

**NUH ÇİMENTO SANAYİ A.Ş.  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2017  
AND INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF  
THE REPORT AND THE CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH)**

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT**

To the General Assembly  
Nuh Çimento Sanayi A.Ş.  
İstanbul

**A) Report on the Audit of the Consolidated Financial Statements**

**1) Opinion**

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

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

**2) Basis for Opinion**

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

### 3) Key Audit Matters

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

<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p><b>Revenue Recognition</b></p> <p>Revenue is recognized when it is probable that future economic benefits associated with sale will flow to the entity, the amount of revenue can be measured reliably and the seller has transferred to the buyer the risks and rewards of ownership.</p> <p>Major portion of the Group's revenue comprise of cement sales.</p> <p>Group determines the cement prices on a customer basis. Although the invoices are issued based on the agreed upon prices with the customers, there can be manual changes to these prices in the system which creates the risk of misstatement in revenue recognition.</p> <p>Due the aforementioned reasons and taking into consideration of the significance of the revenue in the consolidated financial statements, we conclude that recognition of the revenue with the correct prices in the consolidated financial statements as a key audit matter.</p> <p>The accounting policy related to the recognition of the revenue and the explanations regarding to sales amounts are disclosed in Note 2 and Note 19.</p>	<p>We have performed the following audit procedures to address the risk of "material misstatement" in revenue recognition:</p> <p>We have analysed internal controls on the revenue recognition policy, determination of the unit prices, sales and delivery terms to understand the Group's revenue process. We have assessed the design of the controls is accurate and tested the implementation of such internal controls.</p> <p>We have performed substantive audit procedures to test the accuracy of the Group's revenue. We have compared the prices per selected invoices with the prices approved by the customers to test for the Group revenue.</p> <p>We have reviewed the selected customer and related party sales agreements. Confirmation letters obtained from the selected customers and transactions were traced and agreed to the supporting documents on a sampling basis.</p> <p>While performing the journal entry testing for the risk of management override of controls, we have focused on revenue recognition and obtained sufficient audit evidence on accuracy of the revenue recognized.</p> <p>In addition to that, we have assessed the completeness of the disclosure requirements under TAS 18 regarding to revenue recognition and reviewed the explanations disclosed in Note 2.</p> <p>As a result of the audit procedures performed, we have not concluded any material findings that may impact the financial statements significantly.</p>

Key Audit Matter	How the matter was addressed in the audit
<p data-bbox="236 230 762 327"><b>Determination of fair value of the hydroelectric power plant and impairment testing</b></p> <p data-bbox="236 360 762 725">As explained in note 14, the Group has presented its power plant amounting to TL 78.348.713 at its fair value based on the valuation report of an independent valuation Company in the accompanying consolidated financial statements. The Group has recognized impairment amounting to TL 1.718.793 for the aforementioned power plant in its financial statements in accordance with IAS 36 “Impairment of assets”.</p> <p data-bbox="236 763 762 927">Since, determination of the fair value of the power plant includes significant estimates and assumptions, valuation of the power plant is designated as a key audit matter as part of our audit.</p>	<p data-bbox="791 230 1431 327">We have performed the following audit procedures in the scope of determination of fair value and impairment analyses of the Groups power plant:</p> <p data-bbox="839 360 1431 495">We have assessed the competence, independence and the professional of the independent valuation experts assigned by the Group management with in the scope of our audit.</p> <p data-bbox="839 528 1431 663">We have reviewed the appropriateness of the valuation methods used by the independent valuation expert in their valuation report of the power plant with in the scope of our audit.</p> <p data-bbox="839 696 1431 792">We have reviewed the validity of the key assumptions used by the independent valuation experts with in the scope of our audit.</p> <p data-bbox="839 831 1431 1032">We have assessed the judgements and alternative estimates and methods used by the independent valuation expert accordingly assessment of identified sensitivity analysis of fair value of the power plant and the inquiries with the experts with in the scope of our audit.</p> <p data-bbox="839 1066 1431 1267">In addition, we have assessed the completeness and appropriateness of the information disclosed in the consolidated financial statements taking into consideration the importance of the information to the users of the financial statements.</p> <p data-bbox="791 1301 1431 1397">As a result of the audit procedures performed, we have not identified any material errors in calculation of the fair value of the power plant.</p>

#### 4) Other Matters

The consolidated financial statements of Nuh Çimento Sanayi A.Ş. for the year ended 31 December 2016 was audited by another auditor who expressed a modified opinion on those financial statements on 7 March 2017.

As part of our audit of the 2017 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to amend the 2016 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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


In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 6 March 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January - 31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor's report is Ali Çiçekli.

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



Ali Çiçekli  
Partner  
İstanbul, 6 March 2018

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# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

		<b>Current Period</b>	<b>As Restated</b>
		<b>31 December</b>	<b>Prior Period</b>
	<b>Note</b>	<b>2017</b>	<b>31 December</b>
		<b>2016</b>	
<b>ASSETS</b>			
<b>Current Assets</b>		<b>701.403.880</b>	<b>516.950.519</b>
Cash and Cash Equivalents	32	153.725.346	94.384.533
Financial Investments	32	2.028.322	1.827.203
Trade Receivables		383.621.362	288.272.626
<i>Trade receivables from related parties</i>	5	149.351	61.573
<i>Trade receivables from third parties</i>	6	383.472.011	288.211.053
Other Receivables		6.042.710	2.601.289
<i>Other receivables from third parties</i>	7	6.042.710	2.601.289
Inventories	9	135.810.914	108.438.935
Prepaid Expenses	10	12.661.004	12.642.662
Current Income Tax Assets		384.455	23.562
Other Current Assets	8	7.129.767	8.759.709
<b>Non-Current Assets</b>		<b>1.050.488.456</b>	<b>933.345.400</b>
Trade Receivables		-	7.117.563
<i>Trade receivables from third parties</i>	6	-	7.117.563
Other Receivables		1.208.092	913.836
<i>Other receivables from third parties</i>	7	1.208.092	913.836
Financial Investments	27	2.569.965	2.569.965
Investments in Associates	3	122.016.733	113.747.235
Investment Properties	11	210.694.814	208.273.516
Property, Plant and Equipment	12	632.114.142	528.987.341
Intangible Assets		46.761.928	48.491.775
<i>Goodwill</i>	14	17.348.274	19.067.067
<i>Other Intangible Assets</i>	13	29.413.654	29.424.708
Prepaid Expenses	10	7.751.601	8.477.585
Deferred Tax Assets	25	27.371.181	13.624.109
Other Non Current Assets	8	-	1.142.475
<b>TOTAL ASSETS</b>		<b>1.751.892.336</b>	<b>1.450.295.919</b>

The accompanying notes from an integral part of these consolidated financial statements.  
(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)



# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

	Note	Current Period 31 December 2017	As Restated Prior Period 31 December 2016
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>		<b>415.896.699</b>	<b>199.386.871</b>
Short-Term Bank Borrowings	27	127.156.091	5.566.750
Current Portion of			
Long Term Borrowings	27	95.782.504	52.856.511
Trade Payables		112.764.236	83.079.307
<i>Trade payables due to related parties</i>	5	154	-
<i>Trade payables due to third parties</i>	6	112.764.082	83.079.307
Payables Related to Employee Benefits	16	6.898.287	8.557.670
Other Payables		7.395.488	5.209.060
<i>Other payables due to third parties</i>	7	7.395.488	5.209.060
Deferred Income	10	43.038.976	21.617.666
Current Tax Liabilities	25	5.736.167	6.439.816
Short Term Provisions		14.425.844	14.100.224
<i>Short Term Provision for</i>			
<i>Employee Termination Benefits</i>	16	3.560.589	2.715.611
<i>Other Short Term Provisions</i>	15	10.865.255	11.384.613
Other Current Liabilities	17	2.699.106	1.959.867
<b>Non-Current Liabilities</b>		<b>209.960.340</b>	<b>140.584.335</b>
Long-term bank borrowings	27	166.707.957	93.310.032
Long Term Provisions		34.296.180	31.994.668
<i>Long term provisions for</i>			
<i>employee benefits</i>	16	30.158.300	26.098.727
<i>Other Long Term Provisions</i>	15	4.137.880	5.895.941
Deferred Tax Liability	25	8.956.203	15.279.635
<b>EQUITY</b>		<b>1.126.035.297</b>	<b>1.110.324.713</b>
Share Capital	18	150.213.600	150.213.600
Capital Adjustment Difference	18	39.338.145	39.338.145
Accumulated Other Comprehensive Income			
or Expenses not to be Reclassified to Profit or Loss		(8.557.194)	(9.216.545)
- <i>Loss on remeasurement of</i>			
<i>defined benefit plans</i>		(8.562.906)	(9.222.257)
- <i>Revaluation Funds</i>		5.712	5.712
Accumulated Other Comprehensive Income			
or Expenses to be Reclassified to Profit or Loss		2.939.885	2.741.129
- <i>Currency Translation Reserves</i>		2.939.885	2.741.129
Other Reserves	18	389.023.120	361.488.129
Retained Earnings		403.169.750	390.294.416
Profit for the Year		149.907.991	175.465.839
<b>TOTAL EQUITY</b>		<b>1.751.892.336</b>	<b>1.450.295.919</b>

The accompanying notes from an integral part of these consolidated financial statements.  
(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

	Note	Current Period 1 January- 31 December 2017	As Restated Prior Period 1 January- 31 December 2016
Revenue	19	1.002.472.078	923.163.574
Cost of Sales (-)	19	(761.307.762)	(617.750.981)
<b>GROSS PROFIT</b>		<b>241.164.316</b>	<b>305.412.593</b>
General Administrative Expenses (-)	20	(84.671.435)	(85.627.737)
Marketing and Sales Expenses (-)	20	(18.293.198)	(18.558.951)
Research and Development Expenses (-)	20	(181.567)	(81.269)
Income from Operating Activities	22	20.455.932	18.074.973
Expenses from Operating Activities (-)	22	(26.748.377)	(20.101.826)
<b>OPERATING INCOME</b>		<b>131.725.671</b>	<b>199.117.783</b>
Income from Investing Activities	23	26.988.454	18.491.468
Expenses from Investing Activities (-)	23	(6.861.279)	(4.397.322)
Group's Share in Profit of Investment in Associates	3	31.104.169	23.329.960
<b>PROFIT BEFORE FINANCE EXPENSES</b>		<b>182.957.015</b>	<b>236.541.889</b>
Financial Income	24	48.373.860	23.816.094
Financial Expenses (-)	24	(74.260.839)	(37.326.812)
<b>PROFIT BEFORE TAX</b>		<b>157.070.036</b>	<b>223.031.171</b>
<b>Tax Expenses</b>		<b>(7.162.045)</b>	<b>(47.565.332)</b>
<i>Current Tax Expense</i>	25	<i>(27.353.635)</i>	<i>(47.137.999)</i>
<i>Deferred Tax Income / (Expense)</i>	25	<i>20.191.590</i>	<i>(427.333)</i>
<b>NET PROFIT</b>		<b>149.907.991</b>	<b>175.465.839</b>

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

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

	Dipnot	Current Period 1 January- 31 December 2017	As Restated Prior Period 1 January- 31 December 2016
<b>OTHER COMPREHENSIVE INCOME / (EXPENSES)</b>			
<b>Items that will not be reclassified subsequently to profit or (loss)</b>		<b>824.189</b>	<b>(2.173.189)</b>
<i>Gain / Loss on Remeasurement of Defined Benefit Plans</i>	16	605.430	(2.146.040)
<i>Gain / Loss on Remeasurement of Defined Benefit Plans of Investment in Associates</i>		218.759	(27.149)
<b>Tax expenses that will not be reclassified subsequently to profit or (loss)</b>		<b>(164.838)</b>	<b>434.638</b>
<i>Tax (expense) / income from Gain / Loss on Remeasurement of Defined Benefit Plans</i>	25	(121.086)	429.208
<i>Tax (Expense) / Income from Gain / loss on Remeasurement of Defined Benefit Plans of Investment in Associates</i>	25	(43.752)	5.430
<b>Items that will be reclassified subsequently to profit or loss</b>		<b>198.756</b>	<b>566.634</b>
<i>Currency Translation Differences</i>		198.756	566.634
<b>OTHER COMPREHENSIVE INCOME / (EXPENSES)</b>		<b>858.107</b>	<b>(1.171.917)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>150.766.098</b>	<b>174.293.922</b>
<b>Net Profit Attributable To:</b>		<b>149.907.991</b>	<b>175.465.839</b>
Non-controlling interests		-	-
Owners of the company		149.907.991	175.465.839
<b>Total Comprehensive Income Attributable To:</b>		<b>150.766.098</b>	<b>174.293.922</b>
Non-controlling interests		-	-
Owners of the company		150.766.098	174.293.922
<b>Earnings per Share</b>	26	1,00	1,17

The accompanying notes from an integral part of these consolidated financial statements.  
(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

**NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

	Capital		Gain / (loss) on remeasurement of defined benefit plans	Property revaluation reserves	Translation Differences	Currency	Other capital reserve	Retained Earnings		Total
	Share Capital	Adjustment Difference						Prior Years' Profit	Profit for the Year	
<b>Balance at 1 January 2016</b>	150.213.600	39.338.145	(7.483.706)	5.712	2.174.495	-	323.012.959	382.313.136	174.138.010	1.063.712.351
Transfers	-	-	-	-	-	-	38.475.170	135.662.840	(174.138.010)	-
Total comprehensive income (As restated)	-	-	(1.738.551)	-	566.634	-	-	-	175.465.839	174.293.922
Dividends	-	-	-	-	-	-	-	(127.681.560)	-	(127.681.560)
<b>Balance at 31 December 2016 (As restated)</b>	150.213.600	39.338.145	(9.222.257)	5.712	2.741.129	-	361.488.129	390.294.416	175.465.839	1.110.324.713
<b>Balance at 1 January 2017 (Previously reported)</b>	150.213.600	39.338.145	(9.222.257)	5.712	2.741.129	-	361.488.129	390.294.416	172.493.003	1.107.351.877
Effects of restatement (Note: 2)	-	-	-	-	-	-	-	-	2.972.836	2.972.836
<b>Balance at 1 January 2017 (As restated)</b>	150.213.600	39.338.145	(9.222.257)	5.712	2.741.129	-	361.488.129	390.294.416	175.465.839	1.110.324.713
Transfers	-	-	-	-	-	-	27.534.991	147.930.848	(175.465.839)	-
Total comprehensive income	-	-	659.351	-	198.756	-	-	-	149.907.991	150.766.098
Disposal effect of subsidiary	-	-	-	-	-	-	-	136.726	-	136.726
Dividends	-	-	-	-	-	-	-	(135.192.240)	-	(135.192.240)
<b>Balance at 31 December 2017</b>	150.213.600	39.338.145	(8.562.906)	5.712	2.939.885	-	389.023.120	403.169.750	149.907.991	1.126.035.297

