimento Sanayi ve Tic. A.Ş. ("Kars Çimento")	Turkey	Cement production
• Destek Organizasyon Temizlik, Akaryakıt, Tabldot Servis San. ve Tic. A.Ş. ("Destek")	Turkey	Service
• İlion Çimento İnşaat San. ve Tic. Ltd. Şti. ("İlion Çimento")	Turkey	Fly ash production
• Recydia Atık Yönetimi Yenilenebilir Enerji Üretimi ve Lojistik Hizmetleri San. ve Tic. A.Ş. ("Recydia")	Turkey	Cement production and waste management
• Süreko Atık Yönetimi Nakliye Lojistik Sanayi ve Ticaret A.Ş. ("Süreko")	Turkey	Waste management
• Neales Waste Management Holdings Limited ("NWM Holding")	England	Waste management
• Neales Waste Management Limited ("NWM")	England	Waste management
• Quercia Limited ("Quercia")	England	Waste management
• Clayton Hall Sand Company Limited ("CHS")	England	Waste management

Jointly Controlled Entities	Operating Country	Nature of Business
Environmental Power International ("UK JV R&D") Limited	England	Research and development

Çimentaş and Çimbeton, its subsidiary, are publicly traded companies. The shares that equal 2,20 percent of Çimentaş's capital (31 December 2016: 2,20%) and 49,65 percent of Çimbeton's capital (31 December 2016: 49,65%) are traded in the Borsa İstanbul A.Ş. ("BIST") under the names CMENT and CMBTN, respectively.

The registered address of the Company is Egemenlik Mah. Eski Kemalpaşa Cad. No: 4B Işıkkent Bornova - İzmir/Turkey.

For the Company and its subsidiaries, the term "The Group" will be used throughout the report.

As of 31 December 2017, the average number of personnel employed in the Group is 885 (31 December 2016: 919).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Preparation

2.1.1 Financial reporting standards applied

The attached financial statements have been prepared in accordance with the Communiqué Series II-14.1 "Communiqué on Principles of Financial Reporting in the Capital Markets" published in the Official Gazette No. 28676 dated 13 June 2013 by the Capital Markets Board ("CMB"),

and is based on the Turkish Accounting Standards ("TAS"), including their related addenda and interpretations, adopted by the Public Oversight, Accounting and Auditing Standards Authority ("POA") pursuant to Article 5 of the Communiqué. The TASs include the Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and their related addenda and interpretations. The consolidated financial statements have been presented in accordance with the "Announcement on TAS Taxonomy" issued by the CMB on 2 June 2016 and the formats specified in the Consolidated Financial Statement Examples and the Usage Manual issued by the CMB.

The CMB adopted a resolution on 17 March 2005, and announced that publicly traded companies operating in Turkey shall no longer be required to apply inflation accounting, effective 1 January 2005. The consolidated financial statements of the Group were prepared accordingly.

In maintaining the accounting records and the preparation of its statutory financial statements, the Group and its subsidiaries registered in Turkey comply with the principles and conditions stipulated by the CMB, the Turkish Commercial Code "TCC"), the tax legislation and the requirements of the Uniform Chart of Accounts issued by the Ministry of Finance. The subsidiaries that operate in foreign countries have prepared their financial statements in accordance with the currency, laws and regulations applicable in countries where they operate. Consolidated financial statements were measured and presented in Turkish lira ("TL"), the Group's functional currency, based on historical cost basis, except for the investment properties shown in their fair values, and financial assets and liabilities.

Additionally, the consolidated financial statements and notes are presented in accordance with the formats stipulated with the statement published by CMB on 7 June 2013.

On 6 March 2018, the board of directors approved the Group's financial statements for the 31 December 2017 year-end. The General Assembly has the right to amend the financial statements after publication of the financial statements.

2.1.2 Functional and reporting currency

These consolidated financial statements are presented in the reporting currency Turkish lira ("TL"), the currency of the primary economic environment in which the Group operates. The information related to the currencies other than TL is specified fully unless otherwise stated.

2.1.3 Basis of Measurement

These consolidated financial statements are prepared using the historical cost basis, except for the investment properties of which changes in fair values are reflected in profit or loss.

2.1.4 Basis of Consolidation

The consolidated financial statements include the accounts of parent company Çimetaş and its subsidiaries in line with the principles explained below. Financial statements of the companies included in the consolidation have been prepared by applying uniform accounting policies in accordance with the TAS / TFRS and providing the same presentations as of the dates when the financial statements are issued. When necessary, the subsidiaries' accounting policies were redrawn to be consistent with those of the Group.

i. Non-Controlling Interests

Non-controlling shares, other than those of the parent company, in the net assets of the subsidiaries that are included in the consolidation are stated as a separate item in the shareholders' equity of the Group. Non-controlling shares consist of the amounts for the non-controlling shares at the time of the initial purchase and the amounts for the shares, other than those of the parent company, in the changes to the shareholders' equity of the subsidiary. Even if the non-controlling shares go into negative balance (-), they continue to receive a share of the losses incurred by the subsidiaries.

ii. Subsidiaries

All businesses controlled by the Group are subsidiaries of the Group. The Group is said to be in control of the entity if it is exposed to variable returns due to its relationship with the business or if it is entitled to the returns, while at the same time, having the convenience of influencing it using its hold on the business. When the control on the subsidiary is taken over by the Group, then the subsidiary is included in the consolidation. When the control on the subsidiary ends, then the subsidiary concerned is taken out of the consolidation.

The statements of financial position and profit or loss and other comprehensive income of the companies included in the consolidation are consolidated employing the full consolidation method and all significant debit/credit balances and purchase and sale transactions between are mutually netted. The shareholding amounts and the shareholders' equity of the companies participated in are eliminated mutually. Profits and losses arising from intragroup transactions recognized in assets are mutually eliminated, whereas unrealized losses are eliminated only when the transaction does not indicate an impairment in the transferred asset. Subsidiaries' accounting policies were changed as necessary to remain consistent with the accounting policies accepted by the Group.

The table below shows the number of shares owned by the Group and its subsidiaries as of 31 December 2017 and 31 December 2016:

	Directly and indirectly controlled shares of Çimentaş and its subsidiaries (%)	
	2017	2016
Support	99,99	99,99
Recydia	61,61	61,61
NWM Holding	61,61	61,61
NWM	61,61	61,61
Quercia	61,61	61,61
CHS	61,61	61,61
Süreko	61,61	61,61
Kars Çimento	58,38	58,38
Çimbeton	50,32	50,32
Ilion Çimento	50,28	50,28

iii. Jointly controlled entities

Jointly controlled entities are the enterprises established by agreements that entail making financial and strategic decisions. The profit or loss is reported in the accompanying consolidated financial statements based on the recognized acquisition cost of the joint ventures as presented by the Group at the beginning, in accordance with equity method, according to the participation portion from the net assets of the related company.

If the participant's whole share in the joint venture decreases to zero as a result of losses, the participant reports the liabilities undertaken or payments made on behalf of the joint venture in its financial statements as liability or loss.

Joint control exists only when the decisions regarding the operations require the mutual consensus of the parties that have mutual control on the agreement. Mutual consensus condition means that any party with a mutual control on the agreement will be prevented from making unilateral decisions regarding the operations without the approval of the other party or a part of the parties. In the event that the mutual consensus is about decisions that bestow protective rights to one of the parties and not about the decisions with regard to the contractual operations, the said party will not be the one to have mutual control on the agreement.

	The total of directly and indirectly controlled shares of Çimentaş and its subsidiaries (%)	
	31 December 2017	31 December 2016
UK JV R&D	30,81	30,81

iv. Loss of Control

The Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary, if it loses control over the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. The shares remaining in the previous subsidiary are measured at their fair value on the day the control is lost.

v. Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated when preparing the condensed consolidated financial statements. Profits and losses arising from the transactions between associates and parent company and between the consolidated subsidiaries of the parent company and the jointly controlled subsidiaries are offset by the share ratio of the parent company. Unrealized losses are eliminated in the same way as unrealized gains, unless there is evidence of impairment.

2.1.5 Comparative information

The financial statements of the Group are prepared comparatively with the previous periods in order to allow for the determination of the financial position and performance trends. Comparative information will be reclassified as necessary to ensure consistency with the presentation of the current period consolidated financial statements. The Group prepared comparative consolidated statement of financial position between the 31 December 2017 and 31 December 2016 periods, and comparative consolidated statement of profit or loss, comprehensive statement of profit or loss, consolidated statements of cash flow and consolidated statements of changes in equity between the 1 January - 31 December 2017 and 1 January - 31 December 2016 periods. Comparative information will be reclassified as necessary to ensure consistency with the presentation of the current period consolidated financial statements.

2.1.6 Foreign currency transactions

i) Transactions and balances

Foreign currency transactions are exchanged to the functional currency based on the foreign exchange rate on the day of the transaction. Foreign exchange gains or losses that arise from these transactions and from exchanging the foreign currency monetary assets and liabilities based on the year-end exchange rates are regarded as maintaining the cash flow and net investment. As such, they are included in the statement of consolidated profit or loss and other comprehensive income, and not in the items under the shareholders' equity.

ii) Conversion of the financial statements belonging to subsidiaries abroad

Financial statements of the subsidiaries registered in foreign countries are prepared according to the standards, laws and regulations of the country they are located in, and conformed to TAS/TFRS to ensure accurate presentation and content. Assets and liabilities of the subsidiaries operating abroad are exchanged to Turkish lira based on the exchange rates at the time of the statement of financial position. Assets and liabilities of the subsidiaries operating abroad are exchanged to Turkish lira based on the exchange rates at the time of the statement of financial position (balance sheet). These subsidiaries' statement of statement of profit or loss items are exchanged to Turkish lira based on the average exchange rates (if the average rates do not reasonably reflect the currency fluctuations at the time of transaction, the transactions will be based on the rate at the time of the transaction). Exchange rate differences that arise as a result of using the closing and average exchange rates are recognized under the "foreign exchange differences" in the shareholders' equity.

Following rates were used for the currency exchanges:

		Year-end
	31 December 2017	31 December 2016
Turkish lira/Sterling	0,1968	0,2315

		Average
	1 January - 31 December 2017	1 January - 31 December 2016
Turkish lira/Sterling	0,2134	0,2453

2.2 Changes in Accounting Policies

The applied valuation principles and accounting policies have been set out consistently in all the information presented. The Group recognizes, measures and presents transactions, other events and situations of similar nature on a consistent basis in the financial statements Material changes in accounting policies or material accounting errors are applied retroactively by restating the consolidated financial statements of the prior period. As of 31 December 2017, the Group has no changes in accounting policies.

2.3 Changes in Accounting Estimates and Errors

The changes in accounting estimates affecting only one period are applied in the current period where the changes have been made, and the changes in accounting estimates affecting the periods in the future are applied in the current period and future periods prospectively. As of 31 December 2017, the Group has neither changes nor errors in accounting estimates.

2.4 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar basics and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events based on their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting.

2.5 Turkish Financial Reporting Standards

a) Amendments and interpretations to existing standards and new standards adopted as of 31 December 2017

- Amendments to TAS 7 "Statement of Cash Flows," are effective for annual reporting periods beginning on or after 1 January 2017. These amendments provide additional explanations that allow financial statement readers to evaluate changes in liabilities arising from financing operations. The amendments aim to clarify how to improve financial statement disclosures as part of the IASB's 'disclosure initiative' project.
- Amendments to TAS 12 "Changes in income taxes," are effective for annual reporting periods beginning on or after 1 January 2017. The amendments to the recognition of deferred tax assets based on unrealized losses explain how to account for deferred tax assets arising from debt instruments measured at fair value.
- The 2014-2016 annual improvements cycle is effective for annual reporting periods beginning on or after 1 January 2017.
- TFRS 12 "Disclosure of shares in other entities," is effective for annual reporting periods beginning on or after 1 January 2017 retroactively. This amendment clarifies that, apart from the condensed financial information, the disclosure requirement of TFRS 12 will apply to the shares in entities classified as available for sale.

b) All other new standards that are effective as of 31 December 2017 are not listed because the amendments and interpretations to existing standards are not related to the Group's operations or have no material effect on the financial statements.

c) Standards and amendments that have been issued but not yet effective as of 1 January 2018:

- TFRS 9 "Financial instruments," is effective for annual reporting periods beginning on or after 1 January 2017. This standard replaces TAS 39. It also includes the requirements for the classification and measurement of financial assets and liabilities, as well as the credit risk model expected to replace the realized impairment loss model, currently in use.
- TFRS 15 "Revenue from Contracts with Customers," is effective for annual reporting periods beginning on or after 1 January 2017. A result of the compliance effort on the Generally Accepted Accounting Standards in the United States, this new revenue recognition standard is intended to provide financial reporting of the resulting new standard revenue and comparability of the total income in the financial statements on a worldwide basis.
- Amendments to the TFRS 15 "Revenue from Contracts with Customers," standard, are effective for annual reporting periods beginning on or after 1 January 2017. These amendments include explanations about the implementation guidance that sets the deed (performance) obligations, the accounting to be used for intellectual property licenses, and the evaluation of the entity's role– whether a principal or an intermediary (gross revenue versus net revenue presentation). New and modified explanatory examples have been added for each of these areas in the implementation guidance. The IASB also included additional practical measures related to the transition to the new revenue standard.
- Amendments to the TAS 40 "Investment property," standard, are effective for annual reporting periods beginning on or after 1 January 2017. These amendments to the classification of investment property clarify the classification of investment property or real estate properties when there is a

change in the purpose of use. If the use of a real estate property is changed, then an assessment should be made to check whether this real estate property conforms to the definition of 'investment property.' This change should be supported by evidence.

- The 2014-2016 annual improvements cycle is effective for annual reporting periods beginning on or after 1 January 2018.
- TFRS 1 "First-time adoption of Turkish financial reporting standards," TFRS 7, TAS 19 and TFRS 10: The short-term exceptions in the first-time implementation phases for the aforesaid standards have been abolished.
- TAS 28 "Investments in subsidiaries and business partnerships," clarifies the fair value measurement of a subsidiary or a business partnership.
- TFRS Interpretation 22, "Foreign currency transactions and advance payments," is effective for annual reporting periods beginning on or after 1 January 2018. This interpretation addresses the transactions made in foreign currency, or making or pricing payments in foreign currency as part of such transactions. This interpretation provides guidance on cases where a single payment is made / received as well as to where multiple payments are made / received. This guideline aims to reduce the variability in real life applications.

New and revised standards and interpretations issued by the IASB, but not published by the POA (Public Oversight Authority)

The new standards, interpretations and the amendments to the existing IFRSs listed below have been published by the IASB, but not yet entered into force for the current reporting period. Therefore, these new standards, interpretations and amendments have not yet been adapted to the TFRS by the POA and therefore do not form part of the TFRS. The Group will make the necessary changes to its financial statements and Notes after these standards and interpretations have entered into force in the TFRS.

- TFRS 9 "Changes in financial instruments," is effective for annual reporting periods beginning on or after 1 January 2019. This amendment confirms that if a financial liability measured at amortized cost is changed without resulting in a derecognition, then the resulting gain or loss is recognized directly in the profit or loss. Gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted using the original effective interest rate. This means that, unlike IAS 39, it is not possible to recognize the difference over the remaining life of the instrument.
- TAS 28"Changes in investments in subsidiaries and business partnerships," is effective for annual reporting periods beginning on or after 1 January 2019. This amendment clarifies that companies will use TFRS 9 to recognize long term investments or jointly controlled investments, where the equity method is not applied.
- TFRS 16 "Leasing transactions" is effective for annual reporting periods beginning on or after 1 January 2019. Early application is allowed with the TFRS 15 "Revenue from Contracts with Customers" standard. This standard replaces TAS 17, and brings comprehensive changes to the accounting especially for the lessors. According to the TAS 17 rules, when the lessees become party to a leasing transaction, they must distinguish the transaction as either a financial leasing (included in the statement of financial position) or operating lease (not included in the statement of financial position). However, according to the TFRS 16, from now on, lessees will have to enter in the statement of financial position their future leasing obligations for all leasing contracts and the right the use an asset to cover them. The IASB stipulates an exception for short-term leasing transaction and low-value assets; however, this exception applies only to lessors. The accounting remains almost the same for the lessors. Nevertheless, new lessors will also be affected from the new standard as a result of the IASB changing the definition of the leasing transaction (as it has changed the directions in merging or separating the contract contents). At the least, the new accounting model is expected to lead to negotiations between the lessors and lessees. According to the TFRS 16, if a contract involves the right to use and control an asset for a period of time in return for a certain amount, it is a leasing contract or it involves a leasing transaction.
- TFRS Interpretation 23, "Uncertainty in income tax applications" is effective for annual reporting periods beginning on or after 1 January 2019. This interpretation clarifies some of the uncertainties in the application of TAS 12 Income Tax Standard. IFRS Interpretation Committee had previously made a clarification that in case there was an uncertainty in tax applications, this uncertainty should be dealt with by applying the TAS 37 'Provisions, Conditional Debt and Conditional Assets' and not TAS 12. TFRS Interpretation 23, on the other hand, provides guidance on how to measure and account for deferred tax calculations when there are uncertainties in income taxes. Tax application uncertainties arise when it is not known whether a tax application undertaken by a company is acceptable to the tax authority or not. For example, in particular whether an expense item is accepted as a deduction or whether in the calculation of recoverable taxes a certain item should or should not be included in the calculation, or in cases where there is no clarity in the tax legislation. TFRS Interpretation is valid in every case where there is uncertainty with respect to tax applications for an item; including amounts of taxable income, expense, asset or liability that make up the tax base, tax expense, tax receivable and tax rates

The Group will assess the effects of the above amendments on its operations and apply them from the effective date. The adoption of the above standards and interpretations is expected to have no significant effect on the financial statements of the Group in future periods.