The accompanying notes from an integral part of these consolidated financial statements.  
(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

	Current Period 1 January- 31 December 2017	As Restated Prior Period 1 January- 31 December 2016
Note		
<b>A. Cash flows from operating activities</b>		
<b>Profit for the period</b>	<b>149.907.991</b>	<b>175.465.839</b>
<b>Adjustments to reconcile income to cash provided by operating activities</b>		
- Adjustments related to depreciation and amortisation	11-12-13 67.806.856	64.832.089
- Adjustments related to doubtful receivables	6 1.088.980	16.641.465
- Adjustments related to legal claims	15 2.127.457	1.243.585
- Adjustments related to land restoration	15 (1.758.061)	-
- Adjustments related to impairment of goodwill	14 1.718.793	-
- Adjustments related to current tax expense	25 7.162.045	47.565.332
- Adjustments related to unrealized foreign exchange losses	9.541.225	20.697.470
- Adjustments related to interest income	(8.942.521)	(12.047.235)
- Adjustments related to employee termination benefits and unused vacation	10.583.268	6.689.039
- Adjustments related to interest expense	24 33.108.238	9.469.327
- Gain on sale or disposal of property, plant and equipment	23 (6.324.569)	(1.319.743)
- Adjustments related to unpaid dividends from equity investments	3 (31.104.169)	(23.329.960)
	<b>234.915.533</b>	<b>305.907.208</b>
<b>Movements in working capital</b>		
- Adjustments related to increase in inventories	(41.806.206)	(6.407.633)
- Adjustments related to increase in trade receivables	(89.320.153)	(13.181.479)
- Adjustments related to increase in other receivables from operating activities	(616.511)	(6.154.207)
- Adjustments related to increase in trade payables	7 29.684.929	21.280.200
- Adjustments related to increase in other payables from operating activities	22.687.594	(169.261)
<b>Net cash generated by operating activities</b>	<b>155.545.186</b>	<b>301.274.828</b>
Income taxes paid	25 (28.057.284)	(54.817.967)
Legal claims paid	15 (2.646.815)	(4.906.534)
Employee termination benefits paid	16 (5.073.287)	(5.227.469)
	<b>119.767.800</b>	<b>236.322.858</b>
<b>B. Cash flows from investing activities</b>		
Dividends received from associates	23.208.434	21.996.312
Purchases of property, plant and equipment and intangible assets	12-13 (157.825.615)	(61.366.895)
Income from sale of property, plant and equipment and intangible assets	10.578.936	5.254.932
Purchases of investment property	11 (5.338.426)	(31.436.053)
Effects of disposal of subsidiary	21 136.726	-
	<b>(129.239.945)</b>	<b>(65.551.704)</b>
<b>C. Cash flows from financing activities</b>		
Dividend paid	(135.192.240)	(127.681.560)
Interest paid	(30.079.237)	(7.136.746)
Cash input / (outflow) from bank loans	225.343.033	(56.219.854)
Interest received	18 8.942.521	12.047.235
	<b>69.014.077</b>	<b>(178.990.925)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>59.541.932</b>	<b>(8.219.771)</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	32 96.211.736	104.431.507
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR(A+B+C+D)</b>	32 <b>155.753.668</b>	<b>96.211.736</b>

The accompanying notes from an integral part of these consolidated financial statements.  
(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Nuh Çimento Sanayi A.Ş. (“the Company”) and its subsidiaries are joint stock and limited liability companies and their principal activities are production of various types of cement, lime, ready-mixed concrete, gas concrete, machinery and spare parts, power generation, transportation, real estate and marketable securities management.

The address of the Company is 19 Mayıs Mah. İnönü Cad. No:94 Kadıköy Kozyatağı / İstanbul.

The Company is registered to the Capital Markets Board (CMB) and 13,86% of its shares are being traded on Borsa İstanbul (BIST) since 24 February 2000.

Segment information about the Group’s continuing operations are presented in Note 4.

As of 31 December and 2017, the average number of personnel is categorized as follows;

	1 January- 31 December 2017	1 January- 31 December 2016
White collar	979	853
Blue collar	324	320
	<u>1.303</u>	<u>1.173</u>

The Group’s main shareholders and controlling parties are Nuh Ticaret Sanayi ve Ticaret A.Ş. and Partaş Tekstil İnşaat Sanayi ve Ticaret A.Ş.

Shareholders	31 December 2017	31 December 2016
Nuh Ticaret Sanayi ve Ticaret A.Ş.	44,13%	%44,13
Partaş Tekstil İnşaat Sanayi ve Ticaret A.Ş.	15,99%	%15,94
Traded on BIST	13,86%	%13,91
Other (*)	26,02%	%26,02
Total Shares	<u>100%</u>	<u>100%</u>

(\*) Represents total of shares less than 5%.

#### Dividend Payable:

On 6 March 2018, the Group management proposes to pay dividends to the shareholders amounting to TL 0.90 per share for the current year. Such dividends are subject to the annual meeting of the shareholders by the shareholders and are not included in the financial statements as a liability. The total amount of dividends to be paid is TL 135.192.240.

#### Approval of Consolidated Financial Statements:

The consolidated financial statements as at and for the year ended December 31, 2017 have been approved for issue by the Board of Directors March 6, 2018. General Assembly has power to change Group’s consolidated financial statements

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

The Company and its subsidiaries within the scope of consolidation will then be referred as “Group”.

The details of the Company’s subsidiaries are as follows:

#### **Subsidiaries:**

##### Nuh Beton A.Ş.

Nuh Beton started to produce ready-mixed concrete in 1987 at the Bostancı facility as a separate entity of Nuh Çimento parallel to the developments in concrete industry, new facilities were established in Hereke, B. Bakkalköy, İkitelli, Büyükçekmece and İzmit.

In order to get better organized in the rapid developing ready-mixed concrete sector, the facilities separated from Nuh Çimento and Nuh Beton was established in 1995. 20 concrete plants, 225 mixers, 65 pumps, 15 place pump and 22 loaders exist in 14 separate facilities. Besides, 87 thousand m<sup>2</sup> shopping center and hotel constructions on the land owned by the Company in Bostancı were finalized in and carried to financial statements as investment property. As of 31 December 2017 and 2016, Nuh Beton A.Ş. has shares in Ünye Çimento San ve Tic. A.Ş..

##### Nuh Yapı Ürünleri A.Ş.(Nuh Yapı)

A limestone manufacturing plant and an aerated concrete block (white brick) manufacturing plant were established within Nuh Çimento in 1984 and 1996 with annual production capacities of 160.000 m<sup>3</sup>/year 160.000 ton/year, respectively.

The legal establishment of Nuh Yapı was realized in 1995. The Company started its operations with two facilities stated above and machine factory which was a part of Nuh Çimento.

Nuh Yapı completed the construction of aerated concrete block production facility, in 2008 with an annual capacity of 400.000 m<sup>3</sup>, which was started in 2007. Besides, the limestone production facility whose investment started in 2007 was completed at the end of 2010 with an annual quicklime production capacity of 212.000 tons.

##### Nuh Enerji Elektrik Üretim A.Ş. (Nuh Enerji)

Nuh Enerji was established in 2000 to deliver electricity mainly to Nuh Group companies in an economic and safe manner. It started its operations in 2004 after transferring a 38 MW power production plant which was established in 1999 for the same purpose within the structure of Nuh Çimento The first unit with 60 MW capacity of the second power plant with a capacity of 120 MW power was established in 2005 and the other unit of the power plant was established in 2009. While the company operated with 3 natural gas power plants with a power of 158 MW, due to the increase in the cost of natural gas-based production and price competition, the company discontinued its production in the 38 MW production capacity and applied to Energy Market Regulatory Authority (“EMRA”) for the cancellation of its license, which was cancelled as of August 31, 2014. Further, the power plant with 120 MW power capacity has been reduced to 47 MW through application to EMRA, and finally the license has been cancelled as of June 30, 2016.

Kudret Enerji was established in Yağmur River, Araklı, Trabzon. As of 25 February 2011, all of its shares belong to the group. Kudret Enerji, which owns the 49-year production license of “Bangal Regulator and Kuşluk HES” with a capacity of 17 MW, started production in May 2012. As of April 2016, Kudret Enerji has merged with Nuh Enerji.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

##### **Bağlı ortaklıklar (devamı):**

##### Nuh Enerji Elektrik Üretim A.Ş. (Nuh Enerji) (devamı)

Nuh Enerji Elektrik Üretim A.Ş., which has fully owned by the Company, registered in Istanbul Trade Registry Department with registration number 435157 applied to Energy Market Regulatory Authority on August 10, 2017 with an application number BGNNM91A for merger process with the Company with all of its assets and liabilities as a whole in accordance with “Faciliated Merger” method. The Company's merger process was approved by the Trade Registry Gazette on February 27, 2018 and on February 28, 2018 the Company announced at the Public Disclosure Platform (KAP) to inform the public that the merger process has been completed.

##### Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş.(Nuh Enerji Toptan)

Nuh Enerji Elektrik Üretim A.Ş., which owns 100% of the Company. As of July 10, 2017, Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. merged with Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. has been transferred to Nuh Enerji Elektrik Üretim A.Ş. as a whole with all its assets and liabilities.

##### Nuh Gayrimenkul İnşaat A.Ş. (Nuh Gayrimenkul)

Nuh Gayrimenkul was established in 1997 for the purpose of ensuring efficient use of the real estate within the structure of the group companies, of production and project preparation operations in the construction sector. As of 31 December 2017 and 2016, Nuh Gayrimenkul has shares of Ünye Çimento Sanayi ve Ticaret A.Ş..

##### Çim-Nak Taşımacılık Limited Şirketi (Çim-Nak)

Çim-Nak was established in 1979 to provide land and sea transportation services, run mineral ore administration operations and realize sea logistics-transportation operations. Çim-Nak still provides the mentioned and additional services to Nuh Çimento.

##### Navig Holding Trade B.V. (Navig)

Navig was established in 1997 in Netherlands with the 100% participation of Nuh Çimento to assist the export-import operations of the group's firms, finding long-term external credits for investments and making securities investments.

##### Tekkale Elektrik Üretim Ticaret Sanayi A.Ş – (Tekkale Elektrik)

On July, 2011 the Group purchased all shares of Tekkale Elektrik which is the license owner of “Tekkale HES” Project built in Artvin with 17,48 MW power. In accordance to Board of Directors minute which is dated 25 July 2017, liquidation process of Tekkale Elektrik Üretim Ticaret Sanayi A.Ş. was initiated.



# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### Joint ventures and associates:

##### Torgoviy Port Ltd.

Torgoviy Port Ltd. was established in 2008 in the Russian Federation province of Rostov-on-Don for the purpose of operating in port administration; cement sales, etc., with a total share capital of Ruble 121.732.238 in which the Company has become a shareholder at 50%. The share capital of Torgoviy Port Ltd. is Ruble 190.526.000 and the Company's shareholding rate is 50%.

##### Ünye Çimento Sanayi ve Ticaret A.Ş. (Ünye Çimento)

The Group has held shares of Ünye Çimento since 1997 and currently the nominal share capital of Ünye Çimento is amounting to TL 123.586.411 and Nuh Beton and Nuh Gayrimenkul holds 40,03% of its shares in total.

Ünye Çimento was established in 1969 in Ünye for the purpose of production and sales of clinker and cement, and started its operations with an annual production capacity of 600.000 tons in 1974. Upon the investments made, the clinker production capacity reached 1,5 million tons and the cement grinding capacity reached 2,6 million tons per year. Ünye Çimento realizes its exports through Ünye Port and the usage right of the port belongs to Ünye Çimento for a period of 49 years.

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

#### 2.1 Basis of preparation

##### Statement of Compliance

The consolidated financial statements and disclosures have been prepared in accordance with the communique numbered II-14,1 "Communique on the Principles of Financial Reporting in Capital Markets" ("the Communique") announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

The accompanying consolidated financial statements and disclosures are presented in accordance with the formats and by including the compulsory information announced by the CMB dated 7 June 2013.

The accompanying consolidated financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") the supplementary information and the interpretations related to them. The subsidiaries in foreign countries prepares their accounting and financial statements in their currency and according to the laws and regulations of their countries. The Company maintains its books of account in accordance with accounting principles set by Turkish Commercial Code ("TCC") and tax legislation. Consolidated financial statements have been prepared on the historical cost basis.

##### Currency Used

The financial statements of each subsidiaries of the Group's are presented in the currency of the primary economic environment in which it operates (functional currency). The financial position and operating results of each subsidiaries are expressed in TL which is the functional currency of the Company and the presentation currency for the accompanying consolidated financial statements.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

##### Inflation accounting

The financial statements of the Company and its Turkish subsidiaries for the periods before 1 January 2006 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29 *Financial Reporting in Hyperinflationary Economies*. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2006. Based on this consideration, IAS 29 has not been applied in the preparation of the consolidated financial statements since 1 January 2006. Amounts expressed in the measuring unit current at 31 December 2005 were treated as the basis for the carrying amounts after 1 January 2006.

##### **Periodicity**

The Group's activities are increasing in spring and summer, when construction demand is rising and the construction industry is reviving.

##### **Comparative Information and Restatement of Prior Period Consolidated Financial Statements**

Group's consolidated financial statements have been prepared comparatively with the prior period for allow the determination of financial position and performance trend. Comparative information is reclassified when necessary and important differences are explained, in order to conform to the current period financial statement's presentation.

In current year, the Group made reclassification on the consolidated financial statements for the year ended as of 31 December 2016 and the consolidated financial positions, consolidated statement of profit or loss and consolidated statement of cash flows are restated. Since all the restatements effect the financial position of year 2016, there is not any restatements made to opening consolidated financial statements to 1 January 2016.