Standards and amendments published but not yet effective and not relevant to the Group's activities as of 31 December 2017 are not presented above.

2.6 Summary of Significant Accounting Policies

Significant valuation principles applied in the preparation of the financial statements and the accounting policies are summarized below.

2.6.1 Financial instruments

The Group classifies non-derivative financial assets into the following categories: Financial assets at fair value of which go through profit or loss, financial assets held to maturity, loans and receivables and available-for-sale financial assets.

i. Non-derivative financial assets and financial liabilities - recognition and derecognition

The Group records its loans and receivables on the date of loan or date the receivable is received. The entity records all other financial assets and liabilities only and only on the transaction date that it is a party to the contractual terms of the related financial instrument.

The Group derecognizes a financial asset when its contractual rights to the cash flows terminate or when the related rights are transferred through a purchase and sale transaction together with the ownership of its risks and rewards related to the financial asset. Any interest in transferred financial assets is created or retained by the Group is recognized as a separate asset or liability.

Where contractual obligations are fulfilled, canceled or annulled; the Group derecognizes the related financial liability.

The Group offsets its financial assets and liabilities in its financial statements if and only if the entity has a legal right to offset and if it intends to perform the transaction on a net basis or if it has the intention of realizing the asset and fulfilling the obligation simultaneously.

The Group classifies non-derivative financial liabilities as other financial liabilities.

The Group can report the non-derivative financial assets as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured by reducing the impairment from amortized cost using the effective interest rates of capital and interest cash flows in future.

Loans and receivables generally comprise trade and other receivables, receivables from related parties and cash and cash equivalents.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an

insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents comprise cash, cash at banks and other cash and cash equivalents.
As of 31 December 2017, the Group does not have any non-derivative financial instruments (31 December 2016: None).

2.6.2 Share capital

Ordinary shares

Ordinary shares are classified as capital. Dividends distributed on ordinary shares are recorded by being deducted from accumulated profits during the period in which they are declared. Dividends received are recorded as income on the date the right to receive payment arises.

2.6.3 Tangible Assets

All property, plant and equipment acquired before 1 January 2005 are carried at cost expressed in the purchasing power prevailing at 31 December 2004, less any accumulated depreciation to the date of statement of financial position, and items acquired after 1 January 2005 are recognized in the financial statements at their acquisition cost less any accumulated depreciation to the date of statement of financial position. Cost includes the expenditures that are directly undertaken during the acquisition of the asset and attributable to the acquisition. Gains or losses on disposable assets are included in the relevant income and expense accounts and the cost and accumulated depreciation of tangible assets is written off from the relevant accounts as appropriate. When parts of tangible assets have different useful lives, they are accounted for as separate items of the tangible assets.
Cost includes the expenditures that are directly undertaken during the acquisition of the asset and attributable to the acquisition. Gains or losses on disposable assets are included in the relevant income and expense accounts and the cost and accumulated depreciation of tangible assets is written off from the relevant accounts as appropriate. When parts of tangible assets have different useful lives, they are accounted for as separate items of the tangible assets.

Subsequent costs

Maintenance and repair costs are charged to the statement of comprehensive income for the period in which they are incurred. The Company derives its carrying values from the statement of financial position regardless of whether or not parts that are changed in the direction of the respective revisions are depreciated independently of the other parts. Major renewals are subject to depreciation based on the remaining life of the related tangible asset or the economic life of the renewal itself, whichever is shorter.
Expenditures after capitalization are added to the cost of the asset if it is highly probable that future economic benefits will be realized and the cost of the related expenditure is reliably measured, or reflected on the financial statements as a separate asset. Tangible long-term assets are reviewed for impairment in circumstances where there is indication that carrying values may be more than their realizable values. To determine impairment, assets are grouped at the lowest level, which are the cash-generating units (cash-generating unit). If the carrying value of an item of property, plant or equipment is greater than its estimated realizable value, a provision is set aside and the book value is reduced to its realizable value. The realizable value is the higher of the value in use of the tangible asset or the net selling price after deducting the costs to sell the asset.

Depreciation

Depreciation on tangible assets is performed on a straight line basis according to their useful lives from the date of recognition or assembly of the related assets. Leasehold improvements are subject to depreciation on a straight line basis according to the shortest between their lease period and their useful lives.
Estimated useful lives of property, plant and equipment are as follows:

Buildings and land improvements	5-50 years
Plant, machinery and equipment	4-25 years
Motor vehicles	2-10 years
Furniture and fixtures	4-20 years
Other intangible assets	2-10 years
Leasehold improvements	5-20 years

The depreciation method, useful lives and depreciated costs of the tangible assets are reviewed every reporting period.
Leased assets are depreciated over the shorter of the lease period and their expected useful lives, in a similar way with the tangible assets owned by the Group.

2.6.4 Intangible assets

As of 31 December 2004, the intangible long-term assets before the date of 1 January 2005 are calculated by deducting accumulated amortization and permanent impairment losses from their inflation adjusted costs; Intangible assets, acquired as intangible assets after 1 January 2005 are stated at their cost, after deducting accumulated amortization and permanent impairment losses. In case of impairment, the book value of intangible assets is reduced to its recoverable value.

Amortization

Amortization is calculated on a straight-line basis over the estimated useful lives of the items and is generally recognized in profit or loss after deducting the residual value of intangible asset items from their costs. Goodwill is not subject to amortisation.
Estimated useful lives of intangible assets are as follows:

Rights	4-20 years
Other intangible assets	3-20 years

The amortization method, useful lives and residual values of intangible assets are reviewed at each reporting date.

2.6.5 Investment properties

If not being used for the production of goods or services or for administrative purposes, or for the purpose of obtaining rent, or for the purpose of value gain, or both, or not being sold during the normal course of operations, the property is classified as investment property. As of 31 December 2017, investment properties are valued by the independent professional valuation company Vakıf Gayrimenkul Değerleme A.Ş. and the fair value determined in the valuation studies carried out by the Company has been reflected in the financial statements. The frequency of revaluation work is determined to ensure that the carrying amounts of investment properties are not significantly different from their fair values at the end of the reporting period. Gains or losses arising from changes in fair value are recognized in the consolidated profit or loss and other comprehensive income.

2.6.6 Leases

Leased assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. In the balance sheets of the Group, the non-current assets are recognized on the asset side of the balance sheet at the fair value of the minimum lease payments, whichever is smaller, and also as a liability on the liability side of the balance sheet at the present value of the minimum finance lease payments. Subsequent to initial recognition, the leased asset is recognized in accordance with the applicable policy.
Leased assets where the lessor assumes a significant portion of all the risks and rewards of ownership are classified as operating leases. Payments made as operating leases are charged linearly to the profit or loss and other comprehensive income statement over the period of the lease.

2.6.7 Inventories

The values of the inventions are based on the cost or net realizable value, whichever is less. The inventories are reported based on the weighted average cost. The cost of the inventories includes expenditures incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of finished goods includes overhead costs to a reasonable extent in accordance with normal production capacity. Net realizable value is the amount acquired by deducting the sum of the estimated completion cost and the estimated sales cost, necessary to realize the sales from the estimated sales price in the course of business.

2.6.8 Impairment of assets

Financial assets

Each financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if there is one or more pieces of objective evidence indicating that the future cash flows are negatively affected.

Objective evidence showing that financial assets are impaired can include default or delinquency and bankruptcy of the other party and restructuring of the payment because the Group has no other option.

The Group considers evidence of impairment for receivables on both an asset basis and on a collective level. Impairment of significant assets is assessed and tested separately. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment for a financial asset measured at amortized cost is the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If financial assets are subject to significant impairment amounts when considered separately, then they are considered for impairment collectively.

All impairment is recognized in the statement of profit or loss and comprehensive income.

If the impairment loss decreases in the following period and the decrease can be associated with an event after the impairment was identified, the cancellation of a previously recorded impairment will be re-entered on the statement of profit or loss.

Non-financial assets

Carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and investment properties are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. For goodwill, impairment tests are performed every year to estimate the recoverable amount. The recoverable amount of an asset or cash generating unit is either its value in use or the value acquired by deducting the sales costs from the fair value, whichever is greater. In assessing value in use, the estimated future cash flows of the asset are discounted by a pre-tax internal rate of return which can reflect the time value of money and the risks specific to that asset under current market conditions.

An impairment is recognized if the carrying amount of an asset or its cash generating units exceeds its estimated recoverable amount. Impairment is recognized in profit or loss. The smallest separable group of assets that generates cash inflows independently of other assets or groups of assets are described as cash-generating units. Impairment is recognized in the statement of profit or loss and other comprehensive income. The impairment recognized for the cash generating units is allocated to reduce the carrying amounts of other assets in the group (group of units) on a pro rata basis.

For other assets, impairment recognized in prior periods is assessed again at each reporting date for any indications that the loss has decreased or no longer exists. Impairment is reversed if there has been a change in the estimations used to determine the recoverable amount. The increase in the carrying amount of an asset due to the reversal of the impairment loss is recognized in a way that it will not exceed the carrying amount (the remaining net value after being subject to amortization) determined on condition that no impairment was recognized in the financial statements in previous years.

2.6.9 Employee benefits

(i) Short-term benefits for employees

Short-term benefits for employees are recognized as expenses as long as the relevant service is rendered. A liability is recognized for the amounts that arise from the Company's legal and constructive obligation at the end of previous services of its employees and which it is obliged to pay and which are anticipated to be paid in cases where this liability can reliably be estimated.

(ii) Long-term Employee Benefits

Pursuant to the current labor law in Turkey, the Group is obligated make a payment in specific amounts to the employees who have completed one year at work and left employment due to reasons such as retirement, military service or death. Provision for severance pay means the current value of the future projected liability based on 30 days, if the Group employee retires. Provision for severance pay is calculated by assuming that all employees will receive such a payment, and it is entered in the (consolidated) financial statements on accrual basis. It is based on the severance pay ceiling announced by the government, which is 4.732 Turkish lira on 31 December 2017 (4.297 Turkish lira on 31 December 2016). The Company management has used some estimations to calculate the provision for severance payment as explained in Note 17.

All actuarial gains and losses are recognized in other comprehensive income. According to the laws in effect, the Group is obligated make a lump-sum payment to the employees who leave employment for reasons other than retirement, resignation or the acts set forth in the labor law. Such payments are computed according to the severance payment ceiling valid at the reporting date. The severance payment amount is recognized in the enclosed financial statements by means of estimation of the liability amounts to be imposed according to current net value in future due to the retirement of all the employees.

2.6.10 Provisions, contingent liabilities and contingent assets

The Group recognizes a provision equivalent to the liability in the accompanying financial statements where the Group has a legal and constructive obligation resulting from previous events, an outflow of the resources including economic benefits from the entity is probable, and the liability can be estimated reliably.

Contingent liabilities are continuously reviewed to determine whether there is a possibility for the outflow of resources including economic benefits from the entity will be required to settle the obligation. Such contingent liabilities are disclosed in the financial statements, except for the situations where the potential for the outflow of resources and economic benefits from the entity is remote.

If an economic benefit to the entity is available, explanations are included in the notes to the financial statements about the contingent asset. If an economic benefit is certain, the asset and its related income changes are included in the financial statements at the time when they have occurred.

2.6.11 Revenue

Sales are recognized based on the accrual principle, at the fair value of the amount received or to be received when the sales, product delivery and transfer of the product risks and benefits have occurred and when the income can be reliably determined and the economic benefits associated with the transaction can be transferred to the Group. Net selling is the invoiced price of the delivered products from which the sales returns and discounts are deducted. The Group systematically issues an invoice according to the delivery note issued during the goods shipment, and the related sales amount is systematically transferred to the consolidated statement of comprehensive income.

If there is a significant financing cost in the sales transaction, the reasonable value is determined by discounting future collections with the implicit interest rate in the financing cost. The difference between nominal values and carrying amounts is recognized as an interest on an accrual basis.

2.6.12 Financial income and expenses

Financial income is comprised of interest income on time deposits and foreign exchange income. Financing expense consist of the loans' interest expense, exchange difference and bank commission expenses.

2.6.13 Taxes estimated on company profit

Income tax expense consists of the sum of the period tax and deferred tax. Income tax is recognized in profit or loss other than those attributable to business combinations or directly to shareholders' equity or other comprehensive income.

i) Current period tax

Tax expense for the period includes the current period tax expense and the deferred tax expense (Note 26). Tax for the period and the deferred tax are recognized as income or expense in the statement of consolidated comprehensive income for the period, provided that the tax is not related to a transaction that is recognized directly under shareholders' equity (in this case, it will be recognized in the shareholders' equity).

Adjustment records related to tax liabilities in prior years are accounted for under the other operating expenses item. The current period tax expense is calculated in accordance with the tax laws that are in effect or highly likely to be in effect in the countries where subsidiaries operate. If the current tax law is open to interpretation, the management will periodically asses the tax statement, and when it deems necessary, set aside a provision for the debts to be paid to the tax authorities.

ii) Deferred Tax

Deferred tax is calculated by using the liability method based on the temporary differences between what is stated in the subsidiaries' financial statements and in the relevant legal tax assessment account for the assets and liabilities. However, in the case that assets and liabilities with no effect on the commerce or on the profits or loss are entered in the financial statements for the first time, except for company mergers, the deferred tax assets or liabilities will not be entered in the financial statements. Deferred tax assets and liabilities are calculated based on the tax rates expected to be applied on the period when the tax assets or liability will be realized, by taking into consideration the tax rates and the tax legislation that were in effect or had entered into effect as of the date of statement of financial position.

Deferred tax liability is calculated for all taxable temporary differences, whereas deferred tax asset is entered in the consolidated financial statements, provided that it is highly possible to take advantage of the deductible temporary differences to earn taxable profits in the future.

Deferred tax liability that is calculated based on the temporary differences arising from the subsidiaries is shown in the consolidated financial statements, except for when the Group controls the timing of the cancellation of that temporary difference and the temporary difference cannot be canceled in the foreseeable future. Deferred tax asset and liability with regard to income tax is tracked by the same tax authority; as such, deferred tax asset and liability for each company is mutually offset. As a result, the deferred tax position of the parent company and each subsidiary is offset in the consolidated financial statement.

iii) Tax Exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.6.14 Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to their current shareholders from retained profits. Distribution of such kind of bonus shares is taken into consideration in the computation of earnings per share as issued share certificates. Accordingly, the weighted average number of shares used in these computations is determined considering the retrospective effects of the share certificate issues.

2.6.15 Subsequent events

Subsequent events represent the events that occur against or on behalf of the Group between the reporting date when the financial statements are prepared and the date when the consolidated statement of financial position was authorized for the issue. The Group corrects its financial statements in accordance with situations if new evidence indicates that during the end of the period when the financial statements were prepared that these events were already present or in the event that such events arose after this date and that they require correction of the financial statements. If such events do not require restating the financial statements, the Group shall disclose such events in the related notes.

2.6.16 Dividends

Dividends distributed on the ordinary shares are offset and recognized with retained earnings in the period in which they are declared.

2.6.17 Statement of cash flows

In the cash flow statement, cash flows are classified and reported as operating, investing and financing activities. Cash flows result in cash flows resulting from the Group's operations. The Group presents operating cash flows according to the indirect method by adjusting net income with non-cash expenses, income expense accruals or deferrals related to previous or future transactions and income and expense items related to cash flows regarding investing or financing activities.

Cash flows from investing activities represent the cash flows used in / provided from investing activities by the Group (tangible and intangible asset investments) and the cash flows acquired from these activities.

Cash flows from financing activities represent the funds used in financing activities by the Group and repayment of these funds.

2.6.18 Goodwill

A company merger involves joining two separate businesses or business operations to form a distinct reporting unit. Mergers between entities which are not under common control are accounted using the purchase method within the scope of IFRS 3 "Business Combinations".

The excess of the consideration transferred on the purchasing cost undertaken, the fair value of the identifiable assets, liabilities and contingent liabilities acquired by the acquirers at the time of the purchase is reported as goodwill.

In business combinations, tangible assets, intangible assets and / or contingent liabilities which are not included in the financial statements of the purchased company but which qualify for separate recognition from goodwill are recognized in the financial statements at fair value as long as their fair value can be measured reliably. Goodwill amounts which are recognized in the financial statements of the purchased company cannot be measured as an identifiable asset. Goodwill is allocated to the smallest cash generating units, which can be followed for management's internal reporting purposes for impairment testing.

Goodwill impairment test are performed every year on the same date and if any indication related to impairment of goodwill is detected, then impairment tests are repeated more frequently. An impairment loss for goodwill is not reversed.

If a negative result is obtained after the assessment, the negotiated purchase is recognized in profit or loss directly. The purchase cost does not include the amounts related to establishing relationships. These costs are recognized in profit or loss.

2.6.19 Borrowing costs and loans received

Bank borrowings are initially recognized with their amount at the date received, less any transaction cost. Subsequently, bank borrowings are reflected at their discounted cost using the effective interest method. The difference, between the amount from which the transaction costs are deducted and the discounted cost amount, is recognized as financial expense in the consolidated statement of comprehensive income during the loan period. The financial expense that occurs resulting from the received loans is reported in the consolidated statement of profit or loss and other comprehensive income. If the maturity of the loans is less than 12 months as of balance sheet date, it is shown in the short-term liabilities; if the maturity of the loans is more than 12 months as of balance sheet date, it is shown in the long-term liabilities.

2.6.20 Related parties

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 important influence over the reporting entity,

iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

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

i) The entity and the reporting entity are members of the same group,
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 of the entities is a joint venture of a third entity and the other entity is an associate of the third entity,
v) The entity has benefit plans available upon termination of employment for the employees of the Group or of a business with connection to the Group (If the Group itself has such a plan, then sponsoring employers are connected to the Group as well),
vi) Controlled or jointly controlled by a person described in article (a) of the entity,
vii) A person described in article (a)(i) has important influence on the entity or is a key executive of the entity (or of the parent company of the entity).

The operations with the related parties are described at Note 4.

2.6.21 Trade Receivables

Trade receivables arising from the provision of goods and services directly by the Group to the customer are recorded at their original fair values and are carried after allowing for a provision for impairment.

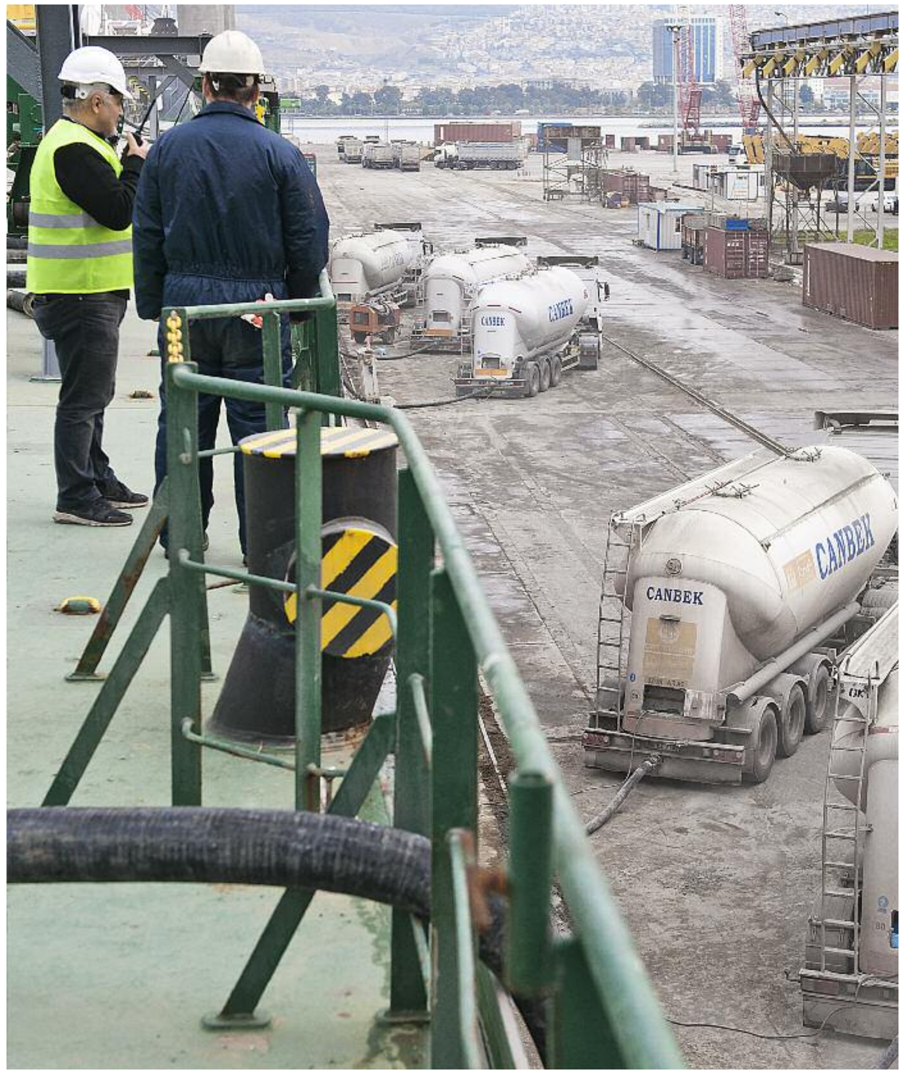
2.6.22 Factoring operations

Non-recourse advance payments received from factoring companies on the basis of a portion of the Group's receivables assigned on a non-recourse basis are offset against trade receivables. Commission invoices issued by the factoring company for the aforesaid transactions are reflected in the consolidated profit or loss and other comprehensive income as financial expenses.

2.6.23 Reciprocal shareholding share purchase

In the case that a Group company buys Çimentaş shares (treasury stocks), until the shares have been canceled or re-issued, they will be subtracted from the parent company's shareholders' equity by entering them in the consolidated financial statements based on the tax-effect adjusted purchase cost, if any, and on the relevant additional costs.

In the case the shares are re-issued, the amount that is found by deducting the tax effect, if any, and the transaction costs, will be recognized in the parent company's shareholders' equity. Shares were recorded with their cost amounts and shown in the consolidated financial statements as being deducted from the paid-in capital. The number of weighted average treasury stocks is deducted from the number of current shares in calculation of the (loss) / earning per share.



2.7 Significant Accounting Evaluations, Estimates and Assumptions

The preparation of interim period summary consolidated financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the date of statement of financial position, the explanations of contingent assets and liabilities and the amounts of income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Group management's best knowledge of current events and transactions, actual results may differ from these assumptions. The Group's important accounting projections and forecasts:

2.7.1 Income taxes

Many related transactions and calculations, the effects of which on the final tax amount cannot be determined, are made during the normal course of business and such cases require the use of significant judgment in determining the provision for income tax. The Group records estimated additional tax liabilities as a consequence of tax related events. The Group recorded a part of the deferred tax receivables that arose from the transferred financial losses, which belong to certain subsidiaries and may be of use in the coming periods, due to the strong probability that such assets may be utilized in the future (Note 21). Where the ultimate tax consequences arising from these items differ from those initially recorded, these differences could affect income tax provision and deferred tax liabilities in the periods in which they were set (Note 24).

2.7.2 Goodwill impairment test

Pursuant to the provisions set forth by the "Impairment of Assets" standard No. 36 ("TAS 36") published by the POA, the Group conducts an impairment test once a year regarding the goodwill amounts arising from the purchases of Lalapaşa, Elazığ Çimento, Süreko and NWMH Holding. The Group completed the impairment tests regarding the goodwill on 31 December 2017 (Note 14). No impairment has been found.

2.7.3 Provisions regarding environmental rehabilitation, and mine site rehabilitation and closure

Environmental obligations that involve environmental rehabilitation, and mine site rehabilitation and closure have been projected in line with the plans developed by the Group in accordance with the legal regulations, technological means and the best projections of the management. Projected environmental obligations may vary depending on the current interest rates as well as the anticipated production plan for the identified and possible limestone reserves, and the changes in the environmental rehabilitation plans and costs that may occur due to usage methods and other physical circumstances. The Group's obligations regarding environmental rehabilitation, and mine site rehabilitation and closure are projected to be realized at the end of the period when the mine site operating licenses expire.

2.7.4 Evaluation of impairment on property, plant and equipment

The Group assesses its operational performance separately on an individual cash-creating-unit basis in accordance with the provisions of TAS 36 "Impairment of Assets," and decides whether to suspend operations of the cash-creating-units or conduct the impairment test based on profitability analyses performed during the year and cash flow projections for the next year. The values that may materialize during the realization of the purchase / sale transactions may differ from the net book values of the cash-creating-units (Note 12).

2.7.5 Fair value measurements of investment property

As of 31 December 2017, investment properties are valued by the independent professional valuation company Vakıf Gayrimenkul Değerleme A.Ş. and the fair values determined in the valuation studies carried out by the Company is reflected in the consolidated financial statements.

Since there have been no purchases or sales to set precedents in the vicinity, benchmarking and cost approach for plots, land and buildings are used in the fair value calculations and the details of the related methods and assumptions are as follows.

- An evaluation of the most effective and efficient utilization is made in the fair value calculations and the current usage purposes are determined as the most effective and efficient usage.

- In the benchmarking method, the existing market information was utilized, similar real estate that recently came on the market were taken into account, sales discounts were applied in relation to the criteria that could affect the market value and a price adjustment has been made to establish an average square meter price. The similar identified real estates were compared with respect to criteria such as location, visibility, size, infrastructure facilities, construction styles, and features, physical characteristics, discussions were held with real estate brokers for a current evaluation of the real estate market, going rates in the construction market were looked at and information was shared with independent professional valuation firms.
- In the cost approach method, the value of the real estate has been determined by adding to the value of the plot the amortized cost of the investment costs on the plots and lands have been depreciated (the deduction of depreciation after adding any benefits or earnings). In the cost approach, renovation and reconstruction costs estimated at the time of the evaluation of the building cost are developed taking into account the wear and tear, inadequacies in the plan and value losses due to environmental factors.

Valuation technique and significant unobservable inputs

The valuation technique used in measuring the fair value of investment properties is the market value approach based on similar property sales in the neighbourhoods of the specified property. The average price of the similar sales in the region is then arranged based on the following criteria, and in this way, the fair value of the property is obtained;

- Location and position in the area: its visibility, etc.
- Its "public works permit" / registry: how many square meters are permitted on the specified area.
- Goodwill: the neighbourhood construction environment, its distance to shopping malls, etc.

The values that may materialize during the realization of the purchase / sale transactions may differ from these values.

The values determined by the valuation company are assessed as to whether there is any indication of impairment according to the TAS 36 "Impairment of Assets" at the date it was initially reflected on the financial statements and at the end of the relevant accounting periods, and the decision was reached that there has been no impairment.

2.7.6 Statement of compliance with the TMS / TFRS and the principles published by the POA

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TMS / TFRS issued by the POA and using the principles of the POA. As the Company management, we declare that the financial statements of the current and previous years and the summary of the significant accounting policies and the Notes are prepared in accordance with TAS / TFRS.

3. SEGMENT REPORTING

There are three reportable operation areas that contain the information that is used to assess the Group administration's performance and decide on resource allocation. These strategic reportable segments are reviewed periodically by the Group's decision-making authority in accordance with their performances and resource allocations since they are affected by different economic conditions and different geographical positions.

The Group's main segments are cement, ready-mixed concrete and waste management. There is fuel oil sale service and fly ash production under the other group, which do not meet the reportable unit criteria.

Gross profit is used in assessing the performance of the segments periodically. The Group management considers gross profit as the best indicator in assessing the performance of the segments since it is comparable with other companies in the same sector.

31 December 2017	Cement	Ready-mixed concrete	Waste management	Other	Elimination	Total
Revenue						
External Revenue	533.983	186.175	96.692	52.095	--	868.945
Intersegment revenue	71.549	156	3.144	20.437	(95.286)	--
Net sales	**605.532**	**186.331**	**99.836**	**72.532**	**(95.286)**	**868.945**
Cost of sales	**(471.542)**	**(179.347)**	**(92.911)**	**(70.791)**	**89.485**	**(725.106)**
Gross Profit / (Loss)	**133.990**	**6.984**	**6.925**	**1.741**	**(5.801)**	**143.839**
Interest income	36.537	318	232	15	(33.886)	3.216
Interest expense	(1.567)	(110)	(35.825)	(77)	33.886	(3.693)
Depreciation and amortization expenses	41.102	2.168	16.091	274	--	59.635
Impairment	--	--	(14.289)	--	--	(14.289)
Investment property value appreciation	38.693	2.845	--	--	--	41.538
Tax Revenue / (Expense)	(29.761)	504	(5.157)	(91)	545	(33.960)
Net Income / (Loss) for the Period	83.504	587	(83.902)	282	6.522	6.993
Segments assets	2.084.597	115.495	615.227	10.927	(1.259.046)	1.567.200
Acquisitions of tangible and intangible assets	29.584	4.205	4.553	--	--	38.342
Segment liabilities	430.220	77.427	552.272	8.889	(677.542)	391.266

31 December 2016	Cement	Ready-mixed concrete	Waste management	Other	Elimination	Total
Revenue						
External Revenue	461.632	207.460	81.152	27.219	--	777.463
Intersegment revenue	90.215	--	3.615	17.612	(111.442)	--
Net sales	**551.847**	**207.460**	**84.767**	**44.831**	**(111.442)**	**777.463**
Cost of sales	**(393.980)**	**(194.985)**	**(93.618)**	**(43.329)**	**104.118**	**(621.794)**
Gross Profit / (Loss)	**157.867**	**12.475**	**(8.851)**	**1.502**	**(7.324)**	**155.669**
Interest income	25.474	169	150	--	(24.105)	1.688
Interest expense	(1.490)	(112)	(26.265)	(29)	24.105	(3.791)
Depreciation and amortization expenses	44.783	2.061	14.962	275	558	62.639
Impairment	--	--	(24.814)	--	--	(24.814)
Investment property value appreciation	--	--	--	--	--	--
Tax Revenue / (Expense)	(16.197)	(78)	(1.669)	(89)	240	(17.793)
Net Income / (Loss) for the Period	62.379	(2.897)	(81.979)	301	(1.023)	(23.219)
Segments assets	1.949.032	96.452	596.044	7.348	(1.148.859)	1.500.017
Acquisitions of tangible and intangible assets	34.895	7.191	4.591	150	--	46.827
Segment liabilities	371.597	58.843	447.651	5.128	(558.611)	324.608

4. RELATED PARTY DISCLOSURES

4.1 Due from Related Parties:

Short-term trade receivables from related parties as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Yapıtek Yapı Teknolojisi Sanayi ve Ticaret A.Ş. ("Yapıtek")	2.615	84
Çimentaş Education and Health Foundation ("Çimentaş Foundation")	3	7
	2.618	**91**

Concrete sales make up TL 2.106 thousand of the Group's receivables from Yapıtek.

4.2 Other Short-Term Receivables from Related Parties:

Short-term other receivables from related parties as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Yapıtek (*)	10.059	11.085
UK JV R&D (**)	--	13.579
Other	147	80
	10.206	**24.744**

(*) Contains short-term receivables regarding the Group's land sales to Yapıtek in 2017.
(**) On 31 December 2017, the Group wrote off its receivables of TL 16.298 thousand from UK JV R&D, its investment valued by the equity method, as it cannot be collected.

4.3 Other Long-Term Receivables from Related Parties:

None (31 December 2016: TL 10.059 thousand).

4.4 Short-Term Trade Payables Due to Related Parties:

Short-term trade receivables to related parties as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Cementir Holding (*)	33.881	29.680
Spartan Hive (**)	9.807	--
Aalborg	2.602	886
Çimentaş Foundation	187	252
	46.477	**30.818**

(*) As of 31 December 2017, the Group owes Cementir Holding TL 33.881 thousand , which arise from EUR 7.503 thousand of brand usage and consultancy service fees. (31 December 2016: TL 29.680 thousand, or EUR 8.000 thousand).
(**) As of 31 December 2017, the Group owes Spartan Hive USD 2.600 thousand, or TL 9.807 thousand , from petroleum coke purchases.

4.5 Other Short-Term Trade Payables Due to Related Parties:

As of 31 December 2017 and 2016, other short-term payables to the related parties were as follows:

	31 December 2017	31 December 2016
Aalborg (*)	10.719	8.652
Aalborg Portland Holding	31	27
Other	280	80
	11.030	**8.759**

(*) As of 31 December 2017, the Group owes Aalborg GBP 2.000 thousand, which arises from the loan issued to the Group by this company with a 3-month libor+5% variable interest and 31 December 2018 maturity.

4.6 Goods and Service Sales to Related Parties:

As of 31 December 2017 and 2016, goods and service sales to related parties were as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Yapıtek	2.618	22.230
Çimentaş Foundation	24	21
	2.642	**22.251**

4.7 Goods and Service Purchases from Related Parties:

As of 31 December 2017 and 31 December 2016, goods and service purchases from the related parties were as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Cementir Holding (*)	24.573	21.008
Spartan Hive (**)	24.293	--
Aalborg (***)	2.893	1.549
Çimentaş Foundation	699	507
	52.458	**23.064**

(*) All of the TL 24.573. - thousand balance of Cementir Holding comes from service purchases, which consist of brand usage and consultancy service fees for the first nine months of 2017 with regard to the brand usage and service contracts signed on 1 January 2017 with Cementir Holding.
(**) All of this amount derives from the petroleum coke purchases made from Spartan Hive.
(***) Of this amount, TL 1.174 thousand L derives from the consultancy services with regard to the service contract signed with Aalborg to enter into effect on 1 January 2013, and the rest comes from purchases of goods.
As of 31 December 2017, these consultancy services consist of technical assistance consultancy, investment relations, organization, management and internal audit services.

4.8 Senior manager benefits:

Çimentaş Group's executives consist of directors and senior officers. The following benefits were provided to the executives between 31 December 2016 and 31 December 2017.