- As of 31 December 2016, the Group presented provisions amounting to TL 328.214 under "Other Income from Operating Activities". In the current year, the Group's management has been classified these amounts under "Other Income from Investing Activities".
- As of 31 December 2016, the Group presented seniority bonus provision amounting to TL 529.539 under "Long Term Provision for Employee Termination Benefits". In the current year, the Group's management has been classified these amounts under "Short Term Provision for Employee Termination Benefits". In the current year balances do not have any profit or loss impact.
- As of 31 December 2016, the Group presented unused vacation provision amounting to TL 2.186.072 under "Long Term Provision for Employee Termination Benefits". The Group's management has been classified these amounts under "Short Term Provision for Employee Termination Benefits". This reclassification does not have any profit or loss impact.
- As of 31 December 2016, endorsed checks drawn to third parties amounting to TL 4.867.114 have been included in the consolidated financial position. Trade receivables and payables have been increased by related amount after the related classification. Related reclassification does not have any profit or loss impact.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

#### Comparative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

- As of 31 December 2016, the Group presented expenses which is related to Furnace 1 Modernization in construction in progress amounting to TL 3.771.224 under "Other Expenses from Investing Activities". In the current year, the Group's management has capitalized these amounts under "Construction in Progress".
- After the approval of the financial statements at 31 December 2016, the Group has made changes in its statutory financial statements, which are the bases of the taxation of the Group management institutions. As a result of these adjustment, the Group's corporate tax amount has changed from TL 46.751.492 to TL 47.137.999.
- As of 31 December 2016, Nuh Cement BG Jsc, which is a 100% subsidiary of the Company and which is included in "Financial Investments" in the consolidated financial statements has been impairment provisioned amounting to TL 235.982.
- As of 31 December 2016, the Group presented provision expenses amounting to TL 14.131.909 under "Other Expenses from Operating Activities". As of 31 December 2017, the Group's management has classified these amounts as "General Administration Expenses".
- As of 31 December 2016, the Group presented deferred tax expense amounting to TL 296.227 under consolidated statement profit or loss table. As of 31 December 2017, the Group's management has revised the balance of deferred tax amounting to TL 426.333 after adjustments made.

	Previously Reported 31.12.2016	Effects of Restatement	As Restated 31.12.2016
Current Assets	512.105.791	4.844.728	516.950.519
Non-Current Assets	929.473.492	3.871.908	933.345.400
Current Liabilities	191.395.232	7.991.639	199.386.871
Non-Current Liabilities	142.832.174	(2.247.839)	140.584.335
Equity	1.107.351.877	2.972.836	1.110.324.713
Net Profit	172.493.003	2.972.836	175.465.839
Earnings per Share	1,15	(0,02)	1,17

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

#### Basis of consolidation

The details of the Company and it's subsidiaries at 31 December 2017 and 2016 are as follows:

Subsidiaries	Location	Currency	Share	
			31 December 2017	31 December 2016
Nuh Beton A.Ş.	Turkey	TL	100,00%	100,00%
Nuh Yapı Ürünleri A.Ş.	Turkey	TL	100,00%	100,00%
Nuh Enerji Elektrik Üretim A.Ş. (**)	Turkey	TL	100,00%	100,00%
Çim-Nak Taşımacılık Limited Şirketi	Turkey	TL	98,00%	98,00%
Nuh Gayrimenkul İnşaat A.Ş.	Turkey	TL	100,00%	100,00%
Navig Holding Trade B.V.	Netherlands	Euro	100,00%	100,00%
Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. (**)	Turkey	TL	100,00%	100,00%
Tekkale Elektrik Üretim Ticaret Sanayi A.Ş. (***)	Turkey	TL	100,00%	100,00%

#### Joint ventures and associates accounted under equity method

Torgoviy Port Ltd. (*)	Russia	Ruble	50,00%	50,00%
Ünye Çimento Sanayi ve Ticaret A.Ş.	Turkey	TL	40,03%	40,03%

(\*) The Company's board of directors has decided to terminate its partnership on Torgoviy Port Ltd. on May 11, 2011. The termination process of the partnership is still in progress as of December 31, 2016. Various lawsuits and counterclaims were brought to the judiciary in May and June 2012. The total amount of subsidiary in Torgoviy Port Ltd. has been fully reserved for impaired as of 31 December 2017 and 2016.

(\*\*) Nuh Enerji Elektrik Üretim A.Ş., is fully owned by the Company. Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. merged with Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. and has been transferred to Nuh Enerji Elektrik Üretim A.Ş. as a whole with all its assets and liabilities as of July 10, 2017.

Nuh Enerji Elektrik Üretim A.Ş., is fully owned by the Company and its registered in Istanbul Trade Registry Department with registration number 435157 applied to Energy Market Regulatory Authority on August 10, 2017 with an application number BGNNM91A for merger process with the Company with all of its assets and liabilities as a whole in accordance with "Faciliated Merger" method.

(\*\*\*) In accordance to Board of Directors minute which is dated 25 July 2017, liquidation process of Tekkale Elektrik Üretim Ticaret Sanayi A.Ş. was initiated.

## **NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

### **2.1 Basis of Presentation (cont'd)**

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

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

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### **2.1 Basis of Presentation (cont'd)**

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

##### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

##### Investments in associates and joint ventures

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

A partnership is a joint venture in which entities with joint control in an arrangement have rights to the net assets in the joint arrangement. Joint control is based on the control contract on an economic activity. This control is deemed to exist when the decisions of the relevant activities require the parties sharing the control to agree with the unanimity of votes.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with TFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

Profits and losses arising from transactions between one of the Group companies and an associate of the Group are eliminated at the rate of the Group's interest in the related associate or joint venture.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.2 Change in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are adjusted accordingly. There are not any changes in accounting policies in the current year. Applied accounting standards are consistent with previous periods.

#### 2.3 Change in Accounting Estimates and Errors

If changes in accounting policies are for only one period, changes are applied on the current year but if the changes affect the future periods, changes are applied both on the current period and future periods prospectively. There has been no significant change in the Group's accounting estimates during the current year.

#### 2.4 New and Revised Turkish Accounting Standards

##### a) Amendments to TFRSs that are mandatorily effective for the current year

Amendments to TAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses<sup>1</sup></i>
Amendments to TAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>IFRS 12<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

##### **Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses***

This amendment clarifies the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

#### a) Amendments to TFRSs that are mandatorily effective for the current year (cont'd)

##### **Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses (cont'd)***

- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Group assessed the adequacy of taxable income consistent with these changes and the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

##### **Amendments to TAS 7 *Disclosure Initiative***

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 6) and certain other financial liabilities. A reconciliation between the opening and closing balances of these items is provided. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in the application of these amendments has had no impact on the Group's consolidated financial statements.

##### **Annual Improvements to IFRS Standards 2014–2016 Cycle**

**TFRS 12:** TFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.



# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

##### b) New and revised TFRSs in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i> <sup>1</sup>
TFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i> <sup>1</sup>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Amendments to TAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1</i> <sup>1</sup> , <i>TAS 28</i> <sup>1</sup>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

#### **TFRS 9 *Financial Instruments***

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

###### c) New and revised TFRSs in issue but not yet effective (cont'd)

###### **IFRS 9 *Financial Instruments* (cont'd)**

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

###### Classification and measurement

Loans carried at amortized cost as disclosed in Note 27: These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of TFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under TAS 39.

###### Impairment

Financial assets measured at amortized cost will be subject to the impairment provisions of TFRS 9.

The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables as required or permitted by TFRS 9.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

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

##### ***TFRS 9 Financial Instruments (cont'd)***

The Group intends to use the cumulative effect method of transition to TFRS 9, and accordingly as of 1 January 2018 opening entry based on prior years profit and losses.

##### ***TFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 Revenue, TAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group intends to use the cumulative effect method of transition to TFRS 15, and accordingly as of 1 January 2018 opening entry based on prior years profit and losses.

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

The amendments to TFRS 10 and TAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

##### ***Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions***

In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

##### e) New and revised TFRSs in issue but not yet effective (cont'd)

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

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

##### ***Amendments to TAS 40 Transfers of Investment Property***

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

##### ***Annual Improvements to TFRS Standards 2014–2016 Cycle***

- **TFRS 1:** The amendments delete certain short-term exemptions in TFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.
- **TAS 28:** The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

##### f) New and revised TFRSs in issue but not yet effective (cont'd)

##### **Amendments to TAS 28 *Long-term Interests in Associates and Joint Ventures***

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Group evaluates the effects of these standards amendments and improvements on the consolidated financial statements.

#### 2.5 Summary of Significant Accounting Policies

##### **Related Party**

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

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

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the entity, and when the costs incurred or to be incurred in respect of the transaction can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns. When the arrangement effectively includes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

#### *Sale of goods*

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

#### *Dividend and interest income:*

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

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

#### *Rental income:*

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

#### Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### **Property, Plant and Equipment**

Machinery, property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessee*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### **Intangible Assets**

##### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### Trademarks and licenses

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

##### Computer software

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

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

##### Derecognition of intangible assets

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



# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### **Impairment of Tangible and Intangible Assets Other Than Goodwill**

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

##### **Borrowing Costs**

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

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

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### **Financial Instruments**

##### Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group has investments in unquoted equity investments that are not traded in an active market but that are also classified as AFS financial assets and stated at cost at the end of each reporting period since their value can't be reliably measured. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

##### Loans and receivables

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

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### **Financial Instruments (cont'd)**

##### Financial assets (cont'd)

##### Derecognition of financial assets

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

##### Financial Liabilities

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

##### **Goodwill**

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

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

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

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

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### Foreign Currency Transactions

##### Foreign Currency Transactions and Balances

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

##### Financial Statements of Associates, Subsidiaries and Joint Ventures Operating in Other Countries

Assets and liabilities of the Group's foreign operations, are presented in TL considering exchange rates valid at the reporting date. Income and expenses are translated by using the average rate calculated for the year when the transaction occurred, unless significant fluctuation has happened in exchange rates. In case of any significant fluctuation in exchange rates, the transaction is translated by using the exchange rate at the transaction date. The translation difference is accounted under comprehensive income as a component of equity.

##### Earnings per Share

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustment in changes in equity to their current shareholders on a prorata basis. When calculating profit/(loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit/(loss) per share is derived through retrospective application with respect to bonus shares.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### Events after the Reporting Period

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

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

##### Provisions, Contingent Assets and Liabilities

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

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

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

##### Reporting of Financial Information by Segments

Operating segments of the Group; based on the activities for which revenue is obtained and separate financial information is available. In accordance to that, the financial information of companies producing and trading cement, concrete and building materials are shown in the "Construction and building materials" and the financial information of the companies producing and selling electric energy are shown under "Energy". In addition to these two areas of activity, construction and construction materials have been shown in the activity group because the assets of Nuh Group companies, which are engaged in construction transportation and services, do not exceed 10% of the total assets of all operating segments of their assets.

##### Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. The depreciation period for investment property is 35-50 years.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### **Taxation**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

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

##### *Deferred tax*

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### *Deferred tax (cont'd)*

#### *Current and deferred tax for the period*

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

#### **Employee Benefits**

#### *Termination and retirement benefits*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

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

#### *Seniority incentive bonus*

In accordance with the employee benefit named "seniority incentive premiums" provided by some subsidiaries of the Group and the Company to their employees having certain working seniority in order to enhance their loyalty to the jobs and employers; the benefits are provided as follows; employees with 5 year work experience are paid for their 30 days wage, those with 10 year work experience are paid for their 55 days of their gross wage, those with 20 year work experience are paid for their 70 days wage, those with 25 or 30 year work experience are paid for their 75 days wage, for each level of payment with their actual working wage in the month they complete the respective seniority level in the mentioned range.

To calculate the provision for seniority incentive payments, the Group has considered the duration passed for each employee as of the balance sheet date since their job entrance dates and booked a liability for the discounted amount of the future payments as of the balance sheet date.

#### *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **Statement of Cash Flows**

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

#### **Share Capital and Dividends**

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

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

### 2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

#### Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### *Deferred taxes*

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. In light of the evidence obtained, the Group's belief that taxable profit will be available sufficient to utilize these deferred tax assets, therefore all of the deferred tax assets are recognized.

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Impairment of goodwill*

The Group performs impairment testing annually to assess whether any impairment provision is required for goodwill in accordance with accounting policy stated in Note 2.5. As of 31 December 2017, the Group engaged with an independent valuation company and the estimations used in the valuation report has been disclosed in Note 14.

#### *Useful lives of property, plant and equipment*

The Group reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. The Group takes into consideration the intended use of the property, plant and equipment, the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may require management to extend or shorten the useful lives and the assets' related depreciation.

#### *Environmental rehabilitation and land restoration provision*

The scope of the environmental obligations to be incurred in the future expected costs related to these structures is to show a difficult to predict the property. The Group is dependent on the timing and development of legal regulations with the scale of the continuing operations. As of the reporting period of the Group, management is estimated provisions for doing the assessment of environmental liabilities reflected in the consolidated financial statements.



## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

###### Key sources of estimation uncertainty (cont'd)

###### *Legal provisions*

The Group has litigations due to labor cases and debt collection cases. The Group accounts provision for litigations for those which are possible to create liabilities in future.

###### *Subsidiaries that included consolidation by equity method*

It is estimated that Group has significant effect on subsidiaries due to the remaining shares from subsidiaries that included consolidation by acquisition from equity method belong to ultimate controller partner.

###### *Employee termination benefits and seniority incentive bonus*

Employee termination benefits and seniority incentive bonus are determined with actuarial assumptions (discount rate, future salary increase and turnover rates) (Note 16).

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 3. INTERESTS IN OTHER ENTITIES

##### a) Subsidiaries

###### Change in the Group's ownership interest in a subsidiary:

During the year, a subsidiary of the Company which is Nuh Enerji Elektrik Üretim A.Ş., capital has been increased amounted to TL 75,000,000. Nuh Enerji Elektrik Üretim A.Ş.'s capital has been TL 260,000,000. There has been no change in the share of the Company's subsidiary.

##### b) Associates

###### Details of material associates

As of 31 December 2017 and 2016, details of each of the Group's material associates are as follows:

Joint ventures and associates accounted under equity method	Location	Currency	Share	
			31 December 2017	31 December 2016
Torgoviy Port Ltd. (*)	Russia	Ruble	50,00%	50,00%
Ünye Çimento Sanayi ve Ticaret A.Ş.	Turkey	TL	40,03%	40,03%

All the associates stated above are accounted for using the equity method in these consolidated financial statements.