	1 January - 31 December 2017	1 January - 31 December 2016
Short-term benefits for employees	10.369	11.004
	10.369	**11.004**

5. CASH AND CASH EQUIVALENTS

As of 31 December 2017 and 2016, cash and cash equivalents were detailed as follows:

	31 December 2017	31 December 2016
Cash on hand	109	71
Cash at banks	55.162	71.361
Demand deposits	8.463	33.253
Turkish Lira	*5.545*	*13.505*
Foreign currency	*2.918*	*19.748*
Time deposits	46.699	38.108
Turkish Lira	*46.691*	*38.101*
Foreign currency	*8*	*7*
Other liquid assets (*)	1.581	2.250
Cash and Cash Equivalents	**56.852**	**73.682**

(*) As of 31 December 2017 and 2016, original maturity of other ready assets consists of credit card receivables shorter than three months.

Maturity of time deposits is within one month (31 December 2016: one month). Foreign currency deposits as of 31 December 2017:USD 723 thousand, EUR 22 thousand, and GBP19 thousand (31 December 2016:USD 646 thousand, EUR4.190 thousand, and GBP 448 thousand). As of 31 December 2017 and 2016, the weighted average yearly effective interest rates of the time deposits of the related currencies were as follows:

	31 December 2017	31 December 2016
TL time deposits	13,64%	9,25%
USD time deposits	0,50%	0,50%
EUR time deposits	0,50%	0,50%

As of 31 December 2017 the Group had blocked time deposits of TL 768 thousand (31 December 2016: None).
Credit risks of the banks that hold the Group's deposits are assessed based on independent data.
Note 28 states the interest risk, exchange risk and sensitivity analyses for the Group's financial assets and liabilities.

6. FINANCIAL BORROWINGS

Financial liabilities as of 31 December 2017 and 2016:

	31 December 2017		31 December 2016	
Short term bank borrowings	**Thousand TL**	**Weighted average effective interest rates %**	**Thousand TL**	**Weighted average effective interest rates %**
GBP bank loans	20.611	3,15%	19.116	3,15%
Short term portion of the long term financial borrowings				
Short term portion of finance lease liabilities	130		105	
Total short term financial borrowings	**20.741**		**19.221**	
Long term financial borrowings:				
Finance lease liabilities	114		208	
Total long term financial borrowings	**114**		**208**	

As of 31 December 2017, the Group has GBP 4.057 thousand, or TL 20.611thousand, of foreign exchange loans from Danske Bank
The Group's variable- and fixed-interest rate net financial liability breakdown as of 31 December 2017 and 2016:

	31 December 2017
Financial liabilities with fixed-interest rate	244
Financial liabilities with variable-interest rate	20.611
Total	**20.855**

	31 December 2016
Financial liabilities with fixed-interest rate	313
Financial liabilities with variable-interest rate	19.116
Total	**19.429**

7. TRADE RECEIVABLES AND PAYABLES

7.1 Short-Term Trade Receivables

As of 31 December 2017 and 2016, short-term trade receivables were as follows:

	31 December 2017	31 December 2016
Accounts receivable	190.009	168.874
Notes and cheques receivables	100.393	53.621
	290.402	**222.495**
Less: Provision for doubtful trade receivables	(9.435)	(10.136)
Less: From forward sales unaccrued financial income	(4.683)	(2.716)
	(14.118)	**(12.852)**
	276.284	**209.643**

The average collection period for trade receivables is subject to the characteristics of the product and to the agreements made with customers, and is at an average of 86 days (31 December 2016: 79 days).
Maturities for short-term trade receivables from non-related parties as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Overdue receivables	53.171	35.984
0-30 day maturity	63.550	46.432
31-60 day maturity	64.078	58.020
61-90 day maturity	50.566	38.909
91 days and over	44.919	30.298
Total	**276.284**	**209.643**

Considering past experience and the current economic situation, the Group management assesses and where necessary allocates an appropriate proportion of the provision for doubtful receivables. The current year changes in the provision for doubtful receivables are as follows:

	31 December 2017	31 December 2016
Beginning of the period	**10.136**	**9.878**
Doubtful receivables for the period (Notes 23.2)	272	461
Doubtful receivables received for the period	(826)	--
Doubtful receivables written-off for the period	(147)	(203)
End of the period	**9.435**	**10.136**

Note 28 states the loan, interest and exchange risks and impairment for the Group's short-term trade receivables.

7.2 Short-Term Trade Payables

As of 31 December 2017, short-term trade payables to non-related parties is TL 167.660 thousand (31 December 2016: TL 133.988 thousand) due to various suppliers.

The average payment period of short term trade payables is 80 days (31 December 2016: 81 days).

Note 28 provides description regarding the exchange and liquidity risks the Group is exposed to.

8. OTHER RECEIVABLES AND PAYABLES

8.1 Other Short-Term Receivables from Third Parties

As of 31 December 2017 and 2016, other long-term receivables from third parties were as follows:

	31 December 2017	31 December 2016
Receivables from public institutions	3.806	3.723
Deposits and guarantees given	113	117
Other	1.429	1.480
	5.348	**5.320**

8.2 Other Long-Term Receivables from Third Parties

As of 31 December 2017 and 2016, other long-term receivables from third parties were as follows:

	31 December 2017	31 December 2016
Deposits and guarantees given	750	1.610
	750	**1.610**

8.3 Other Short-Term Payables to Third Parties

As of 31 December 2017 and 2016, other short-term payables to third parties were as follows:

	31 December 2017	31 December 2016
Deposits and guarantees received (*)	693	625
Payables from contractual obligations	454	5.183
Other	77	76
	1.224	**5.884**

(*) All of the Deposits and guarantees consist of collateral received in cash from the Group's customers.

9. INVENTORIES

As of 31 December 2017 and 2016, details of inventories were as follows:

	31 December 2017	31 December 2016
Raw materials	86.356	76.235
- Spare parts and operating supplies	*45.429*	*43.979*
- Fuel	*26.288*	*16.400*
- Iron ore	*3.060*	*3.307*
- Packaging materials	*2.416*	*1.907*
- Clay	*1.976*	*2.135*
- Gypsum	*1.617*	*2.792*
- Other	*5.570*	*5.715*
Work in process	21.176	24.518
Finished goods	5.631	5.999
Trade goods	1.163	1.511
Goods in transit	9.950	37
	124.276	**108.300**

As of 31 December 2017, total of raw material, semi-finished products and finished goods, which were recognized as an expense during the period and included in cost of sales is TL 354.810 thousand (31 December 2016: TL 257.258 thousand) (Note 22).

As of 31 December 2017, there is no impairment on the inventories (31 December 2016: TL 813 thousand).

As of 31 December 2017, there is no mortgage/pledge on the inventories (31 December 2016: None).

10. PREPAID EXPENSES AND DEFERRED INCOME

10.1 Short-Term Prepaid Expenses

As of 31 December 2017 and 2016, short-term prepaid expenses were as follows:

	31 December 2017	31 December 2016
Job advances given	3.932	1.216
Prepaid Expenses	2.630	2.654
Other	391	332
	6.953	**4.202**

Prepaid expenses comprised prepaid insurance and rent expenses.

10.2 Long-Term Prepaid Expenses

As of 31 December 2017 and 2016, long-term prepaid expenses was TL 4.831 thousand (31 December 2016: TL 848 thousand). Of this amount, TL 4.802 thousand (31 December 2016: TL 802 thousand) consists of supplier advances given as part of long-term asset purchases.

10.3 Short-Term Deferred Income

As of 31 December 2017 and 31 December 2016, short-term deferred income was as follows:

	31 December 2017	31 December 2016
Advance payments for orders received	7.065	6.663
Other	622	586
	7.687	**7.249**

Received order advances consist of the payments the Group received from dealers and customers for the coming period orders.

10.4 Long-Term Deferred Income

None (31 December 2016: TL 195 thousand).

11. INVESTMENT PROPERTIES

For the years ending on 31 December, the change in investment properties was as follows:

	2017	2016
1 January	**258.384**	**276.419**
Changes in fair value (Note 24.1)	41.538	--
Real estate sold	--	(18.035)
31 December	**299.922**	**258.384**

Investment properties are the properties which the Group holds in hand and are intended to be appreciated in the future and not to be utilized in the production or supply of goods and services or administrative course of the business, in order to obtain value appreciation.

As of 31 December 2017 and 2016, fair values of the investment properties were as follows:

	31 December 2017	31 December 2016
Land	282.972	243.849
Buildings	16.950	14.535
	299.922	**258.384**

As of 31 December 2017, there were no mortgages on the investment properties (31 December 2016: None).

Fair value hierarchy

On 31 December 2017, the Group commissioned Vakıf Gayrimenkul Değerleme A.Ş. to review the market prices of investment properties and reported the properties in fair value based on the appraisal reports.

The fair value of the investment property amounting to TL 299.922 thousand has been categorized as a Level 2 fair value based on the inputs to the valuation technique used.

12. TANGIBLE ASSETS

The Group's tangible assets comprise mine assets and other non-current assets and their carrying amounts are as follows:

	31 December 2017	31 December 2016
Quarry assets	29.945	29.423
Other non-current assets	497.863	525.388
	527.808	**554.811**

12.1 Quarry assets

Quarry assets are composed of the discounted costs of rehabilitation and closure of the mine sites.

Changes of mine sites for the years ending on 31 December 2017 and 2016 were as follows:

	1 January 2017	Additions	Transfer	Foreign Currency Translation Differences	31 December 2017
Cost of rehabilitation of mining areas	57.149	2.228	--	6.025	65.402
Accumulated depreciation	(27.726)	(3.956)	--	(3.775)	(35.457)
	29.423				**29.945**

	1 January 2016	Additions/ (Disposals)	Transfer	Foreign Currency Translation Differences	31 December 2016
Cost of rehabilitation of mining areas	50.497	6.377	97	178	57.149
Accumulated depreciation	(27.037)	(616)	--	(73)	(27.726)
	23.460				**29.423**

12.2 Other non-current assets

Movements in property, plant and equipment for the year ended 31 December 2017 are as follows:

	1 January 2017	Additions	Outflows	Impairment	Transfers	Foreign currency translation differences	31 December 2017
Cost:							
Land	86.297	52	--	--	--	--	86.349
Land improvements	81.978	--	--	--	1.062	--	83.040
Buildings	168.238	134	--	--	2.601	1.518	172.491
Plant, machinery and equipment	1.069.963	1.498	(1.024)	--	28.149	8.898	1.107.484
Motor vehicles	20.991	--	(752)	--	1.807	1.076	23.122
Furniture and fixtures	35.717	843	(13)	--	597	565	37.709
Other intangible assets	3.393	--	--	--	--	--	3.393
Leasehold improvements	27.146	--	--	--	30	--	27.176
Investments in progress	6.374	35.787	--	--	(34.384)	--	7.777
Total Cost	**1.500.097**	**38.314**	**(1.789)**	**--**	**(138)**	**12.057**	**1.548.541**
Accumulated depreciation and impairment:							
Land improvements	(58.798)	(1.730)	--	--	--	--	(60.528)
Buildings	(84.567)	(3.842)	--	--	--	(1.298)	(89.707)
Plant, machinery and equipment	(777.194)	(46.010)	992	(14.289)*	--	(4.957)	(841.458)
Motor vehicles	(18.557)	(1.142)	751	--	--	(934)	(19.882)
Furniture and fixtures	(26.733)	(1.554)	1	--	--	(272)	(28.558)
Other intangible assets	(3.393)	--	--	--	--	--	(3.393)
Leasehold improvements	(5.467)	(1.685)	--	--	--	--	(7.152)
Total accumulated depreciation and impairment:	**(974.709)**	**(55.963)**	**1.744**	**(14.289)**	**--**	**(7.461)**	**(1.050.678)**
Net carrying amount	**525.388**						**497.863**

(*) The amount consists of impairment set aside based on the machinery, facility and equipment cost as a result of the impairment test conducted on 31 December 2017 (Note 24.2).

Current period depreciation and amortization costs are recognized in the following amounts and accounts, respectively: TL 54.816 thousand and TL 1.293 thousand (31 December 2016: TL 57.126 thousand and TL 2.077 thousand) in the "cost of sales" account; TL 2.039 thousand and TL 1.292 thousand (31 December 2016: TL 1.952 thousand and TL 1.269 thousand) in the "general administrative expenses" account; TL 195 thousand (31 December 2016: TL 214 thousand and thousand TL) in the "sales and marketing expenses" account; and TL 2.018 thousand and TL 57 thousand (31 December 2016: TL 4.310and TL 81 thousand) in the "inventories" account.

As of 31 December 2017, there was no capitalized borrowing cost on the tangible assets (31 December 2016: None).

Movements in property, plant and equipment for the year ended 31 December 2016 are as follows:

	1 January 2017	Additions	Outflows	Impairment	Transfers	Foreign currency translation differences	31 December 2016
Cost:							
Land	83.816	2.481	--	--	--	--	86.297
Land improvements	80.325	182	--	--	1.471	--	81.978
Buildings	165.882	976	--	--	1.326	54	168.238
Plant, machinery and equipment	1.038.167	9.202	(928)	--	23.237	285	1.069.963
Motor vehicles	20.913	16	(347)	--	392	17	20.991
Furniture and fixtures	33.572	1.045	--	--	1.083	17	35.717
Other intangible assets	3.445	--	--	--	(52)	--	3.393
Leasehold improvements	26.346	--	--	--	800	--	27.146
Investments in progress	2.258	32.848	--	--	(28.719)	(13)	6.374
Total Cost	**1.454.724**	**46.750**	**(1.275)**	**--**	**(462)**	**360**	**1.500.097**
Accumulated depreciation and impairment:							
Land improvements	(57.158)	(1.640)	--	--	--	--	(58.798)
Buildings	(80.975)	(3.554)	--	--	--	(38)	(84.567)
Plant, machinery and equipment	(699.575)	(53.436)	899	(24.814)*	--	(268)	(777.194)
Motor vehicles	(17.376)	(1.472)	333	--	--	(42)	(18.557)
Furniture and fixtures	(25.429)	(1.286)	--	--	(6)	(12)	(26.733)
Other intangible assets	(3.411)	--	--	--	18	--	(3.393)
Leasehold improvements	(3.857)	(1.598)	--	--	(12)	--	(5.467)
Total accumulated depreciation and impairment:	**(887.781)**	**(62.986)**	**1.232**	**(24.814)**	**--**	**(360)**	**(974.709)**
Net carrying amount	**566.943**						**525.388**

(*) The amount consists of impairment set aside based on the machinery. facility and equipment cost as a result of the impairment test conducted on 31 December 2016 (Note 24.2).

13. INTANGIBLE ASSETS

For the year ending on 31 December 2017, changes of the intangible assets were as follows:

	1 January 2017	Additions	Impairment	Transfers	Foreign currency translation differences	31 December 2017
Cost:						
Rights	7.452	28	--	42	--	7.522
Kömürcüoda agreement	28.061	--	--	--	--	28.061
Other intangible assets	20.749	--	--	96	1.698	22.543
Total Cost	**56.262**	**28**	**--**	**138**	**1.698**	**58.126**
Accumulated amortization and impairment:						
Rights	(2.232)	(282)	--	--	--	(2.514)
Kömürcüoda agreement	(28.061)	--	--	--	--	(28.061)
Other intangible assets	(15.463)	(2.360)	--	--	(1.396)	(19.219)
Total amortization and impairment:	**(45.756)**	**(2.642)**	**--**	**--**	**(1.396)**	**(49.794)**
Net carrying amount	**10.506**					**8.332**

For the year ending on 31 December 2016, changes of the intangible assets were as follows:

	1 January 2016	Additions	Impairment	Transfers	Foreign currency translation differences	31 December 2016
Cost:						
Rights	7.421	31	--	--	--	7.452
Kömürcüoda agreement	28.061	--	--	--	--	28.061
Other intangible assets	20.298	46	--	365	40	20.749
Total Cost	**55.780**	**77**	**--**	**365**	**40**	**56.262**
Accumulated amortization and impairment:						
Rights	(1.947)	(285)	--	--	--	(2.232)
Kömürcüoda agreement	(28.061)	--	--	--	--	(28.061)
Other intangible assets	(12.204)	(3.143)	--	--	(116)	(15.463)
Total amortization and impairment:	**(42.212)**	**(3.428)**	**--**	**--**	**(116)**	**(45.756)**
Net carrying amount	**13.568**					**10.506**

i) Kömürcüoda Agreement

On 11 March 2011, for a cost of TL 12.100 thousand the Group purchased all of the production facility equipment belonging to Ekosistem Atık Ambalajları Kaynağında Kazanım Ayrıştırma ve Geri Kazanım Ltd. ("Ekosistem"), and the build-operate agreement ("Kömürcüoda Agreement") that was drawn up between Ekosistem and İstaç for the recycling and composting facility on the Kömürcüoda sanitary landfill area.

It was determined that the asset integrity that was taken over from Ekosistem can be run and operated as a business. Therefore, this purchase is considered to fall within the scope of TFRS 3 "Company Mergers." The Kömürcüoda agreement was reported as an intangible asset for an amount of TL 28.061 thousand in accordance with TFRS 3 purchase accounting.

Due to continuing discussions regarding the price demanded on the recycled waste, which is critical to the performance of the operation, and some delays in the operation, the asset group was tested for impairment. The impairment test was made on the basis of the cash generating unit ("CGU") within the framework of TAS 36. NYB. NYB is the Istanbul Hereko Branch of Recydia, the Group's subsidiary. NYB's recoverable value was TL 95.865 thousand as of 31 December 2017.

In the valuation technique applied, the impairment test is based on the following assumptions:

i) Values used in the assumptions are based on the future trend assessment of management in the related industry and historical data which is obtained from both internal and external sources. Important assumptions used in calculation of the recyclable amounts are in line with the management's budget for 2018 and beyond: discount rate; 14,0% (2016: 13,70%), growth rate; 5,50% (2016: 5,50%) and EBITDA/Net sales ratio; 40,14%/45,43%) (2016: (30,00%/36,97%).

ii) Cash flow projections consist of five-year projections and the eventual growth rates by 2035 when the Kömürcüoda agreement ends. The eventual growth rate is based on the management's EBITDA projections, which is in line with the assumptions used by market participants.

iii) Budgeted EBITDA is based on the past five years' recycling prices and market trends and on the prices of fuel produced with the domestic waste stated in the contracts signed with the customers. Optimizations that are expected to happen in the coming years increased the EBITDA rate.

iv) Revenue to be obtained from the Municipality, which is subject to cash flow projections, is based on global benchmarks in the industry.

The 31 December 2017 impairment test determined that the carrying value of the cash-creating-unit is higher than the recoverable amount, and thus, the impairment loss of TL 14.289 thousand (31 December 2016: TL 24.814 thousand) was recognized under the "expenses from investing activities" account.

After the impairment that is recognized for machinery, facility and equipment, NYB's carrying value is equal to its recoverable value. Therefore, any adverse change in a key assumption would lead to further impairment.

With a one-percent increase in the discount rates in the values used for the assumptions while keeping the other variables fixed, NYB's recyclable amount becomes TL 5.987 thousand (Total: TL 7.685 thousand) lower than the carrying value in the current state; with a one-percent decrease in the EBITDA/Net sales ratio, NYB's recyclable amount becomes TL 2.024 thousand (Total: TL 2.927 thousand) lower than the carrying value in the current state; with a one-percent decrease in the growth rate, NYB's recyclable amount becomes TL 3.708 thousand (Total: TL 5.671 thousand) lower than the carrying value in the current state.

14. GOODWILL

As of 31 December 2017 and 2016, goodwill comprises the follows:

	31 December 2017	31 December 2016
Goodwill from acquisition of Lalapaşa	138.665	138.665
Goodwill from acquisition of Sureko	21.691	21.691
Goodwill from acquisition of Elazığ Çimento	13.506	13.506
Goodwill from acquisition of NWM Holding	13.676	11.627
	187.538	**185.489**

(i) Acquisition of Lalapaşa

The Group participated in the auction for Lalapaşa arranged by the Saving Deposits Insurance Fund ("SDIF") on 10 October 2005 and acquired Lalapaşa for a purchase consideration of TL 223.510 thousand (USD 166.500.000). Following the approval of Competition Board and Fund Board, control of Lalapaşa was transferred to the Group on 28 December 2005 and the acquisition is recognized in accordance with TFRS 3.

The Group's management conducted an impairment test on the goodwill arising from the acquisition of Lalapaşa by using the reduced cash-flow method pursuant to the provisions of TAS 36. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2017.

In the valuation technique applied, the impairment test of the goodwill is based on the following assumptions:

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio between the 33% and 35% range (2016: 39% - 43%) and in the Weighted Average Cost of Capital value, accepted as 14.30% (2016: 13,60%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2018 and beyond, whereas Weighted Average Cost of Capital ratio depends on macroeconomic and certain cement industry variables.

As of 31 December 2017, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 134.563 thousand. Management has identified that a possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When the discount rate is increased by 4,3 percent in the values used for the assumption while keeping the other variables the same to even up the estimated recyclable amount to the carrying value, NYB's recoverable amount evens up with the carrying value. Likewise, the CGU's recoverable amount is equal to the carrying amount when the EBITDA / net sales ratio is reduced by 8,7% from the values used in assumptions by keeping other variables constant.

(ii) Acquisition of Elazığ Çimento

On 21 September 2006, the Group acquired 99,99% of net assets of Elazığ Çimento for a purchase consideration of USD 110.000.000, equivalent to TL 161.116 thousand. The acquisition was reported in accordance with the provisions of TFRS 3, "Business Combinations" and no other identifiable intangible assets have been detected whose fair value can be measured reliably, and the related goodwill reflected on the consolidated financial statements amounts to TL 13.506.

The Group's management conducted an impairment test on the goodwill arising from the acquisition of Elazığ Çimento by using the reduced cash-flow method pursuant to the provisions of TAS 36. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2017.

In the valuation technique applied, the impairment test of the goodwill is based on the following assumptions:

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio between the 30% and 38% range (2016: 31% - 39%) and in the Weighted Average Cost of Capital value, accepted as 14,20% (2016: 13,70%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2018 and beyond, whereas

As of 31 December 2017, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 46.513 thousand. Management has identified that a possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When the discount rate is increased by 2,6 percent in the values used for the assumption while keeping the other variables the same to even up the estimated recyclable amount to the carrying value, NYB's recoverable amount evens up with the carrying value. Likewise, the CGU's recoverable amount is equal to the carrying amount when the EBITDA / net sales ratio is reduced by 3,0% from the values used in assumptions by keeping other variables constant.

(iii) Acquisition of Süreko

On 01 September 2009, the Group acquired 69,9% of net assets of Süreko for a purchase consideration of USD 10.759 thousand, equivalent to TL 22.853 thousand. Acquisition is valued according to the principles of TFRS 3 "Business Combinations". Calculated after the acquisition, the goodwill amounting to TL 21.691 thousand is recognized in the consolidated financial statements.

In accordance with the principles of TAS 36, goodwill from the acquisition of Sureko is subject to an impairment test by the Group management, using the method of discounted cash flow. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2017.

In the valuation technique applied, the impairment test of the goodwill is based on the following assumptions:

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio between the 30% and 38% range (2016: 31% - 39%) and in the Weighted Average Cost of Capital value, accepted as 14,20% (2016: 13,70%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2018 and beyond, whereas Weighted Average Cost of Capital ratio depends on macroeconomic and certain recycling industry variables.

As of 31 December 2017, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 28.637 thousand. Management has identified that a possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When a 4.5% increase is applied as discount rate on the values used in assumptions by keeping the other variables constant for the estimated recoverable amount to be equal to the carrying amount, the CGU's recoverable amount is equal to its carrying amount. Likewise, the CGU's recoverable amount is equal to the carrying amount when the EBITDA / net sales ratio is reduced by 10% from the values used in assumptions by keeping other variables constant.

iv) Acquisition of NWM Holding

Recydia, a subsidiary of the Group acquired 100% of the net assets of NWM Holding amounting to GBP 8.600 thousand which is equivalent to TL 24.170 thousand, on 4 July 2012. The acquisition was reported in accordance with the provisions of TFRS 3 "Business Combinations" and there are other identifiable intangible assets whose fair values can be reliably measured in accordance with TAS 38.

In accordance with the principles of TAS 36, goodwill from the acquisition of NWM Holding is subject to an impairment test by Group management, using the method of discounted cash flow. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2017.

In the valuation technique applied, the impairment test of the goodwill is based on the following assumptions:

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio between the 8% and 16% range (2016: 5% - 11%) and in the Weighted Average Cost of Capital value, accepted as 6.5% (2016: 6,5%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2018 and beyond, whereas Weighted Average Cost of Capital ratio depends on macroeconomic and certain recycling industry variables.

As of 31 December 2017, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately GBP 13.300 thousand. Management has identified that a possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When a 9% increase is applied as discount rate on the values used in assumptions by keeping the other variables constant for the estimated recoverable amount to be equal to the carrying amount, the CGU's recoverable amount is equal to its carrying amount. Likewise, the CGU's recoverable amount is equal to the carrying amount when the EBITDA / net sales ratio is reduced by 9,1% from the values used in assumptions by keeping other variables constant.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

15.1 Commitments and contingent liabilities

a) Guarantees Given

As of 31 December 2017 and 2016, details of the guarantees given were as follows:

	31 December 2017	31 December 2016
Letters of guarantee	58.357	62.928
	58.357	**62.928**

The Group's position related to letters of guarantee given, pledges and mortgages ("GPM") as of 31 December 2017 and 2016, was as follows:

	31 December 2017				31 December 2016			
	TL Equivalent	TL	USD	GBP	TL Equivalent	TL	USD	GBP
A The total amount of GPMs issued on its own corporate behalf	55.911	48.131	200	1.383	56.732	50.055	200	1.383
B The total number of GPMs issued in favor of fully consolidated partners included in full consolidation scope amount	2.446	2.446	--	--	6.196	6.196	--	--
C The total amount of GPMs issued to secure other third party debts for furtherance or ordinary commercial activities	--	--	--	--	--	--	--	--
D Total amount of Other GPM given	--	--	--	--	--	--	--	--
- Total amount of GPM given in favor of the parent company	--	--	--	--	--	--	--	--
- Total amount of GPMs issued in favor of other group companies that do not fall under items of B and C	--	--	--	--	--	--	--	--
- Total amount of GPMs issued in favor of 3rd parties that do not fall under item C	--	--	--	--	--	--	--	--
Total	**58.357**	**50.577**	**200**	**1.383**	**62.928**	**56.251**	**200**	**1.383**

The ratio of the other GPMs given to the total equity of the Group as of 31 December 2017 was 0,0% (31 December 2016: 0,0%).

b) Sureties Received

As of 31 December 2017 and 2016, the details of the sureties received are as follows.

	31 December 2017	31 December 2016
Sureties Received	1.885	2.635
	1.885	**2.635**

c) Sureties Given

None (31 December 2016: None).

d) Guarantees Received

As of 31 December 2017 and 2016, details of guarantees received are as follows.

	31 December 2017	31 December 2016
Letters of guarantee	215.081	178.614
Guarantees received through the direct debit system ("DBS")	53.028	52.688
Mortgages	21.281	20.454
Cheques	10.265	10.177
Guarantee notes	9.210	8.402
Received letters of credit	3.579	--
Sureties Received	1.885	2.635
	314.329	**272.970**

15.2 Important Lawsuits

- Compensation for damages lawsuit against the Group for the mining activities

Batı Madencilik which has a mining license within the boundaries of Edirne/Keşan started proceedings against the Group amounting to TL 1.045 thousand stating that they had incurred losses because the Group extracts pozzolan from the ground, for compensation of said loss. An expert report prepared during the trial includes statements against the Group. Therefore, the Group prepared a detailed petition against the decision of the court expert, and additionally a scientific view supported by Dokuz Eylül University, Faculty of Law was submitted to the court regarding this lawsuit. The court sentenced the Group to pay for TL 800 thousand. The Group management filed an appeal against the decision. The Supreme Court accepted the appeal of the Group and then the plaintiff company demanded a review of the decision. The demand of the plaintiff company was rejected and the case was sent back to local court. The Company's objection to the expert examination conducted was accepted and the court ruled for formation of a new commission of experts.

The same company filed an additional lawsuit for damages against the Group for the same reasons amounting to TL 3.141 thousand in December 2009. Both actions for damages were consolidated. At the end of the trial, the court ruled to the detriment of the Group. The reasoned decision was delivered and it was appealed with a stay of execution request. The appeal request resulted in the favor of the company and the local court reversed the judgment. The file is still being examined by the appeal court due to the plaintiff's request for revision of the ruling.

In addition, Batı Madencilik filed a lawsuit against the Group for decertification of mining. The demand for decertification was rejected as a result of the trial by Edirne Administrative Court and the lawsuit resulted in favour of the Group. Plaintiff appealed the ruling and in December 2001, the 8th Chamber of the Council of State reversed the ruling by the Edirne Administrative Court. The Council of State's reason for reversing the judgment of the local court was due to procedural errors rather than the gist of the action or the decision. The trial on the reverse decision resulted in favour of the Group. The plaintiff appealed the decision to the Council of State, and the Council of State gave a decision in favour of the Group. The Council of State reviewed the ruling upon the plaintiff's request for revision of the ruling by the Council of State. The process ended in favor of the Group and the court's ruling became final.

The final conclusion of the action for damages that was ruled against the Group depends on a positive outcome in the license cancellation case, which the Council of State settled as final ruling. Thus, the odds look in favor of the Group. Accordingly, the Group's management did not set aside any provisions in the 31 December 2017 consolidated financial statements as it believes the chances are high for a ruling in favor of the Group.

- The investigation and lawsuits of the Competition Board

The Investigation of the Competition Board regarding Elazığ and Kars Çimento

The Competition Board commenced a pre-investigation of business dealings of all cement companies operating in the East and South-East Anatolian Region on 27 October 2010. The preliminary report was discussed at the meeting No. 10-78 dated 16 December 2010 of the Competition Board and an investigation was launched pursuant to article 41 of the Law to determine whether 10 enterprises, including Elazığ Çimento and Kars Çimento, had violated article 4 of the Law No. 4054 on the Protection of Competition. As a result of the investigation, the Competition Ruled concluded the companies to be in violation of the article 4 of the Law on the Protection of Competition. According to this, the Turkish Competition Board issued an administrative fine of TL 1.121 and 2.903 thousand, respectively against Kars Çimento and Elazığ Çimento for a total amount of TL 4.024 thousand. These fines were paid TL 3.018 thousand with a 25% discount within the given time period determined by Law of Misdemeanour in 19 November 2012. After the payment, both companies appealed to administrative court for the cancellation of the administrative fines mentioned above. The court proceedings are still ongoing as of 31 December 2017. The cancellation lawsuit issued for the administrative fines for Kars Çimento was rejected by the administrative court and the decision was appealed to a higher court.

The lawsuit issued for Elazığ Çimento was accepted by the administrative court which cancelled the decision of the Competition Board based on the grounds that the penalty rate should be 2% of the revenue instead of 3%. After the cancellation, the amount of TL 2.177 thousand previously paid was refunded in 2014. The Competition Board has both appealed the decision of the Administrative Court and established a new decision complying with 2%, and the amount TL 1.451 thousand was paid by the Elazığ Çimento for this decision in 2014. Legal proceedings have been filed against the new decisions. Ankara Administrative Court rejected the petition of Elazığ Çimento. The decision was appealed by Elazığ Çimento. The period for the appeal has not been established yet.

The investigation and lawsuits of the Competition Board about Çimentaş

Pursuant to decision No. 14-21/416-M dated June 12, 2014 and article 41 of the Law No. 4054 on the Protection of Competition, the Competition Board ruled to launch an investigation to determine whether Çimentaş is in violation of article 4 of the Law No. 4054 Together with the extension received, the Competition Board has taken nine months additional time to prepare the investigation report. Pleadings against the Investigation Committee's investigation report and its amendments have been delivered to the Competition Board. With regard to the investigation, an administrative penalty amounting to TL 12.810 thousand was charged against the Company within the framework of the Competition Board's decision due to violation of article 4 of Protection of Competition Law No. 4045, on 15 January 2016. A payment of TL 9.608 thousand, or 25 percent less, was paid as the administrative penalty, within the period stipulated by the Law of Misdemeanor. Çimentaş filed an action for annulment of the ruling by the Competition Board, and the case is still continuing.

Competition Board Investigation on Çimbeton

By the letter No. 5135 of the Competition Board dated 5 May 2016 and according to the decision of the Competition Board dated 20 April 2016 No. 16-14/223-M and pursuant to article 41 of the Law No. 4054 on the Protection of Competition, an investigation was launched to determine whether article 4 of the Law No. 4054 had been violated. The investigation concluded that Law No. 4054 had not been violated, and thus, no administrative fines were imposed against Çimbeton Hazırbeton ve Prefabrik Yapı Elemanları Sanayi ve Ticaret A.Ş.

Considering the decision reached by the Competition Board dated 22 August 2017 at the end of the investigation, the provision amounting to TL 3.118 thousand shown under "Other Short-Term Provisions" in the financial statements as of 31 December 2016 has been reversed in the financial statements as of 31 December 2017 and recognized under "Other Income from Main Activities (Note 23.1)".

Tax Case regarding Çimentaş

Atax investigation carried out by Income Examiners on the accounting records of Çimentaş related to years 2005, 2006, 2007, 2008 and 2009 was finished on 17 August 2010. The Tax Authorities criticized a purchase and sale transaction of shares of a Group subsidiary named Alfacem S.R.L. which was purchased in 2005 and sold in 2009, and foreign exchange differences and interest expenses incurred and paid related to the borrowings utilized from abroad for the financing the purchase of the shares of the related subsidiary were both rejected. As a result, Hasan Tahsin Tax Office charged a penalty amounting to TL 67.897 thousand, TL 21.359 thousand of which is the original tax amount and TL 46.538 thousand is the penalty for tax loss, to the Company on 23 November 2010. The Company had decided to benefit from the "Tax Amnesty Law No: 6111", which came into force on 25 February 2011, and had waived the related lawsuit and applied the amnesty on 29 April 2011. In the framework of the opportunities provided by the law, the Group had compromised with the tax office and paid a tax penalty amounting to TL 12.970 thousand which was reduced from original tax amount and tax penalties amounting to TL 67.897 thousand and the payment for the related tax fine was made on 1 July 2011.

Again in the same investigation report with the same reasons the Tax Authorities reported a decrease in tax losses amounting to TL 60.059 thousand by making correction in the tax losses of 2008 and 2009. Group management filed a lawsuit against the Hasan Tahsin Tax Office in İzmir Tax Court for the cancellation of the decision related to the decrease of tax losses in 2008 and 2009 amounting to TL 60.059 thousand on 22 December 2010. The Tax Court dismissed the case on 12 September 2011 without reviewing it on the grounds that no actionable transaction had taken place because mitigation of losses transferred to the next periods is not an actionable, conclusive and executive transaction by itself. The Group appealed the said ruling and it was decided to review, after taking statements from the plaintiff and the management, the request for suspension of execution upon the 22 November 2011 ruling by the 3rd Chamber of the Council of State. Later on the Tax Court's decision dated 13 February 2012 and numbered K:2012/414, the Group's demand for an appeal was accepted and the decision of the Tax Court was reversed.