	31 December 2017	31 December 2016
Ünye Çimento	122.016.733	113.747.235
Torgoviy Port Ltd.	5.903.919	5.903.919
	<u>127.920.652</u>	<u>119.651.154</u>
Impairment provision - Torgoviy Port Ltd. (-) (*)	(5.903.919)	(5.903.919)
	<u>122.016.733</u>	<u>113.747.235</u>

(\*) The Company's board of directors has decided to terminate its partnership on Torgoviy Port Ltd. on May 11, 2011. The termination process of the partnership is still in progress as of December 31, 2017. Various lawsuits and counterclaims were brought to the judiciary in May and June 2012. As of 31 December 2017 and 2016, the total amount of subsidiary in Torgoviy Port Ltd. has been fully reserved for impaired.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 3. INTERESTS IN OTHER ENTITIES (cont'd)

##### b) Associates (cont'd)

Summarized Ünye Çimento Sanayi ve Ticaret A.Ş. ("Ünye Çimento") selected financial information are disclosed below. These financial information prepared in accordance with TAS represents the Group share in the investment in associate accounted for equity method of accounts.

<b>Ünye Çimento</b>	31 December 2017	31 December 2016
<b>Total Assets</b>	<b>384.034.452</b>	<b>333.258.461</b>
Current Assets	209.384.883	189.644.603
Non-Current Assets	174.649.569	143.613.858
<b>Total Liabilities</b>	<b>384.034.452</b>	<b>333.258.461</b>
Short-Term Liabilities	55.747.678	36.549.708
Long-Term Liabilities	23.473.552	12.553.782
Equity	304.813.222	284.154.971
Share of the Group	% 40,03	% 40,03
Carrying Value of Subsidiary	122.016.733	113.747.235
<b>Ünye Çimento</b>	31 December 2017	31 December 2016
Revenue	252.526.159	250.739.712
Net profit for the year	77.702.146	58.281.189
Other comprehensive income	933.685	1.033.262
Earnings per share	31.104.169	23.329.960

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

### 4. SEGMENT REPORTING

The Group has implemented TFRS 8 as of January 1, 2009 and determined operating segments based on internal management of reports used by governing body by the competent authority to make decisions about the Group's operations.

The Group's major reportable segments to from sales of cement in the domestic market.

The segment information for the year ended 31 December 2017 and 2016 are as follows:

<b>31 December 2017</b>	<b>Construction and Construction goods</b>	<b>Energy</b>	<b>Consolidation Adjustments</b>	<b>Total</b>
Third party sales	988.003.064	14.469.014	-	1.002.472.078
Related party sales	145.654.034	-	(145.654.034)	-
<b>Net Sales</b>	<b>1.133.657.098</b>	<b>14.469.014</b>	<b>(145.654.034)</b>	<b>1.002.472.078</b>
Cost of goods sold	(892.776.976)	(14.184.820)	145.654.034	(761.307.762)
<b>Gross Profit</b>	<b>240.880.122</b>	<b>284.194</b>	<b>-</b>	<b>241.164.316</b>
Total assets	1.524.930.258	226.962.078	-	1.751.892.336
Total liabilities	566.052.185	59.804.854	-	625.857.039

<b>31 December 2016</b>	<b>Construction and Construction goods</b>	<b>Energy</b>	<b>Consolidation Adjustments</b>	<b>Total</b>
Third party sales	910.110.019	12.867.290	-	922.977.309
Related party sales	121.104.827	-	(121.104.827)	-
<b>Net Sales</b>	<b>1.031.214.846</b>	<b>12.867.290</b>	<b>(121.104.827)</b>	<b>922.977.309</b>
Cost of goods sold	(724.694.468)	(14.161.340)	121.104.827	(617.750.981)
<b>Gross Profit</b>	<b>306.520.378</b>	<b>(1.294.050)</b>	<b>-</b>	<b>305.226.328</b>
Total assets	1.287.831.545	162.464.374	-	1.450.295.919
Total liabilities	236.247.936	103.723.270	-	339.971.206

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

### 5. RELATED PARTY TRANSACTIONS

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

The receivables and payables from related parties arise mainly from sale transactions of cement and construction supplies.

	31 December 2017			
	Current			
	Trade Receivables	Trade Payables	Sales	Purchases
Kovcheg Ltd (1)	8.061.614	-	-	-
Trade Port	2.604.848	-	-	-
Çimpaş Çimento İnşaat Mlz. Paz. A.Ş. (2)	106.799	154	194.749	-
Nuh Çimento Eğitim ve Sağlık Vakfı (3) (*)	42.552	-	1.871.732	-
<b>Doubtful trade receivable provision (-)</b>				
Kovcheg Ltd (1)	(8.061.614)	-	-	-
Trade Port	(2.604.848)	-	-	-
	<u>149.351</u>	<u>154</u>	<u>2.066.481</u>	<u>-</u>

(\*) Amounts are consists of concrete sales that the Group has made to Nuh Çimento Eğitim ve Sağlık Vakfı.

	31 December 2016			
	Current			
	Trade Receivables	Trade Payables	Sales	Purchases
Kovcheg Ltd (1)	8.061.614	-	-	-
Trade Port	2.604.848	-	-	-
Nuh Cement BG Jsc	1.763.133	-	-	-
Nuh Beton LLC	888.770	-	-	-
Çimpaş Çimento İnşaat Mlz. Paz. A.Ş. (2)	24.784	-	151.794	-
Nuh Çimento Eğitim ve Sağlık Vakfı (3)	20.229	-	128.928	-
Cimentos Esfera (2)	16.560	-	-	-
<b>Doubtful trade receivable provision (-)</b>				
Kovcheg Ltd (1)	(8.061.614)	-	-	-
Trade Port	(2.604.848)	-	-	-
Nuh Cement BG Jsc	(1.763.133)	-	-	-
Nuh Beton LLC	(888.770)	-	-	-
	<u>61.573</u>	<u>-</u>	<u>280.722</u>	<u>-</u>

(1) Joint ventures

(2) Financial investments of the Company

(3) Foundation which was established by the Company with the decision of Council of Ministers.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

### 5. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

Key management personnel consists of members of Board of Directors and Executive Board members. The compensation of key management personnel includes salaries, bonus, health insurance, communication and transportation and total amount of compensation is disclosed below. The remuneration of key management personnel during the year were as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Salaries and other short-term benefits	8.516.269	8.574.147

### 6. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As at reporting date, details of the Group's trade receivables are as follows:

	31 December 2017	31 December 2016
Trade receivables	200.856.388	165.932.435
Notes receivable	264.814.369	200.939.309
Trade receivables from related parties (Note: 5)	10.815.813	13.379.938
Income accruals	350.763	103.604
Discount of notes receivables (-)	(6.890.271)	(6.845.940)
Provision for doubtful receivables (-)	(86.325.700)	(85.236.720)
<i>Trade receivables from related parties</i>	<i>(10.666.462)</i>	<i>(13.318.365)</i>
<i>Trade receivables from third parties</i>	<i>(75.659.238)</i>	<i>(71.918.355)</i>
	<u>383.621.362</u>	<u>288.272.626</u>

Average maturity of trade receivables is 164 days (31 December 2016: 155 days).

As of 31 December 2017, trade receivables of TL 86.325.700 (31 December 2016: TL 85.236.720) were impaired and provided for. The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations and litigation process against the Group.

Movements on the group provision for allowance of trade receivables are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
<u>Movement of doubtful receivables</u>		
Opening balance	85.236.720	72.810.034
Payments and reversal of unnecessary reserve	(3.159.400)	(461.638)
Charge for the period	4.248.380	12.888.324
Closing balance	<u>86.325.700</u>	<u>85.236.720</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

##### a) Trade Receivables (cont'd):

Collaterals held for the doubtful trade receivables are TL 300.000 (31 December 2016: TL 300.000) as of 31 December 2017.

The aging of trade receivables are as follows:

	31 December 2017	31 December 2016
Past due / overdue but not impaired	31.588.492	23.474.006
Neither not past due, nor impaired	352.032.870	264.798.620
Impaired and provided for	86.325.700	85.236.720
	<u>469.947.062</u>	<u>373.509.346</u>

The amount of Group's past due/overdue but not impaired receivables is TL 31.588.492 (31 December 2016: TL 23.474.006). Maturity analysis for these receivables is disclosed below as of 31 December 2017:

	31 December 2017	31 December 2016
1 - 3 months	21.007.982	12.207.283
3 - 6 months	7.833.944	9.224.226
6 - 9 months	1.417.927	1.235.327
Over 9 months	1.328.639	807.170
	<u>31.588.492</u>	<u>23.474.006</u>

The Group held guarantee letter amounting to TL 31.588.492 for the trade receivables that are past due and not impaired. (31 December 2016: TL 17.922.618) as of 31 December 2017:

	31 December 2017	31 December 2016
Notes receivables	-	7.599.000
Discount of notes receivable (-)	-	(481.437)
	<u>-</u>	<u>7.117.563</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

##### b) Trade Payables:

The Group's trade payables are as follows as at the balance sheet date:

	31 December 2017	31 December 2016
Trade payables	99.272.863	76.186.841
Trade payables to related parties (Note: 5)	154	-
Notes payable	13.491.219	7.448.196
Discount of notes payable (-)	-	(555.730)
	<u>112.764.236</u>	<u>83.079.307</u>

The average maturity of credit sales of goods is 55 days. (31 December 2016: 34 days).

Explanation about the nature and level of risks related to trade receivables and payables are disclosed in Note 28.

#### 7. OTHER RECEIVABLES AND PAYABLES

##### a) Other Receivables

	31 December 2017	31 December 2016
Short-term other receivables		
Other receivables	2.049.148	3.261.059
Due from personnel	709.279	592.475
Deposits and quarantees given	4.594.920	58.392
Provision for doubtful receivables (-)	(1.310.637)	(1.310.637)
	<u>6.042.710</u>	<u>2.601.289</u>

Movement on the group provision for allowance of other receivables are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance	1.310.637	30.378.788
Payments and reversal of unnecessary reserve	-	(29.068.151)
Closing balance	<u>1.310.637</u>	<u>1.310.637</u>



**NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

**7. OTHER RECEIVABLES AND PAYABLES (cont'd)****a) Other Receivables (cont'd)**

	31 December 2017	31 December 2016
Deposits and quarantees given	1.208.092	913.836
	<u>1.208.092</u>	<u>913.836</u>

**b) Other Payables**

	31 December 2017	31 December 2016
Taxes and dues payable	3.679.706	2.135.596
Deposits and quarantees taken	3.392.761	2.853.169
Other payable	323.021	220.295
	<u>7.395.488</u>	<u>5.209.060</u>

**8. OTHER CURRENT AND NON-CURRENT ASSETS**

	31 December 2017	31 December 2016
<b>Other current assets</b>		
VAT carried forward	6.635.353	8.494.114
Personnel advances given	494.414	230.065
Other current assets	-	35.530
	<u>7.129.767</u>	<u>8.759.709</u>

	31 December 2017	31 December 2016
<b>Other non-current assets</b>		
VAT carried forward	-	1.142.475
	<u>-</u>	<u>1.142.475</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 9. INVENTORIES

	31 December 2017	31 December 2016
Raw materials	119.145.278	99.996.371
Work in process	12.787.123	4.298.591
Finished goods	2.899.671	3.670.004
Trade goods	41.564	132.928
Other inventory	2.977.276	2.381.039
Allowance for impairment on inventory (-)	(2.039.998)	(2.039.998)
	<u>135.810.914</u>	<u>108.438.935</u>

The Group determine the inventories whose net realizable the value are less than their respective costs at each balance sheet date. Such inventories amount to TL 2.039.998 and fully reserved for (31 December 2016: TL 2.039.988).

#### 10. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2017	31 December 2016
<u>Short term prepaid expenses</u>		
Advances given for inventory purchase	8.382.048	8.301.923
Prepaid expenses	4.278.956	4.340.739
	<u>12.661.004</u>	<u>12.642.662</u>
<u>Long term prepaid expenses</u>		
Advances given for fixed asset purchase	7.423.973	8.210.495
Prepaid expenses	327.628	267.090
	<u>7.751.601</u>	<u>8.477.585</u>

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

### 10. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

	31 December 2017	31 December 2016
<b>Short term deferred income</b>		
Advances taken	43.038.976	21.617.666
	<u>43.038.976</u>	<u>21.617.666</u>

### 11. INVESTMENT PROPERTY

<b>Cost Value</b>	Land	Buildings	Advances given	Total
Opening balance as of 1 January 2017	26.579.838	181.095.583	9.938.073	217.613.494
Additions	-	5.338.426	-	5.338.426
Closing balance as of 31 December 2017	26.579.838	186.434.009	9.938.073	222.951.920
<b>Accumulated Depreciation</b>	Land	Buildings	Advances given	Total
Opening balance as of 1 January 2017	-	(9.339.978)	-	(9.339.978)
Charge of the year	-	(2.917.128)	-	(2.917.128)
Closing balance as of 31 December 2017	-	(12.257.106)	-	(12.257.106)
Carrying value as of 31 December 2017	-	<u>(24.514.212)</u>	-	<u>(24.514.212)</u>

<b>Cost Value</b>	Land	Buildings	Advances given	Total
Opening balance as of 1 January 2016	24.543.020	153.845.446	7.988.975	186.377.441
Additions	2.036.818	27.450.137	1.949.098	31.436.053
Disposal	-	(200.000)	-	(200.000)
Closing balance as of 31 December 2016	26.579.838	181.095.583	9.938.073	217.613.494
<b>Accumulated Amortization</b>				
Opening balance as of 1 January 2016	-	(6.461.442)	-	(6.461.442)
Charge of the year	-	(2.908.536)	-	(2.908.536)
Disposals	-	30.000	-	30.000
Closing balance as of 31 December 2016	-	(9.339.978)	-	(9.339.978)
Carrying value as of 31 December 2016	<u>26.579.838</u>	<u>171.755.605</u>	<u>9.938.073</u>	<u>208.273.516</u>

Depreciation expense of TL 2.330.846 (31 December 2016: TL 2.323.981) has been charged in cost of goods sold, TL 232.671 (31 December 2016: TL 231.987) in marketing and sales expenses, and TL 353.611 (31 December 2016: TL 352.568) in administrative expenses.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

### 11. INVESTMENT PROPERTY (cont'd)

Investment property consist of shopping mall and the hotel block and the lands which are held for investment purposes by the Group. The Group evaluates any indicator of reduction in value of its investment properties. If there is such an indicator exist, the Group compares the fair value and carrying value of the asset and records the impairment in value.