The defendant administration applied for the correction of the mentioned decision and the Council of State rejected the demand for correction. The 1st Tax Court of Izmir reviewed the case and ruled in favor of the company with ruling No. 2014/331 and 332.The administration appealed the ruling. As of 31 December 2017, the appeal process still continues.

- Case related to Capital Markets Board

Pursuant to the ruling No. 44649743-663.09-286-8709 dated 2 September 2014 ("Ruling") published on the weekly bulletin of the Capital Markets Board (CMB) on 29 August 2014 and served to the Group on 5 September 2014 as a result of an investigation by the CMB, it was determined that the sales price was set lower than the equivalents and the proceedings were secretly transferred to Cementir Holding when the shares of Alfacem S.r.L. were re-sold to the parent company at the same price in accordance with the board of directors resolution dated 20 March 2009 after the shares were acquired in 2005 for a cost of €85.000.000 from a subsidiary of the parent company Cementir Holding to which Çimentaş is associated in terms of management, audit and capital. Accordingly, it was ruled to notify Çimentaş to take the necessary measures to return to the Group within three months at the latest the 101.811.908 Turkish lira financing cost that Çimentaş bore on the sales date on 20 March 2009. Upon the notice, the Group applied to the CMB for rescission of the decision in accordance with article 11 of the Administrative Jurisdiction Procedures Law. As said application was not responded to in the legal period of 60 days, it was considered rejected and the rejection response of CMB was notified to the Group after the completion of 60-day period.

A lawsuit was filed against the CMB on 30 December 2014 for reversal of the decision with the file No. 2014/2266 E. of the 7th Administrative Court of Ankara, and the court stayed the execution. Upon objection by the CMB, the Administrative Court of Ankara granted a motion for stay of execution and the file was submitted to the commission of experts. A counter statement will be issued against the expert report that has just been issued, and the case is ongoing as of 31 December 2017.

15.3 Other provisions

i) Other Short-Term Provisions

Other short-term provisions as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Provisions for litigation, claims and penalties	4.717	9.687
State limestone usage fee	3.092	2.026
Other	491	1.450
	8.300	**13.163**

As of 31 December 2017 and 2016, changes of the provision for lawsuits and fines were as follows:

	31 December 2017	31 December 2016
1 January	**9.687**	**6.598**
Provisions for the current year	883	9.516
Payment for litigation, claims and penalties	(561)	(6.427)
Reversal of provision	(5.292)	--
31 December	**4.717**	**9.687**

ii) Other Long-Term Provisions

As of 31 December 2017 and 2016, long term provisions were as follows:

	31 December 2017	31 December 2016
Provision for environmental rehabilitation, improvement and closure of the mine sites	28.305	23.437
	28.305	**23.437**

Changes of the provision for environmental rehabilitation, improvement and closure of mines were as follows:

	31 December 2017	31 December 2016
Beginning of the period	**23.437**	**22.492**
Paid during period	(99)	(342)
Effect of translation differences	1.681	24
Unwinding of discount effect of discount recognized as expense (Note 25.2)	1.362	1.474
Decrease during period	1.924	(211)
End of the period	**28.305**	**23.437**

16. COMMITMENTS

a) Purchase commitments

As of 31 December 2017, the Group has committed to purchasing 155 thousand tonnes of coal in 2018 (31 December 2016: 142 thousand tonnes).

b) Sales commitments

None (31 December 2016: None).

17. EMPLOYEE BENEFITS

17.1 Short-Term Payables within the Scope of Employee Benefits

Short-term payables within the scope of employee benefits as of 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Payables for social security and tax withholdings	4.998	4.076
Salary payables	1.728	1.360
Other	125	61
	6.851	**5.497**

17.2 Short-Term Provisions Related to Employee Benefits

Short-term provisions related to employee benefits as of 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Employee unused holiday provision	1.620	1.726
Personnel premium provisions	695	43
	2.315	**1.769**

17.3 Short-Term Provisions Related to Employee Benefits

Long-term provisions related to employee benefits as of 31 December 2017 and 2016, were as follows:

	31 December 2017	31 December 2016
Provision for severance pay	21.105	20.503
	21.105	**20.503**

Provision for severance payment has been set as follows:

Under the Turkish Labour Law, the Group is required to make severance payment to each employee who has completed one year of service and whose employment is terminated or who is called up for military service, passes away or retires after completing 25 years of service (20 years for women) and reaches the age for retirement (58 for women and 60 for men). Since the legislative amendment on 23 May 2002, certain transitional provisions with respect to the length of service prior to retirement have been put into force.

The severance amount payable consists of one month's gross salary for each year of service and is limited to 4,732,48 Turkish lira as of 31 December 2017 (31 December 2016: 4,297,21 Turkish lira).

The liability of payment is not subject to any funding in the legal terms and there is no clause for funding.

The severance pay provision is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

The basic assumption is that the ceiling provision settled for each year of service increases in proportion to inflation. In this way, the implemented discount rate reflects the real rate without the expected impacts of the inflation rate.

The accounting policies of the group require the Company to use various actuarial methods to predict the Group's severance payment liability. The severance payment provision has been calculated in accordance with the present value of future probable obligations arising from the retirement of all the employees and reported in the financial statements.

Accordingly, the following statistical assumptions were used in the calculation of the total liability:

	31 December 2017	31 December 2016
Discount rate	4,67%	4,88%
Probability of turnover without receiving severance	3,50%	3,00%

The changes of employee severance as of 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Beginning of the period	**20.503**	**20.607**
Interest cost (Note 25.2)	1.001	925
Service cost (Note 21.1 and 22)	2.111	2.079
Payments made during the period	(4.094)	(4.470)
Actuarial loss	1.584	1.362
End of the period	**21.105**	**20.503**

The interest expense, service expense and actuarial difference amounted to TL 4.696 thousand (2016: TL 4.366 thousand). The interest expense of TL 1.001 thousand is included in financial expenses (2016: TL 925 thousand) and the service cost of TL 2.111 thousand is included in general administrative expenses (2016: TL 2.079 thousand). As of 31 December 2017, the actuarial difference amounting to TL 1.584 thousand (2016: TL 1.362 thousand) is reported under other comprehensive income/expense.

18. OTHER ASSETS AND LIABILITIES

18.1 Other Current Assets

As of 31 December 2017 and 2016, other current assets were as follows:

	31 December 2017	31 December 2016
Value Added Tax ("VAT") Receivables	1.296	1.376
Other	34	18
	1.330	**1.394**

18.2 Other Non-Current Assets

As of 31 December 2017 and 2016, other non-current assets were as follows:

	31 December 2017	31 December 2016
VAT receivables	30.442	23.942
Other	207	207
	30.649	**24.149**

18.3 Other Short-Term Liabilities

Other short-term liabilities as of 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Taxes and funds payable	6.019	3.267
Other	3	6
	6.022	**3.273**

18.4 Other Long-Term Liabilities

None (31 December 2016: TL 6.352 thousand).

19. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-up capital and differences of capital adjustment

As of 31 December 2017, the Company's issued capital is TL 87.112 thousand made up of 87.112.463 shares with a nominal value of 1 Turkish lira each (31 December 2016: Issued capital TL 87.112 thousand made up of 87.112.463 shares with a nominal value of 1 Turkish lira each).

The shareholding structure of the Group is as follows:

	31 December 2017		31 December 2016	
	Rate of Share (%)	Amount of Share Thousand TL	Rate of Share (%)	Amount of Share Thousand TL
Aalborg Portland Espana	97,80	85.198	97,80	85.198
Public share	2,20	1.914	2,20	1.914
	100	87.112	100	87.112
Cross shareholding capital adjustment		(3.381)		(3.381)
		83.731		**83.731**
Capital adjustment differences (*)		20.069		20.069
Total adjusted capital		**103.800**		**103.800**

(*) Capital adjustment differences represent the indexation effect of the cash or equivalent capital increases with the purchasing power on 31 December 2004.

Cross shareholding capital adjustment

The capital adjustments due to cross-ownership of TL 3.381 thousand (31 December 2016: TL 3.381 thousand) consist of Çimentaş shares received from third parties, shown in the consolidated financial statements based on the cost value, and held by the Group. As of 31 December 2017, the total number of the shares is 520.256 (31 December 2016: 520.256).

Share Premiums / Discounts

The share premium of TL 161.554 thousand (31 December 2016: TL 161.554 thousand) represents the difference between the shares' first issue price and the nominal value.

Gain / Loss on revaluation and measurement

As of 31 December 2017, revaluation and re-measurement gains/losses no longer represent the profits or losses. Their purpose and usage of recognizing them as other comprehensive income have been change, and now they consist of first time revaluation increases in tangible long-term assets transferred to investment properties, revaluation measurement losses from defined benefit plans, and other revaluation and measurement losses related to the sale of subsidiary shares. As of 31 December 2017, the Group posted TL 100.958 thousand (31 December 2016: TL 106.483 thousand) of tangible fixed asset revaluation increase, TL 14.639 thousand (31 December 2016: TL 13.532 thousand) of revaluation measurement losses from defined benefit plans, and TL 577 thousand (31 December 2016: TL 577 thousand) of other revaluation and measurement losses.

Foreign currency translation differences

Foreign currency translation differences comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserves on Retained Earnings

Legal reserves

According to the Turkish Commercial Code, legal reserves are divided into two primary and secondary legal reserves. According to Turkish Commercial Code, the primary legal reserves are allocated as 5% of the tax base found after deducting statutory retained losses in the statutory net period profit, until it reaches 20% of the Company's paid-in /issued capital. Secondary legal reserves are 1/10 of dividend distributions which excess 5% of the paid-in capital. On the other hand, if it is decided to distribute the entire net distributable profit for the period as dividends, and strictly limited to this situation, the secondary legal reserve is appropriated at a rate of 1/11 for the portion of the net distributable period profit that exceeds 5 percent of the paid-up/issued capital. Under the Turkish Commercial Code, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital.

According to Law No. 5520 on Corporate Tax, 75% of the profits arising from the sale of the shares of subsidiaries, real properties, preferential rights, founders' shares, which have been included in the assets of entities for at least two years, are exempted from the corporate tax effective from 21 June 2006. In order to benefit from the exemption, the profit must be carried in a liability fund account and not withdrawn from the operation for 5 years. However, the exemption on capital gains the corporate taxpayers were entitled to from sales of real properties held for at least two years has been reduced from 75% to 50% by the regulation published in the Official Gazette dated 5 December 2017. Accordingly, corporate tax and deferred tax calculations for profits arising from the sale of real properties in 2018, 2019 and 2020 will be calculated as 22% of the remaining 50% and 20% of the remaining 50% for 2021 and later periods. As the following transactions had taken place before the regulation entered into effect, the Group re-classified the following as restricted retained earnings: In 2012, TL 14.310 thousand, or 75 percent of the profits, earned from the sale of the subsidiary shares in 2011; in 2014, TL 2.812 thousand, or 75 percent of the profits, earned from the land sale in 2013; in 2015, TL 11.175 thousand, or 75 percent of the profits, earned from the land sale in 2014; and in 2017, TL 15.858 thousand, or 75 percent of the profits, earned from the land sale in 2016. In 2017, the period expired for keeping in the restricted retained earnings account for five years the TL 14.310 thousand that was re-classified in 2012; however, since the board of directors of the Company did not pass any resolution in this regard, this amount was still recognized in the restricted retained earnings account in accordance with the regulation.

"Extraordinary Reserves" with a nominal value of TL 103.714 thousand (31 December 2016: TL 103.714 thousand) which are not restricted in essence are classified under "Profits from Previous Years."

Dividends

Publicly traded companies shall perform dividend distribution in accordance with the Communiqué on Dividends no. II-19.1 of the Capital Markets Board effective as of 1 February 2014. Companies will distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the relevant regulation. Within the scope of this communiqué, no minimum distribution rate has been determined. Companies will pay dividends as set out in their articles of association or in their profit distribution policies. Additionally, dividends can be paid via equal or different amounts of instalments and companies shall be able to distribute dividend advances based on profits at interim financial statements.

Although the Company records had distributable profits in accordance with the CMB Communiqué on Dividends No. II-19.1 dated 23 January 2014, the board of directors resolved at the 6 March 2018 meeting to propose at the General Assembly not to distribute dividends in view of the Company's short- and-long-term strategies, projected investments, financial plans, and current market and economic conditions.

Non-Controlling Interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "Non-controlling interests" in the consolidated financial statements.

20. REVENUE AND COST OF SALES

Revenue and cost of sales for the years ending on 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Domestic sales	833.424	741.938
Export sales	52.010	49.733
Gross sales	**885.434**	**791.671**
Less: discounts	(16.489)	(14.208)
Net sales	**868.945**	**777.463**
Cost of sales	(725.106)	(621.794)
Gross margin	**143.839**	**155.669**

21. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

21.1 General Administrative Expenses

General administrative expenses for the years ending on 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Personnel expenses	36.138	37.736
Consultancy expenses	29.229	27.317
Outsourced benefits and services	11.220	10.837
Taxes, levies and charges	4.924	5.569
Depreciation and amortization (Note 12.2)	3.331	3.221
Rental Expenses	2.668	2.188
Severance payment expenses (Note 17.3 and 22)	2.111	2.079
Insurance expenses	1.803	1.524
Travel expenses	1.659	1.876
Lightening and water expenses	1.535	1.822
Post, courier service and telephone costs	783	787
Donations and aid	594	509
Representative accommodation expenses	419	562
Other	7.694	7.725
	104.108	**103.752**

21.2 Marketing Expenses

Financing expenses for the years ending on 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Loading and freight expenses	12.186	11.701
Personnel expenses	5.533	4.213
Marketing service expenses	1.557	1.642
Depreciation and amortization (Note 12.2)	195	215
Other	2.027	894
	21.498	**18.665**

22. EXPENSES BY NATURE

For the years ending on 31 December 2017 and 2016, distribution of expenses by nature was as follows:

	31 December 2017	31 December 2016
Raw material, work in process and finished goods costs (Note 9)	354.810	257.258
Electricity and water expenses	118.106	109.233
Personnel expenses	95.720	96.480
Outsourced benefits and services	88.448	87.417
Depreciation and amortization (Notes 12 and 13)	59.635	62.639
Loading and freight expenses	41.640	35.351
Consultancy expenses	29.229	27.314
Maintenance and repair costs	18.716	27.544
Taxes, levies and charges	11.250	10.033
Rental Expenses	8.479	6.570
Severance payment expenses (Note 17.3 and 21.1)	2.111	2.079
Other	22.568	22.290
	850.712	**744.211**

23. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

23.1 Other income from operating activities

Other income from operating activities for the years ending on 31 December 2017 and 31 December 2016 was as follows:

	31 December 2017	31 December 2016
Foreign exchange gain from operating activities	5.718	2.356
Competition Board provision cancellation (Note 15.2)	3.118	--
State Right refund	3.132	169
Late payment interest	1.631	1.826
Lawsuit provisions no longer required	1.274	--
Gain on sale of scrap materials	1.019	820
Rental income	976	1.079
Insurance income	744	264
Rediscount income	310	188
Other	1.745	4.461
	19.667	**11.163**

23.2 Other expenses from operating activities

Other expenses from operating activities for the years ending on 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Foreign exchange losses from operating activities	(12.590)	(9.602)
Deletion of receivables from investments valued by equity method (*)	(8.578)	--
Late payment expense	(1.968)	(553)
Expenses for penalty, compensation and legal proceedings (**)	(1.103)	(13.002)
Excavation expense	(666)	(478)
Provision for doubtful receivable expenses (Note 7.1)	(272)	(461)
Other expenses	(1.314)	(1.314)
	(26.491)	**(25.410)**

(*) As of 31 December 2017, the related amounts consist of deleted items due to inability to collect the net receivables from EPI, the Group's investment valued by equity method, and the Group's termination of the use of the joint control right on the jointly managed partnership on 31 December 2017.
(**) Of the amount in 2016, TL 3.118 thousand consist of the provisions set aside for the Çimbeton Competition Board investigation (Note 15.2).

24. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

24.1 Income from investing activities

Income from investing activities for the years ending on 31 December was as follows:

	31 December 2017	31 December 2016
Investment properties value increase gain (Note 11)	41.538	--
Gain on sale of non-current assets	172	3.308
	41.710	**3.308**

24.2 Expenses from investing activities

Expenses from investing activities for the years ending on 31 December were as follows:

	31 December 2017	31 December 2016
Impairment loss on tangible long-term assets (Note 12.2)	(14.289)	(24.814)
Loss on sale of non-current assets	(1)	--
	(14.290)	**(24.814)**

25. FINANCIAL INCOME AND EXPENSES

25.1 Financial income

Financial income for the years ending on December 31 was as follows:

	31 December 2017	31 December 2016
Foreign exchange gains	6.315	5.130
Interest income	3.216	1.688
Commission income	23	--
	9.554	**6.818**

25.2 Financial expenses

Financial expenses for the years ending on December 31 were as follows:

	31 December 2017	31 December 2016
Foreign exchange expense	(1.748)	(4.388)
Effect of discount from reclamation of mine sites and provision for closure of mine sites (Note 15.3)	(1.362)	(1.474)
Bank loans interest expenses	(1.330)	(1.392)
Actuarial interest expense (Note 17.3)	(1.001)	(925)
Bank commission expenses	(990)	(830)
Other	(770)	(317)
	(7.201)	**(9.326)**

26. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

Prepaid corporate tax and corporation tax provision as of 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Current period corporation tax provision	18.976	21.878
Deduction: Prepaid corporation tax	(13.335)	(19.079)
Tax provision for the current period - net	**5.641**	**2.799**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return for their financial statements. Therefore, provisions for taxes, as reported in the consolidated financial statements at the end of the year, have been calculated on a separate-entity basis for the companies which are fully consolidated. According to this:

	31 December 2017	31 December 2016
Period income tax liability	5.761	2.897
Prepaid income tax	(120)	(98)
	5.641	**2.799**

Tax expenses reported in the income statement for the years ending on 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Current period corporation tax	(18.975)	(21.878)
Deferred tax income	(14.985)	4.085
Total tax expense	**(33.960)**	**(17.793)**

Within the scope of the "Law on Amendments to Certain Tax Laws and Certain Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with the law, now in force, deferred tax assets and liabilities are calculated at a tax rate of 22 percent for those periods when assets are realized or liabilities are fulfilled. For 2021 and later periods, cancellations of temporary differences will be calculated at 20 percent.

The reconciliation of tax expense is as follows:

	2017	2016
Profit before taxes / (loss)	**40.953**	**(5.426)**
Tax calculated with the parent company's tax rate on profit/(loss) before tax	(8.191)	1.085
Non-deductible expenses	(541)	(2.107)
Losses not recognized as deferred tax	(17.765)	(16.255)
Effect of change in statutory tax rate on deferred tax amount (*)	(10.643)	--
Tax exempt income	691	549
Tax effect of fair value gain	4.154	--
Other	(1.665)	(1.065)
Total tax expense	**(33.960)**	**(17.793)**

(*) The local tax rate for 2018-2021 has increased from 20% to 22%.

Breakdown of the tax assets and liabilities as of 31 December 2017 and 2016 calculated based on the current tax rates:

	Deferred Tax Assets		Deferred Tax Liabilities	
	2017	2016	2017	2016
Tangible and intangible assets	--	--	(5.607)	(3.584)
Goodwill amortization in statutory books	--	--	(27.488)	(27.488)
Deductible financial losses	16.240	17.735	--	--
Provision for severance payment	4.221	4.101		
Provision for rehabilitation and closure of the mine sites	3.345	2.847	--	--
Debt provisions	1.821	2.043	--	--
Provision for doubtful receivables-payables	192	234	--	--
Investment properties	--	--	(28.156)	(11.639)
Other assets and liabilities	1.141	1.043	--	--
Total deferred tax asset / (liability	26.960	28.003	(61.251)	(42.711)
Offset amount	(3.577)	(1.316)	3.577	1.316
Total deferred tax asset / (liability)	**23.383**	**26.687**	**(57.674)**	**(41.395)**

However, the exemption on capital gains the corporate taxpayers were entitled to from sales of real properties held for at least two years has been reduced from 75 percent to 50 percent by the regulation published in the Official Gazette dated 5 December 2017. Accordingly, corporate tax and deferred tax calculations for profits arising from the sale of real properties in 2018, 2019 and 2020 will be calculated as 22% of the remaining 50% and 20% of the remaining 50% for 2021 and later periods.

75% the earnings of companies from sales of their pre-emptive rights and earnings from the issue of premiums which are obtained from the sales of the shares above par that are issued through the foundation of corporations or through a capital increase are exempt from the corporation taxes.

The withholding tax rate is not applied on the dividends (tax on distribution) paid to limited taxpayer corporations earning income by means of a workplace or a permanent representative and to the resident organizations. Dividend payments made to persons and institutions other than these are subject to withholding taxes at the rate of 15 percent (31 December 2016: 15 percent). Allocation of retained earnings to capital is not considered as profit distribution.

Corporations are required to calculate advance corporate tax quarterly at the rate of 20% (31 December 2016: 20%) and to declare the said accrual tax until the day 14 of the second month following that period, and to pay it until the evening of the day 17 (31 December 2016: 14). Tax payments that are made in advance during the year pertain to that year and are deducted from the corporate tax to be calculated on the corporate tax return to be paid in the following year. If there is an advance tax amount which is paid despite the deduction, this amount can be refunded in specie or can be set off against another financial liability due to the government. In Turkey, there is no procedure for an agreement with the tax authority on tax payables. Corporate tax returns are filed with the registered tax office until the fourth of the fourth month following the closure of the accounting year. The authorities in charge of tax audits can audit accounting records within five years and tax amounts may alter due to an assessment carried out if any incorrect operation is detected. Under Turkish tax legislation, financial losses disclosed on the declaration can be deducted from the company's period earnings, unless they exceed 5 years. However, tax losses cannot be carried back to offset profits from previous periods. There are several exemptions in the Corporate Tax Law for the companies. The exemptions which are related to the Group are described below:

Companies' dividend earnings from the participations due to the contributions to the capital of another corporation with full taxation liability (except dividends which are gained from notes of accession of investment funds and from stocks of investment partnership) are exempt from the corporation tax.

Accordingly, the above-mentioned qualified gains / (losses) included in the market profit / (loss) are taken into account when calculating the corporate tax.

In addition to the exemptions used to determine the corporate tax base; deductions which are prescribed by the 8th article of the Corporate Tax Law and the 40th article of the Income Tax Law, and other deductions which are prescribed by the 10th article of the Corporate Tax Law, are also taken into consideration.

Transfer pricing

The 13th article of the law numbered 5520 Corporate Tax Law, which establishes new regulations on transfer pricing, came into force as of 1st January, 2007. Significant amendments have been made to the articles relating to the EU and OECD transfer pricing, and on the regulations regarding transfer pricing. In this framework, Firms have to apply the value or price to be determined in compliance with the arm's length in the purchase or selling of goods or services from / to the related parties. The arm's length principle implies that the price or value applied in the purchase or selling of goods or services from / to the related parties complies with the price or value occurring if there were no such relation between the related corporations.

Firms shall use and determine the most suitable method based on the nature of the transaction, from those determined by the law on the equivalent price or value to be applied on the transactions carried out with the related parties. Firms have to prepare a report including the information and documents regarding the transactions made by the firms with related parties in an accounting period, using as proof papers of registers, bills and documents of the calculations for the prices and values determined in accordance with the arm's length principle.

If the taxpayer is involved in transactions with related parties for trading of goods or services and the value or price is determined as incompatible with the arm's length principle, the income shall be considered as implicitly distributed by means of complete or partial transfer pricing. Profits shifted in a veiled way via transfer pricing will be considered as distributed profit or for foreign based tax payers the amount transferred to headquarters as of the last day of the period that the related conditions are met disclosed in the 13th clause of the Corporate Tax Law. The tax deduction shall be made at rates determined in accordance with the legal nature of the partners over the amount found after considering the profit share distributed by transfer pricing as the net profit share and rounding it up to the gross. Taxation transactions performed previously shall be adjusted accordingly in the presence of the taxpayers. However, in order to make the adjustment on corporate tax, the taxes levied in the name of the corporation distributing hidden income should be determined and paid.

The amount to be considered for adjustment to be made in the presence of the corporation performing distribution of hidden income shall be the amount which is determined and paid. In order to bring clarity to the application after the terms on transfer pricing rules had come into force as of 1 of January, 2007, the General Communiqué on Issued Hidden Income by Transfer Pricing (Serial No:1) was published by the Ministry of Finance on 18 November, 2007.

The movements in deferred tax income / (loss) for the year ended 31 December 2017 are as follows:

	1 January 2017	Current period deferred tax expense	The portion recognized in other comprehensive income	31 December 2017
Tangible and intangible assets	(3.584)	(2.647)	624	(5.607)
Goodwill amortization at statutory books	(27.488)	--	--	(27.488)
Deductible financial losses	17.735	(1.495)	--	16.240
Provision for severance payment	4.101	(197)	317	4.221
Provision for rehabilitation and closure of the mine sites	2.847	498	--	3.345
Debt provisions	2.043	(222)	--	1.821
Provision for doubtful receivables-payables	234	(42)	--	192
Investment properties	(11.639)	(10.978)	(5.539)	(28.156)
Other assets and liabilities	1.043	98	--	1.141
Deferred tax assets / (liabilities)	**(14.708)**	**(14.985)**	**(4.598)**	**(34.291)**

The movements in deferred tax income / (loss) for the year ended 31 December 2016 are as follows:

	1 January 2016	Current period tax deferred expense	The portion recognized in other comprehensive income	31 December 2016
Tangible and intangible assets	(10.780)	7.179	17	(3.584)
Goodwill amortization at statutory books	(27.488)	--	--	(27.488)
Deductible financial losses	23.509	(5.774)	--	17.735
Provision for severance payment	4.121	(292)	272	4.101
Provision for rehabilitation and closure of the mine sites	2.609	238	--	2.847
Debt provisions	1.015	1.028	--	2.043
Provision for doubtful receivables-payables	484	(250)	--	234
Investment properties	(12.494)	855	--	(11.639)
Other assets and liabilities	(58)	1.101	--	1.043
Deferred tax assets / (liabilities)	**(19.082)**	**4.085**	**289**	**(14.708)**

As of 31 December 2017, the Group calculated TL 16.240 thousand (31 December 2016: TL 17.735 thousand) of deferred taxes based on the financial losses of previous years in the amount of TL 84.178 thousand (31 December 2016: TL 92.259 thousand), which are highly likely to be offset from the profits in future years. The distribution of the tax losses carried forward on which deferred tax assets are calculated by their year of expiration is as shown below:

Expiration year	2017	2016
2017	--	1.485
2018	--	1.414
2019	--	12.654
2020	7.416	21.776
2021	17.512	29.781
2022	32.309	--
	57.237	**67.110**

* Pursuant to the regulation in England, there is no limit for the use of losses from previous years. Therefore, the aforementioned table does not show the financial losses for Quercia and NWM, the Group's subsidiaries operating in England, in the amounts of TL 24.521 thousand and TL 2.420 thousand (2016: TL 24.015 thousand and TL 1.134 thousand), respectively, on which deferred taxes were calculated.

As of 31 December 2017, the breakdown of the financial losses of previous years not used in calculation of the deferred tax asset:

Year of financial loss	2017	2016
2012	--	6.133
2013	19.309	19.309
2014	28.765	16.444
2015	22.413	8.053
2016	33.011	25.991
2017	34.934	--
	138.432	**75.930**

27. EARNINGS PER SHARE

Earnings per share for the accounting periods ending on 31 December 2017 and 31 December 2016 were as follows:

	2017	2016
Net period income of parent company	**31.640**	**4.667**
Weighted average number of issued ordinary shares (lot value is TL 1*)	87.112.463	87.112.463
Weighted average number of issued treasury shares	(520.256)	(520.256)
	86.592.207	**86.592.207**
Earnings per share calculated on the distributable profits of parent company	**0,3654**	**0,0539**

(*) 1 lot is composed of 100 shares.

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

28.1 Financial risk management

The Group is exposed to market risk, capital risk, credit risk and liquidity risk, which are composed of foreign currency, cash flow and interest rate risks because of its operations. The Group's risk management policy is focused on unexpected changes in the financial markets. The financial risk management policy is carried out by the top management and finance department of Çimentaş in accordance with the policies and strategies approved by the Board of Directors. The Board of Directors prepares policies and principles of a general nature to manage credit, liquidity, interest and capital risks in particular and monitors the financial and operational risks in detail.

The aims that are determined by the Group to manage financial risks can be summarized as follows:

- Maintaining the sustainability of the cash flows provided from the Group's operations and main assets effectively by considering the currency and interest rate risks,
- Keeping sufficient sources of borrowings ready to be used effectively and efficiently when necessary in appropriate conditions of type and maturity,
- Keeping the risks from others at the minimum level and monitoring them effectively.

Risk management framework

The Board of Directors of the Company is responsible in general terms for determining and monitoring the risk management framework of the Group The board of directors forms an Early Detection of Risk Committee to be responsible for developing the Group's risk management policies and monitor. The committee periodically reports its activities to the Board.

The risk management policies of the Group are determined with the purpose of detecting and analyzing possible risks, determining appropriate risk limits and establishing their controls, and monitoring risks and making sure they remain within the limits. Risk management policies and systems are regularly reviewed to reflect changes in the Group's operations and market conditions. The Group aims to develop a disciplined and constructive control environment where all employees understand their roles and responsibilities through training and management standards and procedures.

The Group Auditing Committee, monitors management in terms of compliance with the risk management policy and procedures of the Group and provides support to fulfil the risk management framework. The internal audit department regularly evaluates risk management policies and procedures and reports the results to the Audit Committee.

28.1.1 Credit risk

Having financial assets also brings the risks that the counterparty may not obey the rules of the agreements. The Group administration manages these risks by limiting the average risk related to the other party (except for related parties) in the agreement getting guarantees when necessary. The Group manages these risks which can arise from customers, by updating the determined credit limits within specific periods. The Group uses credit limits and the credit quality of customers is evaluated considering to the customer's financial position, past experiences, market recognition and other factors.

	Receivables						
	Trade Receivables		Other Receivables				
Current Period 31 December 2017	Related Party	Other Party	Related Party	Other Party	Deposits at Banks	Derivative Instruments	Other
Maximum credit risk to be exposed to as of the reporting date (A+B+C+D)	**2.618**	**276.284**	**10.206**	**6.098**	**55.162**	**--**	**--**
- Part of the maximum credit risk, secured by guarantee, etc.	--	177.567	--	--	--	--	--
A. Net carrying amounts of financial assets that are neither overdue nor impaired	2.618	223.113	10.206	6.098	55.162	--	--
B. Net carrying amounts of financial assets that are overdue but not impaired	--	53.171	--	--	--	--	--
C. Net carrying amount of the impaired assets	--	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	9.435	16.298	--	--	--	--
- Impairment (-)	--	(9.435)	(16.298)	--	--	--	--
- Part of the net value, secured by guarantee, etc.	--	--	--	--	--	--	--
- Not overdue (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Part of the net value, secured by guarantee, etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

	Receivables						
	Trade Receivables		Other Receivables				
Prior Period 31 December 2016	Related Party	Other Party	Related Party	Other Party	Deposits at Banks	Derivative Instruments	Other
Maximum credit risk to be exposed to as of the reporting date (A+B+C+D)	**91**	**209.643**	**34.803**	**6.930**	**71.361**	**--**	**--**
- Part of the maximum credit risk, secured by guarantee, etc.	--	138.189	--	--	--	--	--
A. Net carrying amounts of financial assets that are neither overdue nor impaired	91	173.659	21.224	6.930	71.361	--	--
B. Net carrying amounts of financial assets that are overdue but not impaired	--	35.984	13.579	--	--	--	--
C. Net carrying amount of the impaired assets	--	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	10.136	--	--	--	--	--
- Impairment (-)	--	(10.136)	--	--	--	--	--
- Part of the net value, secured by guarantee, etc.	--	--	--	--	--	--	--
- Not overdue (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Part of the net value, secured by guarantee, etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

As a result of the Group administration's evaluation considering the past experiences and subsequent period collections, there is no collection risk for the trade receivables which are overdue but not impaired; while maturity of the financial instruments which are overdue but not impaired is as follows:

Current Period 31 December 2017	Receivables: Trade Receivables	Receivables: Other Receivables	Deposit at Banks	Derivative Instruments	Other
Past due 1-30 days	27.131	--	--	--	--
Past due 1-3 months	18.398	--	--	--	--
Past due 3-12 months	5.089	--	--	--	--
Past due 1-5 years	2.230	--	--	--	--
Past due more than 5 years	323	--	--	--	--
	53.171	--	--	--	--

Prior Period 31 December 2016	Receivables: Trade Receivables	Receivables: Other Receivables	Deposit at Banks	Derivative Instruments	Other
Past due 1-30 days	19.932	115	--	--	--
Past due 1-3 months	8.280	32	--	--	--
Past due 3-12 months	3.928	262	--	--	--
Past due 1-5 years	3.521	13.170	--	--	--
Past due more than 5 years	323	--	--	--	--
	35.984	13.579	--	--	--

28.1.2 Liquidity Risk

Prudential liquidity risk management means keeping adequate cash and marketable securities, utilization of fund sources by means of adequate borrowing transactions and the power to close out the market positions. The liquidity risk for existing and prospective debt requirements is managed by sustaining adequate amounts of accessibility to the Group's own lenders and to the funds created from the operations. The Group administration closely follows the collection from its customers in order to ensure uninterrupted liquidity, tries to prevent any financial burden on the Group in case of late payments and arranges available cash and non-cash credit limits through arrangements with banks when the Group is in need. In addition, the Group's liquidity management policy includes preparation of cash flow projections per cement production plants and monitoring and evaluation of the liquidity ratios by comparing them with budgeted ratios.