The Grup do not calculate fair value of land which is classified as investment properties every year due to cost-utilization balance. Because of that reason, fair value of investment properties could not be explained as of the reporting date.

As of 31 December 2017, The Group's rent revenue obtained by investment of real estate properties amounting to TL 19.853.093 (31 December 2016: TL 17.171.725). The Group paid property tax for investment of real estate properties amounting to TL 1.267.066 (31 December 2016: TL 926.587) (Note: 17).

As of 31 December 2017 and 2016, the fair value of the Group's investment property has been determined by an independent valuers not related to the Group which is ACE Gayrimenkul Değerleme ve Danışmanlık A.Ş.. Independent valuer, In order to provide real estate valuation services within the framework of the Communiqué Serial VIII, No: 35 of the T.C. Prime Ministry Capital Market Board (CMB) on "Companies to Provide Real Estate Valuation Service within the framework of Capital Markets Legislation and Communiqué on Principles Regarding These Companies to be Listed on the Board" within the framework of the Capital Markets Legislation, and in accordance with the decision taken at the meeting numbered 21/892, the CMB has been authorized to provide Real Estate Valuation Service within the framework of legislation and also independent valuer has experience to determine the fair value based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the owned bazaar and hotel blocks was determined using a discounted cash flow method. During revaluation process, independent valuer used the capitalization rate was 9% and the nominal discount rate was 11%.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

	31 December 2017	Fair value as at reporting period		
		1. Level TL	2. Level TL	3. Level TL
Hotel and Shopping Mall	335.600.000	-	-	335.600.000
Buildings	54.005.000	-	54.005.000	-
	31 December 2016	1. Level TL	2. Level TL	3. Level TL
Hotel and Shopping Mall	-	-	-	300.000.000
Buildings	42.228.277	-	42.228.277	-

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 12. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixture	Other Tangible Fixed Assets	Leasehold Improvements	Construction in Progress	Total
	Opening balance as of 1 January 2017	50.705.468	80.702.169	152.904.453	842.956.036	109.457.215	47.080.061	498.334	11.176.245	17.017.661
Additions	2.104.630	3.523.413	-	15.593.341	1.367.849	1.643.594	-	-	132.429.185	156.662.012
Disposals	-	(595.487)	(47.355)	(9.289.367)	(26.988.969)	(113.612)	-	(3.400.204)	-	(40.434.994)
Transfers from inventory	-	-	-	14.434.227	-	-	-	-	-	14.434.227
Transfers	-	5.586.346	462.600	40.471.165	14.590.845	32.692	-	1.933.002	(64.413.403)	(1.336.753)
Closing balance as of 31 December 2017	52.810.098	89.216.441	153.319.698	904.165.402	98.426.940	48.642.735	498.334	9.709.043	85.033.443	1.441.822.134
<b>Accumulated Depreciation</b>										
Opening balance as of 1 January 2017	-	(48.406.706)	(76.140.897)	(537.482.328)	(77.968.807)	(36.804.997)	(497.773)	(6.208.793)	-	(783.510.301)
Charge of the year	-	(4.229.573)	(6.774.709)	(40.849.942)	(6.024.289)	(3.325.647)	(561)	(1.173.597)	-	(62.378.318)
Disposals	-	392.143	39.138	8.017.066	25.159.042	94.356	-	2.478.882	-	36.180.627
Closing balance as of 31 December 2017	-	(52.244.136)	(82.876.468)	(570.315.204)	(58.834.054)	(40.036.288)	(498.334)	(4.903.508)	-	(809.707.992)
Carrying value as of 31 December 2017	52.810.098	36.972.305	70.443.230	333.850.198	39.592.886	8.606.447	-	4.805.535	85.033.443	632.114.142

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixture	Other Tangible Fixed Assets	Leasehold Improvements	Construction in Progress	Total
	Opening balance as of 1 January 2016	49.448.387	78.259.919	152.941.143	837.990.588	105.717.917	45.397.748	498.334	10.847.592	10.597.137
Additions	1.327.081	2.692.019	543.511	21.613.324	6.848.126	3.317.500	-	1.161.726	21.669.780	59.173.067
Disposals	(70.000)	(1.746.455)	(639.260)	(30.294.611)	(3.108.828)	(1.681.963)	-	(833.073)	-	(38.374.190)
Transfers	-	1.496.686	59.059	13.646.735	-	46.776	-	-	(15.249.256)	-
Closing balance as of 31 December 2016	50.705.468	80.702.169	152.904.453	842.956.036	109.457.215	47.080.061	498.334	11.176.245	17.017.661	1.312.497.642
<b>Accumulated Depreciation</b>										
Opening balance as of 1 January 2016	-	(45.243.439)	(72.362.976)	(526.887.996)	(72.420.213)	(35.251.437)	(497.467)	(5.648.867)	-	(758.312.395)
Charge of the year	-	(4.088.414)	(3.969.253)	(39.596.455)	(7.883.418)	(3.177.412)	(306)	(1.107.070)	-	(59.822.328)
Disposals	-	925.147	191.332	29.002.123	2.334.824	1.623.852	-	547.144	-	34.624.422
Closing balance as of 31 December 2016	-	(48.406.706)	(76.140.897)	(537.482.328)	(77.968.807)	(36.804.997)	(497.773)	(6.208.793)	-	(783.510.301)
Carrying value as of 31 December 2016	50.705.468	129.108.875	229.043.350	1.380.438.364	187.426.022	83.885.058	996.107	17.385.038	17.017.661	2.096.007.943

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The useful lives for property, plant and equipment is as follows:

	<u>Useful lifes</u>
Land Improvements	5-50 years
Buildings	5-25 years
Plant, Machinery and Equipment	5-25 years
Motor Vehicles	4-15 years
Furniture and Fixture	3-25 years
Other Tangible Fixed Assets	3-10 years
Leasehold Improvements	5-10 years

Depreciation expense of TL 49.841.575 (31 December 2016: TL 47.799.286) has been charged in cost of goods sold, TL 4.975.335 (31 December 2016: TL 4.771.467) in marketing and sales expenses, and TL 7.561.408 (31 December 2016: TL 7.251.575) in administrative expenses.

As of 31 December 2017, insurance coverage of the Group's assets is TL 3.934.253.389 (31 December 2016: TL 3.675.604.085).

#### 13. INTANGIBLE ASSETS

Cost Value	Rights	Other Intangible Assets	Total
Opening balance as of 1 January 2017	38.971.169	205.219	39.176.388
Additions	1.156.667	6.936	1.163.603
Transfers	1.336.753	-	1.336.753
Closing balance as of 31 December 2017	41.464.589	212.155	41.676.744
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2017	(9.575.325)	(176.355)	(9.751.680)
Charge of the year	(2.503.819)	(7.591)	(2.511.410)
Closing balance as of 31 December 2017	(12.079.144)	(183.946)	(12.263.090)
Carrying value as of 31 December 2017	29.385.445	28.209	29.413.654

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 13. INTANGIBLE ASSETS (cont'd)

Cost Value	Rights	Other Intangible Assets	Total
Opening balance as of 1 January 2016	36.923.386	187.924	37.111.310
Additions	2.176.533	17.295	2.193.828
Disposals	(128.750)	-	(128.750)
Closing balance as of 31 December 2016	38.971.169	205.219	39.176.388
<b>Accumulated Amortization</b>			
Opening balance as of 1 January 2016	(7.594.730)	(169.054)	(7.763.784)
Charge of the year	(2.093.924)	(7.301)	(2.101.225)
Disposals	113.329	-	113.329
Closing balance as of 31 December 2016	(9.575.325)	(176.355)	(9.751.680)
Carrying value as of 31 December 2016	29.395.844	28.864	29.424.708

Amortization expense of TL 2.006.669 (31 December 2016: TL 1.678.923) has been charged in cost of goods sold, TL 200.312 (31 December 2016: TL 167.595) in marketing and sales expenses, and TL 304.429 (31 December 2016: TL 254.707) in administrative expenses.

The useful lives for intangible assets are as follows:

	Useful lives
Rights	4-20 years
Other Intangible Assets	1-10 years

#### 14. GOODWILL

Cost	31 December 2017	31 December 2016
Opening balance	24.910.842	24.910.842
Balance end of year	24.910.842	24.910.842
<b>Accumulated impairment</b>		
Opening balance	(5.843.775)	(5.843.775)
Period charge for impairment provision (Note: 23)	(1.718.793)	-
Balance end of year	(7.562.568)	(5.843.775)
<b>Carrying amount</b>		
Opening balance	19.067.067	19.067.067
Ending balance	17.348.274	19.067.067



# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 14. GOODWILL (cont'd)

Goodwill (Kudret Enerji) is valued by independent experts using discounted cash flow method. According to the valuation, impairment which amounting to TL 5.843.775 is determined and accounted under other expenses from operating activities as of December 31, 2013. In accordance with the valuations performed by the independent valuation specialists using the discounted cash flows method as of 31 December 2017, impairment amounting to TL 1.718.793 has booked to accompanying consolidated financial statements.

In accordance with the valuations performed by the independent valuation specialists using the discounted cash flows method as of 31 December 2017, the Group was identified 13,8 – 17,5 million USD (31 December 2016: 14,8 – 18,2 million USD) net equity value. The USD-based weighted average cost of capital was calculated as 9,97% between 2018 and 2010 and 10,06% for after 2020 (31 December 2016: 9,62%) and the unit electricity sale prices were held fixed for a 10-year purchase guarantee period and were presumed to increase at the rate of annual average consumer inflation as of the subsequent periods. The estimated electricity production throughout the period was assumed to be 37.972 kWh (31 December 2016: 40.038 kWh).

### 15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### a) Provisions

	31 December 2017	31 December 2016
<u>Short term other provisions</u>		
Legal claims and termination provisions	10.865.255	11.384.613
	<u>10.865.255</u>	<u>11.384.613</u>

As of 31 December 2017, TL 13.478.438 for open lawsuits and proceeded against the Company and its subsidiaries (31 December 2016: TL 15.135.490).

Total litigation provision amounted to TL 10.865.255 is recognized for the these legal claims by taking the professional judgments of the Group's lawyers in the accompanying consolidated financial statements (31 December 2016: TL 11.384.613). Since, the Group management don't expect any cash outflow regarding rest of the cases, the Group management did not booked any additional provision in accompanying consolidated financial statements for rest of cases.

As of 31 December 2017 and 2016, movements on the group provision for legal claims and termination provisions are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	11.384.613	15.047.562
Payments and reversal	(2.646.815)	(4.906.534)
Charge for the period (Note: 20)	2.127.457	1.243.585
Closing balance	<u>10.865.255</u>	<u>11.384.613</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

##### a) Provisions (cont'd)

	31 December 2017	31 December 2016
<u>Long term other provisions</u>	<u>2017</u>	<u>2016</u>
Land restoration provision	4.137.880	5.895.941
	<u>4.137.880</u>	<u>5.895.941</u>

The Company owns mines in which the ownership belongs to the Company and holds the Company owns mines and land usage rights of mines owned by Treasury of Turkey as of 31 December 2017. To comply with the Communiqué of Ministry of Environment named as "Mining Operations and Recovery of Damaged Land" which became effective after being published in the Official Gazette on 14 December 2007 and was amended on 23 January 2012, the Company has booked a provision amounting to TL 4.137.880 (31 December 2016: TL 5.895.941) for restoration costs, to restore green lands. In accordance with the Communiqué, the land shall be restored in two years' period after the termination of the mining operations. After the completion of such activities, the license holder is permitted to leave the land in the following five years period.

As of 31 December 2017 and 2016, movements on the group provision for land restoration is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	5.895.941	5.895.941
Changes in current year charge	(1.758.061)	-
Closing balance	<u>4.137.880</u>	<u>5.895.941</u>

The change in the provision for land restoration provision is accounted under cost of goods sold.

##### b) Contingent assets and liabilities:

Nuh Enerji has given gas purchase commitment to its gas supplier and could not meet this commitment during 2013. Although per agreement the Company may purchase the remaining part in following years, the supplier issued an invoice amounting to TL 3.750.877 for related remaining gas amount as of January 24, 2014. The Company has protested this invoice and was sued by the supplier. According to the Company and lawyers the probability of winning the case is higher than losing it, so no provision is accounted by the Company in line with TAS 37. However, there is a contingent liability regarding the possibility of a negative outcome.

As of 31 December 2017, total amount of checks and notes endorsed to third parties is TL 9.507.845 (31 December 2016: TL 4.837.114).

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### b) Contingent assets and liabilities (cont'd)

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

31 December 2017	TL Equivalent	TL	US Dollars	Euro
<b>A. Total amount of the GPM's given for its own legal entity</b>				
-Guarantee	38.682.044	38.682.044	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
<b>B. GPM's given on behalf of fully consolidated companies</b>				
-Guarantee	179.111.351	6.554.894	39.222.286	5.450.984
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
<b>C. GPM's are given on behalf of the third parties' debt for continuation of their economic activities</b>				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
<b>D. Total amount of other GPM's</b>				
<b>i. Given on behalf of majority shareholder</b>				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
<b>ii. Given on behalf of other group companies which are not in the scope of B and C</b>				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
<b>iii. Given on behalf of third parties which are not in the scope of C</b>				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
<b>Total</b>	<b>217.793.395</b>	<b>45.236.938</b>	<b>39.222.286</b>	<b>5.450.984</b>

As of 31 December 2017, the rate of total amount of other "CPM"s to total equity of the Company is 0%.

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

#### b) Contingent assets and liabilities (cont'd)

31 December 2016	TL Equivalent	TL	US Dollars	Euro
A. Total amount of the GPM's given for its own legal entity				
-Guarantee	81.924.874	81.924.874	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
B. GPM's given on behalf of fully consolidated companies				
-Guarantee	175.866.263	7.535.242	41.558.725	5.950.984
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
C. GPM's are given on behalf of the third parties' debt for continuation of their economic activities				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
D. Total amount of other GPM's				
i. Given on behalf of majority shareholder				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
iii. Given on behalf of third parties which are not in the scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
<b>Total</b>	<b>257.791.137</b>	<b>89.460.116</b>	<b>41.558.725</b>	<b>5.950.984</b>

As of 31 December 2016, the rate of total amount of other "CPM"s to total equity of the Company is 0%.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 16. EMPLOYEE TERMINATION BENEFITS

##### Payables related to employee benefits

	31 December 2017	31 December 2016
Social security premiums payable	4.325.806	3.953.441
Due to personnel	2.572.481	4.604.229
	<u>6.898.287</u>	<u>8.557.670</u>

##### Short-term provision for employment termination benefits

	31 December 2017	31 December 2016
Provision for seniority incentive bonus	691.765	529.539
Provision for unused vacation pay liability	2.868.824	2.186.072
	<u>3.560.589</u>	<u>2.715.611</u>

As of 31 December 2017 and 2016, movements on the group provision for unused vacation is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	2.186.072	1.693.383
Changes in current year charge	682.752	492.689
Closing balance	<u>2.868.824</u>	<u>2.186.072</u>

##### Long-term provision for employment termination benefits

	31 December 2017	31 December 2016
Provision for employee termination benefits	24.684.772	21.906.074
Provision for seniority incentive bonus	5.473.528	4.192.653
	<u>30.158.300</u>	<u>26.098.727</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 16. EMPLOYEE TERMINATION BENEFITS (cont'd)

##### Long-term provision for employment termination benefits (cont'd)

Seniority incentive bonus:

Some subsidiaries of the Group pays additional employee benefits to their employees above certain seniority limits as seniority incentive premiums. These incentive provision is reserved for to promote loyalty to the Company and its subsidiaries. The benefits are provided as follows; employees with 5 year work experience are paid for their 30 days wage, those with 10 year work experience are paid for their 55 days of their gross wage, those with 20 year work experience are paid for their 70 days wage, those with 25 or 30 year work experience are paid for their 75 days wage, for each level of payment with their actual working wage in the month they complete the respective seniority level in the mentioned range.

To calculate the provision for seniority incentive payments, the Group has considered the each employees years of service as of the balance sheet date since their job entrance dates and booked a provision for the discounted amount of the future payments as of the reporting date.

As of 31 December 2017 and 2016, movements on the group provision for seniority incentive bonus is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	4.722.192	4.065.218
Current year charge	1.861.995	1.050.979
Payments	(418.894)	(394.005)
Closing balance	6.165.293	4.722.192

##### Employee termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TL 4,732.48 for each period of service at 31 December 2017 (31 December 2016: TL 4,297.21).

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

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 16. EMPLOYEE TERMINATION BENEFITS (cont'd)

##### Long-term provision for employment termination benefits (cont'd)

##### Employee termination benefits (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4.47% real discount rate (31 December 2016: 4.25%) calculated by using 7% annual inflation rate and 11.78% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 8,02% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 5,001.76 which is in effect since 1 January 2018 is used in the calculation of Group's provision for retirement pay liability (1 January 2017: TL 4,426.16).

Significant assumptions used in the calculation of employee termination benefit is likely to leave the job depends on the discount rate and demand.

- If the discount rate had been 1% higher (lower), provision for employee termination benefits would decrease / (increase) by TL 489.242 / TL (477.224).
- If the inflation rate had been 1% higher / (lower) while all other variables were held constant, provision for employee termination benefits would (increase) / decrease by TL 52.332 / TL (51.289).

	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	21.906.074	19.448.127
Service cost	7.133.250	3.094.218
Interest cost	905.271	2.051.153
Termination benefits paid	(4.654.393)	(4.833.464)
Actuarial (gain) / loss	(605.430)	2.146.040
Closing balance	<u>24.684.772</u>	<u>21.906.074</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 17. OTHER PAYABLES AND EXPENSE ACCRUALS

	31 December 2017	31 December 2016
Other short term liabilities		
Deferred income	2.694.317	1.930.340
Other liabilities	4.789	29.527
	<u>2.699.106</u>	<u>1.959.867</u>

#### 18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### a) Share Capital

As of 31 December 2017 and 2016, the share capital held of the Company is as follows:

Shareholders	Share (%)	31 December 2017	Share (%)	31 December 2016
Nuh Ticaret Sanayi ve Ticaret A.Ş.	44,13	66.283.864	44,12	66.280.583
Partaş Tekstil İnşaat Sanayi ve Ticaret A.Ş.	15,99	24.017.101	15,94	23.943.979
Diğer (*)	39,88	59.912.635	39,94	59.989.038
		<u>150.213.600</u>		<u>150.213.600</u>
Capital inflation differences (**)		39.338.145		39.338.145
		<u>189.551.745</u>		<u>189.551.745</u>

(\*) Represents total of shareholdings less than 5%.

(\*\*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

The Company's issued capital assigned to 150.213.600 shares with nominal value of 1 TL each.

The capital adjustment differences may be used in free capital increase or loss deduction. Furthermore, the inflation adjustment differences arising from legal reserves bearing no annotation to disable profit distribution may be used in profit distribution.



## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

##### b) Restricted Reserves Appropriated from Profit

	31 December 2017	31 December 2016
Legal reserves	254.516.788	247.625.370
Extraordinary reserves	134.506.332	113.862.759
	<u>389.023.120</u>	<u>361.488.129</u>

The legal reserves consist of first and second legal reserves appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% (not indexed to inflation) of the historical paid-in share capital. The second legal reserves are appropriated after the first legal reserves and dividends at the rate of 10% per annum of all cash dividend distributions. Share capitals can be netted off with previous year's loss, however they cannot be subject to the profit sharing.

##### Dividend distribution:

Listed companies distribute dividends according to the Communiqué numbered II-19.1 and published on January 23, 2015 in the Official Gazette.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Since 25 May 2017, the Group has paid to shareholders amounting to TL 135.192.240 (31 December 2016: TL 127.681.560) TL 0.90 per share (31 December 2016: TL 0.90).

##### *Funds Subject to Profit Distribution:*

As of the balance sheet date, the Group's total profit after deduction of previous year's losses in the statutory records are TL 149.916.240 (31 December 2016: TL 175.465.839) and other funds that may be subject to profit distribution is TL 403.169.750 (31 December 2016: 390.294 .416 TL).

Accumulated losses of companies including previous year's earnings, related premiums, legal reserves, share capital inflation adjustments are taken into account as deduction in calculation of current year distributable net income. In order to distribute dividends to the holders of dividend shares, privileged shareholders, to the members of the board of directors or to the employees, there has to be a provision in the articles of association. If there is no specific rate in terms of dividend distribution in the articles of association, dividends to be distributed to those cannot exceed one-fourth of dividends distributed to shareholders with the exception of privileged situations.

##### c) Foreign currency translation differences

As of 31 December 2017 foreign currency translation differences are related to the Company's share in the foreign currency translation differences of the associates accounted under equity method.

**NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (TL))

**19. REVENUE**

	1 January- 31 December 2017	1 January- 31 December 2016
Domestic sales	914.190.739	827.244.318
Foreign sales	97.492.376	116.802.546
Other sales	2.794.307	1.171.119
Sale returns (-)	(610.434)	(242.913)
Sale discounts (-)	(11.394.910)	(21.811.496)
	<u>1.002.472.078</u>	<u>923.163.574</u>

	1 January- 31 December 2017	1 January- 31 December 2016
Raw materials used	(658.800.054)	(537.315.510)
Employee benefits expenses	(18.525.200)	(5.416.887)
Production overheads	(28.428.350)	(22.375.242)
Amortization and depreciation expenses (Note: 11,12 and 13)	(54.179.090)	(51.802.189)
Other sales expenses	(1.375.068)	(841.153)
	<u>(761.307.762)</u>	<u>(617.750.981)</u>

**20. ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES**

	1 January- 31 December 2017	1 January- 31 December 2016
Administrative expenses	(84.671.435)	(85.627.737)
Marketing and sales expenses	(18.293.198)	(18.558.951)
Research and development expenses	(181.567)	(81.269)
	<u>(103.146.200)</u>	<u>(104.267.957)</u>

**NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (TL))

**20. ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (cont'd)**

a) Details of administrative expenses

	1 January- 31 December 2017	1 January- 31 December 2016
Employee benefit expenses	(31.445.564)	(29.385.678)
Outsourcing expenses	(19.389.617)	(16.690.598)
Tax and subscription fee	(8.986.806)	(8.237.482)
Depreciation and amortization expenses (Note: 11,12 ve 13)	(8.219.448)	(7.858.851)
Changes in doubtful provisions (Note: 6)	(4.248.380)	(12.888.324)
Premium expenses	(3.535.102)	(3.341.082)
Changes in litigation provision (Note: 15)	(2.127.457)	(1.243.585)
Rent expenses	(1.793.356)	(1.432.419)
Maintenance and repairment expenses	(1.233.724)	(828.519)
Steam expenses	(997.969)	(882.893)
Office administration expenses	(873.040)	(789.595)
Insurance expenses	(812.997)	(477.254)
Utility expenses	(335.820)	(452.061)
Electricity expenses	(150.793)	(131.169)
Other expenses	(521.362)	(988.227)
	<u>(84.671.435)</u>	<u>(85.627.737)</u>

b) Details of marketing and sales expenses

	1 January- 31 December 2017	1 January- 31 December 2016
Exportation expenses	(5.794.837)	(5.637.935)
Depreciation and amortization expenses (Note: 11,12 ve 13)	(5.408.318)	(5.171.049)
Outsourcing expenses	(2.755.689)	(2.568.268)
Employee benefit expenses	(1.648.140)	(2.753.599)
Premium expenses	(922.920)	(804.485)
Tax and subscription fee	(668.332)	(510.996)
Maintenance and repairment expenses	(258.756)	(259.663)
Transportation expenses	(218.426)	(172.095)
Rent expenses	(122.583)	(89.711)
Insurance expenses	(66.726)	(68.816)
Other expenses	(428.471)	(522.334)
	<u>(18.293.198)</u>	<u>(18.558.951)</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 21. EXPENSES BY NATURE

	1 January- 31 December 2017	1 January- 31 December 2016
Depreciation and amortization expenses (Note: 11,12 ve 13)	(67.806.856)	(64.832.089)
Employee benefit expenses	(33.275.271)	(32.220.546)
Outsourcing expenses	(22.145.306)	(19.258.866)
Tax and subscription fee	(9.655.138)	(8.748.478)
Exportation expenses	(5.794.837)	(5.637.935)
Premium expenses	(4.458.022)	(4.145.567)
Changes in doubtful provisions (Note: 6)	(4.248.380)	(12.888.324)
Changes in litigation provision (Note: 15)	(2.127.457)	(1.243.585)
Rent expenses	(1.915.939)	(1.522.130)
Maintenance and repairment expenses	(1.492.480)	(1.088.182)
Steam expenses	(997.969)	(882.893)
Office administration expenses	(873.040)	(789.595)
Insurance expenses	(879.723)	(546.070)
Utility expenses	(335.820)	(452.061)
Transportation expenses	(218.426)	(172.095)
Electricity expenses	(150.793)	(131.169)
Other expenses	(949.833)	(1.510.561)
	<u>(157.325.290)</u>	<u>(156.070.146)</u>

#### 22. INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
FX gains from trade receivables and payables	13.894.194	11.612.152
Insurance income	2.346.393	1.785.250
Scrap sales income	2.098.042	1.296.956
Interest income	1.342.270	807.479
Service income from subcontractors	531.812	703.370
Other income	243.221	1.869.766
	<u>20.455.932</u>	<u>18.074.973</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 22. INCOME AND EXPENSES FROM OPERATING ACTIVITIES (cont'd)

The details of other expense from operating activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
FX losses from trade receivables and payables	(14.729.218)	(6.098.987)
Donations and grants	(7.697.426)	(8.222.063)
Accident and damage expenses	(1.907.602)	(1.657.393)
Service expenses from subcontractors	-	(658.337)
Interest expenses	(1.981.008)	(580.627)
Other expenses	(433.123)	(2.884.419)
	<u>(26.748.377)</u>	<u>(20.101.826)</u>

#### 23. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of other income from investing activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Rent income (*)	19.853.093	17.171.725
Gain on sale of fixed assets	7.135.361	1.135.322
Sales profit of investment property	-	184.421
	<u>26.988.454</u>	<u>18.491.468</u>

(\*) Includes the rent income from investment properties.

The details of other expense from investing activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Depreciation expenses from investment property (Note: 11)	(2.917.128)	(2.906.539)
Impairment provision for goodwill (Note: 14)	(1.718.793)	-
Real estate tax for investment property	(1.267.066)	(926.587)
Loss on sale of fixed assets	(810.792)	-
Loss on subsidiary (Note: 2.1)	(147.500)	-
Changes in impairment provision for subsidiary	-	(564.196)
	<u>(6.861.279)</u>	<u>(4.397.322)</u>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 24. FINANCE INCOME AND EXPENSES

The details of income from finance activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange gains	39.431.339	11.768.859
Interest income	8.942.521	12.047.235
	<u>48.373.860</u>	<u>23.816.094</u>

The details of expense from finance activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange losses	(41.152.601)	(27.857.485)
Interest expenses	(33.108.238)	(9.469.327)
	<u>(74.260.839)</u>	<u>(37.326.812)</u>

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

##### Corporation tax

In Turkey, the corporate tax rate is 20% (2016: 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

##### Corporation tax (cont'd)

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of 31 December 2017, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements. Prepaid taxes and corporate tax provision have been demonstrated as follows:

##### Investment incentives

The revoked phrase “only attributable to “2006, 2007 and 2008” stated in Provisional Article 69 of Income Tax Law No:193 with the effect of Article 5 of Law No:6009 after having published in the Official Gazette No: 27659 as at 1 August 2010 and the Constitutional Court’s issued resolution no: 2009/144 published in the Official Gazette as at 8 January 2010 has been revised. The revised regulation allows companies to continue to benefit from the exception of undeductible and carry forward investment incentive due to insufficient earnings irrespective of having any time constraints. However, deductible amount for investment incentive exception used in the determination of tax base cannot exceed 25% of the related period’s income. In addition, companies that opt to use the investment incentive exemption are allowed to apply 20% of income tax, instead of 30% under the related revised regulation.

The additional paragraph to Provisional Article 69 included in accordance with Law No:6009, which is related to the 25% threshold and requires the incentive amount that will be subject to investment incentive exemption in determining tax base cannot exceed 25% of the respective income, has been revoked based on the ground that it is contrary to the Constitution upon the Constitutional Court’s resolution No: E. 2010/93 K. 2012/20 (“stay of execution”) issued on 9 February 2012 and published in the Official Gazette No: 28208 on 18 February 2012. The related Constitutional Court’s decision was published in the official Gazette No: 28719 as at 26 July 2013.