The Group's financial liabilities and contractual outflows from those liabilities in respect of their maturities as of 31 December 2017 and 2016 were as follows:

31 December 2017 Contractual maturities	Carrying amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 - 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Non-derivative Financial Liabilities						
Bank loans	20.611	20.940	--	20.940	--	--
Finance Lease Liabilities	244	257	35	105	117	--
Trade Payables	214.137	214.775	214.178	597	--	--
Other Payables*	11.561	11.905	1.155	10.750	--	--
Total	246.553	247.877	215.368	32.392	117	--

31 December 2016 Contractual maturities	Carrying amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 - 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Non-derivative Financial Liabilities						
Bank loans	19.116	19.710	8.467	11.243	--	--
Finance Lease Liabilities	313	337	30	89	218	--
Trade Payables	164.806	165.134	165.049	85	--	--
Other Payables*	14.018	14.493	5.380	9.113	--	--
Total	198.253	199.674	178.926	20.530	218	--

* Deposits and guarantees received are not included in other payables.

28.1.3 Market Risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from exchange rate changes through translating asset and liability amounts in foreign currency to TL. The Group follows a policy for stabilizing its foreign exchange position in order to reduce the exchange rate risk. Existing risks are monitored and the exchange rate position of the Group is followed up in the meetings regularly held by the Group's Auditing Committee and the Board of Directors.

	31 December 2017					31 December 2016				
	TL Equivalent	USD	Euro	British Sterling*	Other	TL Equivalent	USD	Euro	British Sterling*	Other
1. Trade Receivables	--	--	--	--	--	3.544	1.007	--	--	--
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	2.975	723	55	--	--	31.396	646	4.190	3.144	--
2b. Non-Monetary Financial assets	--	--	--	--	--	--	--	--	--	--
3. Other	--	--	--	--	--	--	--	--		
4. Current Assets (1+2+3)	**2.975**	**723**	**55**	**--**	**--**	**34.940**	**1.653**	**4.190**	**3.144**	**--**
5. Trade Receivables	--	--	--	--	--	--	--	--	--	--
6a. Monetary Financial assets	--	--	--	--	--	--	--	--	--	--
6b. Non-Monetary Financial assets	--	--	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--	--	--
8. Non-Current Assets (5+6+7)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
9. Total Assets (4+8)	**2.975**	**723**	**55**	**--**	**--**	**34.940**	**1.653**	**4.190**	**3.144**	**--**
10. Trade Payables	78.155	9.375	9.477	--	--	61.484	8.034	8.944	7	--
11. Financial Liabilities	--	--	--	--	--	--	--	--	--	--
12a. Other Monetary Liabilities	18	--	4	--	--	82	--	22	--	--
12b. Other Non-Monetary Liabilities	--	--	--	--	--	--	--	--	--	--
13. Short Term Liabilities (10+11+12)	**78.173**	**9.375**	**9.481**	**--**	**--**	**61.566**	**8.034**	**8.966**	**7**	**--**
14. Trade Payables	--	--	--	--	--	--	--	--	--	--
15. Financial Liabilities	--	--	--	--	--	--	--	--	--	--
16a. Other Monetary Liabilities	--	--	--	--	--	--	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--	--	--	--	--	--	--
17. Long Term Liabilities (14+15+16)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
18. Total Liabilities (13+17)	**78.173**	**9.375**	**9.481**	**--**	**--**	**61.566**	**8.034**	**8.966**	**7**	**--**
19. Net Asset / (Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
19a. Off-Balance Sheet Foreign Currency Derivative	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
19b. Off-Balance Sheet Foreign Currency Derivative	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(75.198)**	**(8.652)**	**(9.426)**	**--**	**--**	**(26.626)**	**(6.381)**	**(4.776)**	**3.137**	**--**
21. Net Foreign Currency Asset / (Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(75.198)**	**(8.652)**	**(9.426)**	**--**	**--**	**(26.626)**	**(6.381)**	**(4.776)**	**3.137**	**--**
22. Fair Value of Financial Instruments Used in Foreign Currency Hedges	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
23. Hedged Foreign Currency Assets	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
24. Hedged Foreign Currency Liabilities	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**

* The British Sterling exchange risk for the subsidiaries whose current currency is not British Sterling is shown in the column.

Foreign Exchange Risk Sensitivity Analysis
31 December 2017

	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Assumption of devaluation/appreciation by 10% of USD against TL				
1-Net asset / liability of USD	(3.263)	3.263	--	--
2-USD risk hedged (-)	--	--	--	--
3-USD net effect (1+2)	**(3.263)**	**3.263**	**--**	**--**
Assumption of devaluation/appreciation by 10% of EUR against TL				
4-Net asset / liability of EURO	(4.256)	4.256	--	--
5-Euro risk hedged (-)	--	--	--	--
6-Euro net effect (4+5)	**(4.256)**	**4.256**	**--**	**--**
Assumption of devaluation/appreciation by 10% of GBP against TL				
7-Net asset/liability of GBP	--	--	--	--
8-GBP risk hedged (-)	--	--	--	--
9-GBP net effect (7+8)	**--**	**--**	**--**	**--**
Assumption of devaluation/appreciation by 10% of other foreign currencies against TL				
10-Net asset / liability of other currency	--	--	--	--
11-The part protected from other currency risks (-)	--	--	--	--
12-Other currency net effect (10+11)	**--**	**--**	**--**	**--**
Total (3+6+9+12)	**(7.519)**	**7.519**	**--**	**--**

Foreign Exchange Risk Sensitivity Analysis
31 December 2016

	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Assumption of devaluation/appreciation by 10% of USD against TL				
1-Net asset / liability of USD	(2.246)	2.246	--	--
2-USD risk hedged (-)	--	--	--	--
3-USD net effect (1+2)	**(2.246)**	**2.246**	**--**	**--**
Assumption of devaluation/appreciation by 10% of EUR against TL				
4-Net asset / liability of EURO	(1.772)	1.772	--	--
5-Euro risk hedged (-)	--	--	--	--
6-Euro net effect (4+5)	**(1.772)**	**1.772**	**--**	**--**
Assumption of devaluation/appreciation by 10% of GBP against TL				
7-Net asset/liability of GBP	1.355	(1.355)	--	--
8-GBP risk hedged (-)	--	--	--	--
9-GBP net effect (7+8)	**1.355**	**(1.355)**	**--**	**--**
Assumption of devaluation/appreciation by 10% of other foreign currencies against TL				
10-Net asset / liability of other currency	--	--	--	--
11-The part protected from other currency risks (-)	--	--	--	--
12-Other currency net effect (10+11)	**--**	**--**	**--**	**--**
Total (3+6+9+12)	**(2.663)**	**2.663**	**--**	**--**

Interest rate risk

The Group's financial assets and liabilities designated at fair value through profit and loss and the fair value hedge accounting model reported in the hedging derivative instruments (interest rate swaps) are not available. Hence, the change in interest rates will not affect profit or loss of the Group in the reporting period.

	2017	2016
Financial instruments with fixed interest rate		
Financial assets	46.699	38.108
Financial liabilities	244	313
Financial instruments with floating interest rate		
Financial assets	--	--
Financial liabilities	**20.611**	**19.116**

Price risk

The Group's operational profitability and cash inflows generated by operations are affected in line with the competition in the cement and ready mixed concrete sector and changes in raw material prices, and the Group administration follows these price changes and takes remedial measures to reduce the pressure of costs on prices. Related risks are monitored through meetings held by the Early Detection of Risk Committee of the Group.

28.1.4 Capital Risk

While managing capital, the Group's aim is to keep sustainability of the Group's operations with the most appropriate capital structure to minimize the cost of capital and to provide earnings and benefit to its shareholders.

The Group can change the amount of the dividends to shareholders, return the capital to shareholders, issue new bonds and sell assets to reduce their debt rates in order to maintain the capital structure or to recapitalize. In parallel with other companies in the industry, the Group monitors the capital by using the liabilities-to-shareholders' equity. This ratio is calculated by dividing the net debt by equity. Net debt is calculated by deducting cash and cash equivalents from total debt (including loans, trade and related party payables and other liabilities as shown in the statement of financial position).

	31 December 2017	31 December 2016
Total financial debt (Note 6)	20.855	19.429
Less: Cash and Cash Equivalents (Note 5)	(56.852)	(73.682)
Net debt	(35.997)	(54.253)
Total equity	1.175.934	1.175.409
Debt / equity ratio	**(3)%**	**(5)%**

28.1.5 Fair value of financial instruments

The Group determines the fair values of financial instruments by using its current market data knowledge and appropriate valuation methods. However, since judgment may be required in determining fair value, fair values may not reflect the amounts that may appear in the existing market. Considering that the fair values of the financial assets and liabilities, including receivables from cash and banks, other financial assets and other short-term financial liabilities, which are measured at amortised cost using the effective interest method interest, are short-term in nature and the possible losses may be immaterial, the Group administration has assessed that they are close to their reported values.

29. FINANCIAL INSTRUMENTS (DISCLOSURES FOR FAIR VALUE AND HEDGE ACCOUNTING)

Classification of Financial Instruments

The Group has classified its financial assets and liabilities as loans and receivables. Cash and cash equivalents of the financial assets (Note 5), trade receivables (Note 4 and 7) and other receivables (Note 4 and 8) of the Group are classified as loans and receivables and measured at amortized cost using the effective interest method. The financial liabilities of the Group are composed of trade payables (Note 4 and 7) and other payables (Note 4 and 8); they are classified by amortized costs as carried financial liabilities and measured at amortized cost using the effective interest method.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data for the purpose of estimating the fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amount the Group could realize in a current market exchange.

The methods and assumptions below are used for estimating the fair values of financial instruments whose fair values can be determined.

Financial assets

It is accepted that the fair values of foreign currency balances which are translated from the year end rates are close to the carrying amounts. Cash and cash equivalents are shown with their fair values. It is also assumed that the current market values of trade and related party receivables are close to the carrying amounts of their fair values as they are short-dated.

Financial liabilities

Trade payables, due to related parties and other financial liabilities are estimated to be measured at amounts close to their fair values at amortized cost; and the fair value of foreign currency balances translated with year-end exchange rate is accepted as being close to their reported values.

30. NON-CONTROLLING INTERESTS

As of 31 December 2017, information on the non-controlling interests in subsidiaries, including the Group's non-controlling interests at significant levels, was as follows:

as Thousand TL	Recydia	Kars Çimento	Çimbeton	Other individual immaterial subsidiaries
Percentage of non-controlling interests	**38,39%**	**41,62%**	**49,68%**	
Non-current assets	416.389	201.433	37.830	65.534
Current assets	64.550	192.590	77.665	48.807
Long-term liabilities	(6.173)	(5.842)	(1.814)	(14.405)
Short-term liabilities	(202.468)	(16.764)	(75.612)	(64.338)
Net assets	**272.298**	**371.417**	**38.069**	**35.598**
Carrying amount of non-controlling interests	**8.464**	**154.757**	**14.497**	**(23.188)**
Revenue	105.251	77.895	186.331	166.151
Profit / (Loss)	(86.846)	23.507	587	(1.688)
Other comprehensive income	18	(227)	(128)	494
Total comprehensive income	**(86.828)**	**23.280**	**459**	**(1.194)**
Profit allocated to non-controlling interests	(34.049)	9.820	292	(710)
Other comprehensive income allocated to non-controlling interests	7	(94)	(64)	559

As of 31 December 2016, information on the non-controlling interests in subsidiaries, including the Group's non-controlling interests at significant levels, was as follows:

as Thousand TL	Recydia	Kars Çimento	Çimbeton	Other individual immaterial subsidiaries
Percentage of non-controlling interests	**38,39%**	**41,62%**	**49,68%**	
Non-current assets	429.716	202.356	32.316	63.111
Current assets	87.645	168.515	64.136	36.739
Long-term liabilities	(5.859)	(5.613)	(2.075)	(10.790)
Short-term liabilities	(152.374)	(17.121)	(56.768)	(49.714)
Net assets	**359.128**	**348.137**	**37.609**	**39.346**
Carrying amount of non-controlling interests	**40.734**	**145.032**	**14.268**	**(21.264)**
Revenue	96.828	65.994	207.461	119.438
Profit / (Loss)	(79.479)	17.909	(2.897)	(6.537)
Other comprehensive income	(336)	(80)	(75)	824
Total comprehensive income	**(79.815)**	**17.829**	**(2.972)**	**(5.713)**
Profit allocated to non-controlling interests	(30.907)	7.476	(1.585)	(2.870)
Other comprehensive income allocated to non-controlling interests	(129)	(33)	(37)	287

31. SUBSEQUENT EVENTS

None.

PROFIT DISTRIBUTION PROPOSAL

In accordance with Capital Markets Board's January 23, 2014 dated II-19.1 number Dividend Notification, the company has distributable profit, considering the company's medium- and short-term strategies, anticipated capital expenditures and financial plans, market conditions and economic conditions, it has been resolved to make a suggestion to the General Assembly, not to distribute profits.

ÇİMENTAŞ GRUP

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

Having been established as the 1st cement factory of the region in 1950, Çimentaş produces clinker in 2 kilns and cement in 4 mills located in the İzmir plant. With its 65 years of history Çimentaş is one of the fundamental establishments of the sector and the region.

Çimentaş İzmir Çimento Fabrikası Türk A.Ş. Trakya Branch

Edirne Lalapaşa Cement Plant was acquired from the Savings Deposit Insurance Fund in the final days of 2005 through an Asset Sale transaction. It has been structured and organized as the Trakya Branch of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. Thus, Çimentaş has entered the biggest cement market of the country and has created new opportunities in terms of exports to neighbouring countries.

Kars Çimento Sanayi ve Ticaret A.Ş.

Kars Çimento joined the group in 1996 by acquisition from the Privatization Administration in accordance with the concept of "corporate responsibility". It is a profitable and efficient establishment in the region in terms of its economic and social situation.

Çimbeton Hazırbeton ve Prefabrik Yapı Elemanları San. ve Tic. A.Ş.

Founded in 1986, Çimbeton A.Ş. is the leading supplier in the region of the ready mixed concrete market. The company, which indicates the place, meaning and characteristics of the RMC in the construction sector, became the most important institution of the regional market. It is one of the profitable and productive companies of the sector.

İlion Çimento İnşaat Sanayi ve Ticaret Ltd. Şti.

İlion Çimento joined the Group in 2007 and has operations in Soma Seaş Thermal Power Plant to meet the fly ash requirements of Çimentaş and Çimbeton.

Recydia Atık Yönetimi, Yenilenebilir Enerji Üretimi, Nakliye ve Lojistik Hizmetleri Sanayi ve Ticaret A.Ş.

Recydia A.Ş. founded in 2009, with the aim of gaining various advantages from the supply and usage of alternative fuel in order to diversify and optimize the energy resources of the Group, has first taken a place in the sector by taking over 70% of the company Süreko A.Ş., which was already operating with its plants in Manisa-Kula and Ankara-Kazan.

In 2011, Recydia A.Ş. entered into the municipal waste sector by acquiring the operating licence of the municipal waste processing plant of the Istaç establishment that operates under the Istanbul Metropolitan Municipality, at Istanbul / Kömürcüoda for a period of 25 years.

The Company merged with Hereko Istanbul 1 Atık Yönetimi Nakliye Lojistik Elektrik Üretim Sanayive Ticaret A. Ş., Elazığ Altınova Çimento Sanayi Ticaret A. Ş. and Bakırçay Çimento Sanayive Ticaret A. Ş. on 31.12.2014.

Recydia Atık Yönetimi, Yenilenebilir Enerji Üretimi, Nakliye ve Lojistik Hizmetleri Sanayi ve Ticaret A.Ş. Istanbul Hereko Branch

Hereko Istanbul 1 AtıkYönetimi, Nakliye, Lojistik, Elektrik Üretim Sanayive Ticaret A.S., founded early in the year 2011 as a 100% subsidiary of Recydia A.Ş. entered into the disposal sector of the municipal waste by acquiring the operating license of the municipal waste processing plant of Istaç establishment that operates under the Istanbul Metropolitan Municipality, at Istanbul / Kömürcüoda for a period of 25 years. The Company merged with Recydia A.Ş. in 2014 and has continued its activities as Recydia A.Ş. Istanbul Hereko Branch.

Recydia Atık Yönetimi, Yenilenebilir Enerji Üretimi, Nakliye ve Lojistik Hizmetleri Sanayi ve Ticaret A.Ş. Elazığ Çimento Branch

Elazığ Çimento was acquired under a OYAK-GAMA Joint Venture in September 2006. It is one the leading establishments in terms of economic and social development of its region. The Company merged with Recydia A.Ş. in 2014 and has continued its activities as Recydia A.Ş. Elazığ Çimento Branch.

Süreko Atık Yönetimi, Nakliye, Lojistik, Elektrik Üretim Sanayi ve Ticaret A.Ş.

The company, of which 70% was taken over by our subsidiary Recydia A.Ş. in 2009, provides waste disposal services to industrial companies and private sector enterprises in line with the principle "Reliable Waste Management" with its plants in Manisa-Kula and Ankara-Kazan,.

The company is in a position to be the candidate for being a leader in the recently developing sector with its rapidly ongoing investments.

Destek Organizasyon Temizlik Akaryakıt Tabldot Servis San. ve Tic. A.Ş.

Destek A.Ş., which provides logistic support, provides cleaning and other services beside operating a gas service station, table d'hôte and restaurant, also finances the Çimentaş Education and Health Foundation with its sources and revenue.

Çimentaş Educatıon and Health Fund

One of the important social institutions in the region with a strong reputation for its support of education and health services, Çimentaş Education and Health Fund was founded in 1986 and received tax-exempt status in 1992. Çimentaş Education and Health Fund granted various health and education institutions to the public in the past period.

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

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