	31 December 2017	31 December 2016
<u>Current tax liability</u>		
Current corporate tax provision	27.353.635	47.137.999
Less: prepaid taxes and funds	(21.617.468)	(40.698.183)
	<u>5.736.167</u>	<u>6.439.816</u>

As of 31 December 2017 and 2016, details of tax expense in consolidated profit table is as follows:

	31 December 2017	31 December 2016
Corporate tax (-)	(27.353.635)	(47.137.999)
Deferred tax income / (expense)	20.191.590	(427.333)
	<u>(7.162.045)</u>	<u>(47.565.332)</u>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

##### Tax recognized on other comprehensive income:

	1 January - 31 December 2017		
	Before tax amount	Tax expense/ income	Net of tax amount
Actuarial gain on post employments benefits (Note: 16)	605.430	( 121.086)	484.344
Portion of other comprehensive income from investments valued by equity method	417.515	( 43.752)	373.763
<i>Currency Translation Differences</i>	198.756	-	198.756
<i>Actuarial gain on post employments benefits</i>	218.759	( 43.752)	175.007
Other comprehensive income	<u>1.022.945</u>	<u>( 164.838)</u>	<u>858.107</u>
	1 January - 31 December 2016		
	Before tax amount	Tax expense/ income	Net of tax amount
Actuarial loss on post employments benefits (Note: 16)	( 2.146.040)	429.208	( 1.716.832)
Portion of other comprehensive income from investments valued by equity method	539.485	5.430	544.915
<i>Currency Translation Differences</i>	566.634	-	566.634
<i>Actuarial loss on post employments benefits</i>	( 27.149)	5.430	( 21.719)
Other comprehensive income	<u>( 1.606.555)</u>	<u>434.638</u>	<u>( 1.171.917)</u>

##### Deferred tax:

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

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law. The rate will be applied in the first temporary tax period in 2018.

At the reporting date, the Group has unused investment incentives of TL 9.056.725 available for offset against future profits. A deferred tax asset has been recognized in respect of TL 1.992.480 of such losses.



## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

##### Deferred tax (cont'd):

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Details of deferred tax assets, liabilities, income and expenses are stated below:

	31 December 2017	31 December 2016
Temporary differences from tangible and intangible assets	(25.699.782)	(22.829.318)
Discount of receivables	77.504	498.727
Discount of trade payables and notes given	-	(110.238)
Temporary differences from discount of bank loans	(36.500)	374
Provision for employment termination benefits	4.936.954	4.381.215
Provision for seniority incentive bonus	1.246.894	944.438
Provision for unused vacation	631.141	437.214
Provision for land restoration provision	827.576	1.179.188
Provision for doubtful receivables	5.600.248	5.498.161
Provision for legal claims	2.390.356	1.828.562
Temporary differences from advances	203.769	(614.835)
Temporary differences from inventories	575.933	939.344
Impairment for subsidiaries	(2.735)	(2.735)
Impairment for goodwill	343.758	-
Carryforward tax losses	26.087.066	31.893.136
Investment incentives	1.992.480	-
Temporary differences from investment property	1.987.573	150.751
Other	86	6.888
	<u>21.162.321</u>	<u>24.200.872</u>
Less: Provision for deferred tax assets	(2.747.343)	(25.856.398)
Deferred tax assets	27.371.181	13.624.109
Deferred tax liabilities	(8.956.203)	(15.279.635)
Deferred tax liabilities, net	<u>18.414.978</u>	<u>(1.655.526)</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

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

##### Deferred tax (cont'd):

Details of subsidiary merger disclosed in Note 1 and 31. In previous years, the Group did not adjust deferred tax assets from unused tax losses from Nuh Enerji. Related subsidiary merger has been registered in 27 February 2018. In accordance to that, the Group has adjusted deferred tax assets from unused tax losses into the current year consolidated financial statements As of reporting date, the Group has unused tax losses of TL 75.963.294 available for offset against future profits. A deferred tax asset has been recognized in respect of TL 16.711.925 of such losses.

The amounts of loss carryforwards for which no deferred tax asset has been recognised are as follows for each year:

	31 December 2017	31 December 2016
Expiring in 2017	-	15.538.433
Expiring in 2018	13.736.715	46.657.919
Expiring in 2019	-	22.717.187
Expiring in 2020	-	27.687.714
Expiring in 2021	-	16.680.735
	<u>13.736.715</u>	<u>129.281.988</u>

Movement of deferred tax (assets) / liabilities for years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
<u>Movement of deferred tax liabilities:</u>		
Opening balance as at January, 1	(1.655.526)	(1.657.401)
Charged to profit or loss	20.191.590	(427.333)
Charged to equity	(121.086)	429.208
Closing balance as at December, 31	<u>18.414.978</u>	<u>(1.655.526)</u>

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

##### Deferred tax (cont'd):

Total charge for the year can be reconciled to the accounting profit as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
<u>Income tax reconciliation:</u>		
Income before tax from operating activities	157.070.036	223.031.171
Effective tax rate	20%	20%
Expected taxation expenses	(31.414.007)	(44.606.234)
Tax effect of:		
- Undeductible expenses	(4.116.962)	(6.456.487)
- Discount and donations	2.527.315	1.568.017
- Gain/loss effect of the Group's share investment in associates accounted for the equity method	6.220.834	4.665.992
- Change in reserve for carryforward tax losses	15.192.659	(4.100.218)
- Unused investment incentives	1.992.480	-
-Effects of tax rate change under deferred tax calculations	2.276.086	-
- Effect of other adjustments	159.550	1.363.598
Income tax benefit recognised in profit	<u>(7.162.045)</u>	<u>(47.565.332)</u>

#### 26. EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding during the year.

Companies can increase their share capital by making a pro rata distribution of shares (Bonus Shares) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly.

Earnings per share are determined by dividing net income of the shareholders by the weighted average number of shares that have been outstanding during the related year.

	1 January- 31 December 2017	1 January- 31 Aralık 2016
Net income for the year	149.907.991	175.465.839
Weighted average number of ordinary shares (TL 1 nominal value per share earnings per share)	150.213.600	150.213.600
	1,00	1,17

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#### 27. FINANCIAL INSTRUMENTS

##### Financial Investments

*Long term financial investments:*

Associates	Share (%)	31 December	
		2017	2016
Nuh Beton LLC (*)	100	-	2.828.214
Cementos Esfera S.A. (**)	10	2.433.760	2.433.760
Nuh Cement BG Jsc (***)	100	-	235.982
Çimpaş Çimento ve İnşaat Mlz. Paz. A.Ş. (**)	12,10	90.900	90.900
Kosbaş Kocaeli Serbest Bölgesi (**)	<1	37.500	37.500
Antalya Güç Birliği (**)	<1	7.805	7.805
		<u>2.569.965</u>	<u>5.634.161</u>
Impairment provision - Nuh Beton LLC (*)		-	(2.828.214)
Impairment provision - Nuh Cement BG Jsc (***)		-	(235.982)
		<u>2.569.965</u>	<u>2.569.965</u>

(\*) In accordance to board of directors meeting dated June 5, 2013, it has been decided to wind up Nuh Beton L.L.C. which is 100% owned by the Company as of 31 December 2016. Thus, the Group accounted for an impairment loss in its subsidiary amounting to TL 2.828.214 As of 31 December 2017, liquidation process of related financial investment has been completed.

(\*\*) As of 31 December 2017 and 2016, Çimpaş Çimento ve İnşaat Mlz. Paz. A.Ş., Cementos Esfera S.A., Antalya Güç Birliği and Kosbaş Kocaeli Serbest Bölgesi which are financial assets held for sales, are carried at cost in the consolidated balance sheet since these investments have no significant effect on the consolidated financial statements and a reasonable calculation of their fair value is also not possible.

(\*\*\*) Nuh Cement BG Jsc which is 100% owned by the Company (100% in 2015) total assets of these entities represent less than 1% of the Group assets and assets of these entities have no significant effect on Group financial statements, in aggregate or individually as of 31 December 2016. The related investment carried at cost in consolidated financial statements. In accordance to consideration of board of directors, the Group accounted an impairment loss in value of the subsidiary at the amount of TL 235.982 as at 31 December 2016. Related financial investment has been sold to third party at 20 September 2017.

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#### 27. FINANCIAL INSTRUMENTS (cont'd)

##### Financial Liabilities

	31 December 2017	31 December 2016
Short-term bank borrowings	127.156.091	5.566.750
Current portion of long term borrowings	95.782.504	52.856.511
Total short term borrowings	<u>222.938.595</u>	<u>58.423.261</u>
Long term bank borrowings	166.707.957	93.310.032
Total borrowings	<u>389.646.552</u>	<u>151.733.293</u>

As of 31 December 2017 and 2016, details of the short and long term borrowings which are Group used are stated below:

Currency	Interest Rate (%)	31 December 2017	
		Current	Non-Current
Euro	2,81 - 5,68	22.899.889	48.541.625
USD	2,09 - 5,23	39.067.495	47.166.332
TL	5,77 - 15,25	160.971.211	71.000.000
		<u>222.938.595</u>	<u>166.707.957</u>

Currency	Interest Rate (%)	31 December 2016	
		Current	Non-Current
Euro	2,75 - 4,13	8.210.030	10.088.352
USD	2,05 - 3,53	32.820.690	71.167.183
TL	6,72 - 10,50	17.392.541	12.054.497
		<u>58.423.261</u>	<u>93.310.032</u>

Maturity of borrowings are stated below:

	31 December 2017	31 December 2016
To be paid within 1 year	222.938.595	58.423.261
To be paid between 1-2 years	135.348.104	44.968.767
To be paid between 2-3 years	31.359.853	34.479.835
To be paid between 3-4 years	-	13.861.430
	<u>389.646.552</u>	<u>151.733.293</u>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 27. FINANCIAL INSTRUMENTS (cont'd)

##### Financial Liabilities (cont'd)

Reconciliation of liabilities from finance activities are stated below:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	Financing cash-flows	Non-cash changes		31 December 2017
			Interest accrual adjustment	Foreign currency movement	
Bank Borrowings (Note 27)	151.733.293	225.343.033	3.029.001	9.541.225	389.646.552
	<u>151.733.293</u>	<u>225.343.033</u>	<u>3.029.001</u>	<u>9.541.225</u>	<u>389.646.552</u>

	1 January 2016	Financing cash-flows	Non-cash changes		31 December 2016
			Interest accrual adjustment	Foreign currency movement	
Bank Borrowings (Note 27)	184.923.096	(56.219.854)	2.332.581	20.697.470	151.733.293
	<u>184.923.096</u>	<u>(56.219.854)</u>	<u>2.332.581</u>	<u>20.697.470</u>	<u>151.733.293</u>

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### a) Capital risk management

For proper management of capital risk, the Company aims to maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders, and to increase profitability through determining a product and service pricing policy that is commensurate with the level of risks inherent in the market.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 27, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group determines the amount of share capital in proportion to the risk level. The equity structure of the Group is arranged in accordance with the economic outlook and the risk attributes of assets.

The Group monitors capital management by using the debt/equity ratio. This ratio is calculated by dividing the debt, net, by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt. The total share capital is the sum of all equity items stated in the statement of consolidated financial position.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio which is calculated by financial liabilities minus cash and cash equivalents and short term financial liabilities. The gearing ratios at 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
Financial Liabilities (Note: 27)	389.646.552	151.733.293
Less: cash and cash equivalents (Note: 32) and short term financial investments	(155.753.668)	(96.211.736)
Net debt	233.892.884	55.521.557
Total equity	1.126.035.297	1.110.324.713
Total capital	1.359.928.181	1.165.846.270
Gearing ratio	17,20%	4,76%

##### b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

**b) Financial Risk Factors (cont'd)**

***b.1) Credit risk management***

**Credit risk exposure based  
on financial instrument categories**

<b>31 December 2017</b>	<b>Trade Receivables</b>			<b>Other Receivables</b>			<b>Financial Investments</b>	<b>Bank Deposits</b>
	<b>Related Party</b>	<b>Third Party</b>	<b>Third Party</b>	<b>Related Party</b>	<b>Third Party</b>	<b>Third Party</b>		
Minimum credit risk exposure at the balance sheet date (*)	149.351	383.472.011	-	-	7.250.802	-	2.028.322	133.364.160
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	(127.843.838)	-	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	149.351	351.883.519	-	-	7.250.802	-	2.028.322	133.364.160
B. Net book value of assets that are due but not impaired	-	-	-	-	-	-	-	-
- Overdue (gross book value)	-	31.588.492	-	-	-	-	-	-
- Secured net value via guarantee or etc.	-	(31.588.492)	-	-	-	-	-	-
C. Net book value of impaired assets	-	300.000	-	-	-	-	-	-
- Overdue (gross book value)	10.666.462	75.659.238	-	-	1.310.637	-	-	-
- Impairment (-)	(10.666.462)	(75.659.238)	-	-	(1.310.637)	-	-	-
- Secured net value via guarantee or etc.	-	300.000	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-	-
D. Off balance sheet items bearing credit risk	-	-	-	-	-	-	-	-

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

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



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

**b) Financial Risk Factors (cont'd)**

***b.1) Credit risk management***

**Credit risk exposure based**

**on financial instrument categories**

	Receivables					
	Trade Receivables			Other Receivables		
<b>31 December 2016</b>	<b>Related Party</b>	<b>Third Party</b>	<b>Third Party</b>	<b>Related Party</b>	<b>Third Party</b>	<b>Financial Investments</b>
Minimum credit risk exposure at the balance sheet date (*)	61.573	288.211.053	-	-	3.515.125	1.827.203
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	(91.137.050)	-	-	-	-
A. Net book value of not due or not impaired financial assets	45.013	264.753.607	-	-	3.515.125	1.827.203
B. Net book value of assets that are due but not impaired	16.560	5.534.828	-	-	-	-
- Overdue (gross book value)	16.560	23.457.446	-	-	-	-
- Secured net value via guarantee or etc.	-	(17.922.618)	-	-	-	-
C. Net book value of impaired assets	-	300.000	-	-	-	-
- Overdue (gross book value)	13.318.365	71.918.355	-	-	1.310.637	-
- Impairment (-)	(13.318.365)	(71.918.355)	-	-	(1.310.637)	-
- Secured net value via guarantee or etc.	-	300.000	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-
D. Off balance sheet items bearing credit risk	-	-	-	-	-	-

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

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

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

##### b) Financial Risk Factors (cont'd)

###### *b.1) Credit risk management*

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Group manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according to the amount of guarantees received. Credit limits are regularly monitored by the Group and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors.

Most of the Group's trade receivables are coming from sales of construction supplies with customers. If necessary, Group takes insurance or guarantees for these trade receivables from customers.

Aging analysis of the receivables which are overdue but not impaired is as follows:

	Trade Receivables	
	31 Aralık 2017	31 Aralık 2016
Until 1-90 days	21.007.982	12.207.283
Until 3-6 months	7.833.944	9.224.226
Until 6-9 months	1.417.927	1.235.327
Until 9-12 months	379.653	543.514
More than 1 year past due	948.986	263.656
Total overdue receivables	<u>31.588.492</u>	<u>23.474.006</u>
Secure portion with guarantee letter	<u>(31.588.492)</u>	<u>(17.922.618)</u>
	<u>-</u>	<u>5.551.388</u>

As of reporting date, details of guarantee letter taken to the receivables which are overdue and impaired are stated below:

	31 December 2017	31 December 2016
	Nominal Value	Nominal Value
Quarantee letter taken	300.000	300.000
	<u>300.000</u>	<u>300.000</u>

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

##### b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As of reporting date, the Group have no unused borrowings to decrease liquidity risk level

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

##### 31 December 2017

<u>Due dates on agreement</u>	<u>Carrying Value</u>	<u>Cash outflows according to agreements (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
<b>Non-derivative financial instruments</b>					
Bank loans	389.646.552	436.114.304	142.190.566	96.255.889	197.667.849
Trade payables	112.764.236	112.764.236	112.764.236	-	-
Other payables	7.395.488	7.395.488	7.395.488	-	-
Payables due to personnel	6.898.287	6.898.287	6.898.287	-	-
<b>Total liabilities</b>	<b>516.704.563</b>	<b>563.172.315</b>	<b>269.248.577</b>	<b>96.255.889</b>	<b>197.667.849</b>

##### 31 December 2016

<u>Due dates on agreement</u>	<u>Carrying Value</u>	<u>Cash outflows according to agreements (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
<b>Non-derivative financial instruments</b>					
Bank loans	151.733.293	167.758.153	23.445.967	40.335.634	103.976.552
Trade payables	83.079.307	83.635.037	83.635.037	-	-
Other payables	5.209.060	5.209.060	5.209.060	-	-
Payables due to personnel	8.557.670	8.557.670	8.557.670	-	-
<b>Total liabilities</b>	<b>248.579.330</b>	<b>265.159.920</b>	<b>120.847.734</b>	<b>40.335.634</b>	<b>103.976.552</b>

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

##### ***b.3) Market risk management***

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis and stress scenarios.

There is no change in Group's exposure to the market risks and the methods that the Group's measurement and management of these market risks.

##### ***b.3.1) Foreign currency risk management***

Transactions denominated in foreign currencies result in foreign currency risk.

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

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

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

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

	31 December 2017				
	TL Equivalents (Functional currency)	US Dollars	Euro	Lev	CHF
1. Trade receivables	930.730	246.681	61	-	-
2a. Monetary Financial Assets	119.566.020	27.904.649	3.169.600	2.130	5
2b. Non-Monetary Financial Assets	1.777.443	471.233	-	-	-
4. CURRENT ASSETS	122.274.193	28.622.562	3.169.661	2.130	5
6a. Monetary Financial Assets	1.089.435	-	241.266	-	-
8. NON CURRENT ASSETS	1.089.435	-	241.266	-	-
9. TOTAL ASSETS	123.363.628	28.622.562	3.410.926	2.130	5
10. Trade Payables	(3.465.267)	(725.054)	(161.762)	-	-
11. Financial Liabilities	(61.967.384)	(10.357.511)	(5.071.396)	-	-
12a. Monetary Other Liabilities	(1.927.550)	(510.490)	(450)	-	-
13. SHORT TERM LIABILITIES	(67.360.201)	(11.593.055)	(5.233.608)	-	-
15. Financial Liabilities	(95.707.957)	(12.504.661)	(10.750.000)	-	-
16b. Monetary Other Liabilities	(5.556.518)	(1.472.569)	(473)	-	-
17. LONG TERM LIABILITIES	(101.264.475)	(13.977.230)	(10.750.473)	-	-
18. TOTAL LIABILITIES	(168.624.676)	(25.570.285)	(15.984.081)	-	-
20. Net foreign currency asset / (liability) position (9+18)	(45.261.048)	3.052.277	(12.573.154)	2.130	5
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(47.038.491)	2.581.044	(12.573.154)	2.130	5
23. Import	153.088.658	22.829.899	16.819.952	-	177.518
24. Export	97.492.376	23.497.901	288.287	6.993.755	-

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

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

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

	31 December 2016					
	TL Equivalents (Functional currency)	US Dollars	Euro	Ruble	GBP	CHF
1. Trade receivables	1.593.851	411.747	39.038	-	-	-
2a. Monetary Financial Assets	61.246.192	17.397.173	5.908	2.120	5	-
2b. Non-Monetary Financial Assets	1.054.658	299.687	-	-	-	-
4. Current Assets	63.894.701	18.108.607	44.946	2.120	5	-
6a. Monetary Financial Assets	2.903.862	-	774.112	-	-	9.283
8. NON CURRENT ASSETS	2.903.862	-	774.112	-	-	9.283
9. TOTAL ASSETS	66.798.563	18.108.607	819.058	2.120	5	9.283
10. Trade Payables	(1.244.745)	(279.950)	(69.960)	-	-	-
11. Financial Liabilities	(41.030.720)	(9.326.179)	(2.213.006)	-	-	-
12a. Monetary Other Liabilities	(1.798.186)	(510.490)	(450)	-	-	-
13. SHORT TERM LIABILITIES	(44.073.651)	(10.116.619)	(2.283.416)	-	-	-
15. Financial Liabilities	(81.255.535)	(20.222.546)	(2.719.306)	-	-	-
16b. Monetary Other Liabilities	(8.532.490)	(2.409.731)	(14.061)	-	-	-
17. LONG TERM LIABILITIES	(89.788.025)	(22.632.277)	(2.733.367)	-	-	-
18. TOTAL LIABILITIES	(133.861.676)	(32.748.896)	(5.016.783)	-	-	-
20. Net foreign currency asset / (liability) position (9+18)	(67.063.113)	(14.640.289)	(4.197.725)	2.120	5	9.283
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(68.117.771)	(14.939.976)	(4.197.725)	2.120	5	9.283
23. Import	101.604.886	33.573.872	309.912	-	-	-
24. Export	100.509.860	27.721.821	5.135.943	-	-	-

# NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

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

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

##### Foreign currency sensitivity analysis

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and EURO.

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

Due to the short and long term loans being held in foreign currency, the payments to be made in foreign currency cause foreign currency risk in cases where the exchange rates rise against Turkish Lira. In addition, foreign exchange rate risk arising from exchange rate changes is exposed to the translation of foreign currency denominated assets or liabilities to Turkish Lira due to the Group's business activities with foreign companies. Exchange rate risk is monitored and limited by analyzing the foreign exchange position. The Group follows a policy to diversify the foreign exchange basket as much as possible in order to manage the risk of exchange arising from future transactions and losses and assets and liabilities.

	31 December 2017		31 December 2016	
	Profit / Loss		Profit / Loss	
	Value increase in foreign currency	Value decrease in foreign currency	Value increase in foreign currency	Value decrease in foreign currency
In case 10% appreciation of USD against TL				
1 - USD net asset / liability	1.151.288	(1.151.288)	(5.152.211)	5.152.211
2- Amount hedged USD risk (-)	-	-	-	-
<b>3- USD net effect (1 +2)</b>	<b>1.151.288</b>	<b>(1.151.288)</b>	<b>(5.152.211)</b>	<b>5.152.211</b>
In case 10% appreciation of Euro against TL				
4 - Euro net asset / liability	(5.677.408)	5.677.408	(1.557.314)	1.557.314
5- Amount hedged Euro risk (-)	-	-	-	-
<b>6- Euro net effect (1 +2)</b>	<b>(5.677.408)</b>	<b>5.677.408</b>	<b>(1.557.314)</b>	<b>1.557.314</b>
In case 10% appreciation of other currencies against TL				
7 - Other currencies net asset / liability	15	(15)	3.213	(3.213)
8- Amount hedged other currencies risk (-)	-	-	-	-
<b>9- Other currencies net effect (1 +2)</b>	<b>15</b>	<b>(15)</b>	<b>3.213</b>	<b>(3.213)</b>
<b>TOTAL (3 + 6 +9)</b>	<b>(4.526.105)</b>	<b>4.526.105</b>	<b>(6.706.312)</b>	<b>6.706.312</b>

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(Amounts expressed in Turkish Lira (TL))

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

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

##### b.3.2) Interest rate risk management

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

##### Interest rate sensitivity

Details of the Group's interest rates of financial assets and liabilities are stated below:

	<b>Interest Rate Position Table</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Financial Instruments</b>		
<b>with fixed interest rate</b>	<b>401.374.040</b>	<b>127.845.468</b>
Time Deposits (TL)	12.568.352	20.674.799
Time Deposits (Foreign Currency)	85.392.963	59.425.249
Total Time Deposits (Note: 32)	97.961.315	80.100.048
Financial Liabilities (TL)	231.971.211	29.447.038
Financial Liabilities (Foreign Currency)	71.441.514	18.298.382
<b>Financial Instruments</b>		
<b>with variable interest rate</b>	<b>86.233.827</b>	<b>103.987.873</b>
Financial Liabilities (Foreign Currency)	86.233.827	103.987.873
Total Financial Liabilities (Note: 27)	389.646.552	151.733.293

As of 31 December 2017, if the variable interest rate in USD and Euro were higher / lower by 100 basis points when all other variables remained constant, the profit before tax would have been lower/higher by TL 612.267 (31 December 2016: TL 317.736).

The Group sensitivity to interest rates has increased during the current year. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings.



**NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**29. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)**

31 December 2017	Loans and receivables (include bank loans)	Financial assets held for sale	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>					
Cash and cash equivalents	153.725.346	-	-	153.725.346	31
Trade receivables	383.472.011	-	-	383.472.011	6
Financial investments	2.028.322	2.569.965	-	4.598.287	27
Trade receivables from related party	149.351	-	-	149.351	5-6
Other receivables	7.250.802	-	-	7.250.802	7
<u>Financial liabilities</u>					
Bank loans	-	-	389.646.552	389.646.552	27
Trade payables	-	-	112.764.082	112.764.082	6
Trade payables due to related party	-	-	154	154	5-6
Other payables	-	-	7.395.488	7.395.488	7
Payables due to personnel	-	-	6.898.287	6.898.287	16

The Group management considers the carrying amount of financial assets approximate their fair values.

**NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

31 Aralık 2016	Loans and receivables (include bank loans)	Financial assets held for sale	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>					
Cash and cash equivalents	94.384.533	-	-	94.384.533	31
Trade receivables	295.328.616	-	-	295.328.616	6
Financial investments	1.827.203	2.569.965	-	4.397.168	27
Trade receivables from related party	61.573	-	-	61.573	5-6
Other receivables	3.515.125	-	-	3.515.125	7
<u>Financial liabilities</u>					
Bank loans	-	-	151.733.293	151.733.293	27
Trade payables	-	-	83.079.307	83.079.307	6
Other payables	-	-	5.209.060	5.209.060	7
Payables due to personnel	-	-	8.557.670	8.557.670	16

The Group management considers the carrying amount of financial assets approximate their fair values.

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

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

##### Fair value of financial instruments

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

#### 30. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

None noted.

#### 31. EVENTS AFTER THE BALANCE SHEET DATE

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261.

The enacted tax rate of %20 has been increased to %22 for the periods 2018, 2019 and 2020 in accordance with the article 10 of the Law (Special accounting periods Companies who has different fiscal year end than 31 December will apart in accordance with the starting date of their respective fiscal year). The rate will be applied in the first temporary tax period in 2018.

Nuh Enerji Elektrik Üretim A.Ş., which is fully owned by the Company, registered in Istanbul Trade Registry Department with registration number 435157 applied to Energy Market Regulatory Authority on August 10, 2017 with an application number BGNNM91A for merger process with the Company with all of its assets and liabilities as a whole in accordance with "Facilitated Merger" method. The Company's merger process was approved by the Trade Registry Gazette on February 27, 2018 and on February 28, 2018 the Company announced at the Public Disclosure Platform (KAP) to inform the public that the merger process has been completed.

On March 1, 2018, The Company has drawn bank borrowings amounting to TL 100 million from the Gebze Corporate Branch of Türkiye Ziraat Bank. The interest rate of loan is 15,15% and the maturity is 28 February 2020. The loan has 24 months maturity and no export commitments and interest payments are made in successively 3 month periods.

On February 20, 2018, Çandarlı RES Elektrik Üretim A.Ş. ("Çandarlı Res") was founded by Nuh Enerji, and the capital was entirely funded by the partial division of Nuh Enerji. On February 27, as a result of the merger of Nuh Enerji with Nuh Çimento Sanayi A.Ş., Çandarlı RES's shares were transferred to Nuh Çimento Sanayi A.Ş..

## NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

#### 32. DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2017	31 December 2016
Cash on hand	135.156	81.316
Cash at banks	133.364.160	81.388.083
<i>Demand deposits</i>	35.402.845	1.288.035
<i>Time deposits</i>	97.961.315	80.100.048
Cheques and notes received	19.756.614	12.321.091
Other cash equivalents	469.416	594.043
Cash and Cash Equivalents	<u>153.725.346</u>	<u>94.384.533</u>
Plus: Time deposits over 3 months maturity	2.028.322	1.827.203
Cash and Cash Equivalents as shown in Cash Flows	<u><u>155.753.668</u></u>	<u><u>96.211.736</u></u>

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 28.

As of 31 December 2017 and 2016, maturities of the Group's time deposits which are less than 3 months are stated below:

<u>Currency</u>	<u>Interest rate (%)</u>	<u>31 December 2017</u>
TL	12,25 - 15,10	12.568.352
US Dollars	3,20 - 4,75	71.297.901
Euro	2,00	14.095.062
<u>Currency</u>	<u>Interest rate (%)</u>	<u>31 December 2016</u>
TL	10,25 - 10,90	20.674.799
US Dollars	1,55 - 3,95	59.425.249