NUH ÇİMENTO SANAYİ A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2018
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.
Istanbul

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 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

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 Group 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. We have also 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.

Key Audit Matter	How the matter was addressed in the audit
Revenue Recognition	
Revenue is recognized in the consolidated financial statements at the transaction price. The transaction fee is the amount that the entity expects to receive in return for transferring the goods that it has committed to the customer, except for the amounts collected on behalf of third parties. When the control of the goods is transferred to the customers, the Group reflects the relevant amount as revenue in the consolidated financial statements. The Group's major revenue comprise of cement sales. Group determines the cement prices on a customer basis. The invoices are issued based on the agreed upon prices with the customers however manual changes can be made to these prices in the system which create risk of misstatement in revenue recognition. Due the aforementioned reasons and taking into consideration the significance of the revenue in the consolidated financial statements taken as a whole, revenue recognition is defined as a key audit matter. Disclosure of the revenue recognition accounting policies and balances are presented in Note 2 and 19.	We have performed the following audit procedures in our audit of revenue: We have reviewed internal controls on the revenue recognition policy, determination of the unit prices, sales and delivery terms to understand the Group's revenue recognition process. We have assessed the design of the controls is accurate and tested the implementation of such internal controls. We have traced and agreed the prices per selected invoices to the agreed upon prices with the customers. We have recalculated the revenue by using the Group's approved unit prices and sales amount. 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. All of accounting records are analyzed via our digitally tools within the scope of our audit. Sufficient audit evidence has been provided that the transactions recognized as revenue are recorded accurately and timely recorded in the correct period. In addition, we have assessed the completeness of the disclosure requirements under TFRS 15 regarding to revenue recognition and reviewed the explanations disclosed in Note 2.

Key Audit Matter	How the matter was addressed in the audit
Determination of fair value of the hydroelectric power plant and impairment testing The Group's carrying value of its power plant amounts to TL 74.155.392. The fair value of the power plant is determined by independent appraiser. The details of the valuation is disclosed in Note 14. The Group has not posted any impairment losses in the accompanying consolidated financial statements based on the aforementioned valuation report and in accordance with TAS 36 "Impairment of Assets" 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.	We have performed the following audit procedures in the assessment on fair value and impairment review of the Groups power plant: We have assessed the competence, independence and the professional certification of the independent valuation appraiser assigned by the Group management within the scope of our audit. We have reviewed the appropriateness of the valuation methods used by the independent valuation appraiser in the valuation report of the power plant. Audit of the validity of the key assumptions used by the related valuation experts is within the scope of our independent audit. Valuation reports of the independent valuation appraisers involve significant judgements alternative estimations and valuation methods. We have performed sensitivity analysis to conclude that value of the power plant is within and acceptable range by means of discussion per discussion with internal appraiser. 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.

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

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

5) 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 5 March 2019.

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 2018 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, 5 March 2019

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NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

	Note	Current Period 31 December 2018	Prior Period 31 December 2017
ASSETS			
Current Assets		**847.504.127**	**701.403.880**
Cash and Cash Equivalents	32	236.929.104	153.725.346
Financial Investments	32	2.931.240	2.028.322
Trade Receivables	6	347.929.043	383.621.362
Trade receivables from related parties	*5*	*56.459*	*149.351*
Trade receivables from third parties		*347.872.584*	*383.472.011*
Other Receivables	7	6.255.876	6.042.710
Other receivables from related parties	*5*	*172.166*	-
Other receivables from third parties		*6.083.710*	*6.042.710*
Inventories	9	219.519.315	135.810.914
Prepaid Expenses	10	17.598.804	12.661.004
Current Income Tax Assets	25	2.216.673	384.455
Other Current Assets	8	14.124.072	7.129.767
Non-Current Assets		**1.094.579.762**	**1.050.488.456**
Other Receivables		1.498.627	1.208.092
Other receivables from third parties	*7*	*1.498.627*	*1.208.092*
Financial Investments	27	2.569.965	2.569.965
Investments in Associates	3	103.728.231	122.016.733
Investment Properties	11	208.087.453	210.694.814
Property, Plant and Equipment	12	709.230.530	632.114.142
Intangible Assets		45.164.066	46.761.928
Goodwill	*14*	*17.348.274*	*17.348.274*
Other Intangible Assets	*13*	*27.815.792*	*29.413.654*
Prepaid Expenses	10	9.505.614	7.751.601
Deferred Tax Assets	25	10.557.907	27.371.181
Other Non Current Assets	8	4.237.369	-
TOTAL ASSETS		**1.942.083.889**	**1.751.892.336**

NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

	Note	Current Period 31 December 2018	Prior Period 31 December 2017
LIABILITIES AND EQUITY			
Current Liabilities		**504.941.306**	**415.896.699**
Short-Term Bank Borrowings	27	267.453.210	127.156.091
Current Portion of Long Term Borrowings	27	66.881.631	95.782.504
Trade Payables	6	119.542.522	112.764.236
Trade payables due to related parties	*5*	-	*154*
Trade payables due to third parties		*119.542.522*	*112.764.082*
Payables Related to Employee Benefits	16	5.549.666	6.898.287
Other Payables		8.699.635	7.395.488
Other payables due to third parties	*7*	*8.699.635*	*7.395.488*
Derivative Instruments	27	1.105.535	-
Deferred Income	10	13.948.785	43.038.976
Current Tax Liabilities	25	627.989	5.736.167
Short Term Provisions		17.428.664	14.425.844
Short Term Provision for Employee Termination Benefits	*16*	*4.672.370*	*3.560.589*
Other Short Term Provisions	*15*	*12.756.294*	*10.865.255*
Other Current Liabilities	17	3.703.669	2.699.106
Non-Current Liabilities		**295.202.831**	**209.960.340**
Long-term bank borrowings	27	240.824.922	166.707.957
Long Term Provisions		37.438.664	34.296.180
Long term provisions for employee benefits	*16*	*32.463.426*	*30.158.300*
Other Long Term Provisions	*15*	*4.975.238*	*4.137.880*
Deferred Tax Liability	25	16.939.245	8.956.203
EQUITY		**1.141.939.752**	**1.126.035.297**
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 Loss		(6.335.069)	(8.557.194)
- Loss on remeasurement of defined benefit plans		*(6.340.781)*	*(8.562.906)*
- Revaluation Funds		*5.712*	*5.712*
Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit		3.379.789	2.939.885
- Currency Translation Reserves		*3.379.789*	*2.939.885*
Other Reserves	18	402.060.907	389.023.120
Retained Earning's		403.158.394	403.169.750
Profit for the Year		150.123.986	149.907.991
TOTAL EQUITY		**1.942.083.889**	**1.751.892.336**

NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

	Note	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
Revenue	19	1.169.468.076	1.002.472.078
Cost of Sales (-)	19	(840.835.297)	(761.307.762)
GROSS PROFIT		**328.632.779**	**241.164.316**
General Administrative Expenses (-)	20	(99.627.015)	(84.671.435)
Marketing and Sales Expenses (-)	20	(25.263.374)	(18.293.198)
Research and Development Expenses (-)	20	(5.841)	(181.567)
Income from Operating Activities	22	61.360.555	20.455.932
Expenses from Operating Activities (-)	22	(48.515.520)	(26.748.377)
OPERATING INCOME		**216.581.584**	**131.725.671**
Income from Investing Activities	23	27.630.515	26.988.454
Expenses from Investing Activities (-)	23	(5.783.608)	(6.861.279)
Group's Share in Profit of Investment in Associates	3	9.719.236	31.104.169
PROFIT BEFORE FINANCE EXPENSES		**248.147.727**	**182.957.015**
Financial Income	24	103.151.544	48.373.860
Financial Expenses (-)	24	(154.165.563)	(74.260.839)
PROFIT BEFORE TAX		**197.133.708**	**157.070.036**
Tax Expenses		(47.009.722)	(7.162.045)
Current Tax Expense	*25*	*(22.770.156)*	*(27.353.635)*
Deferred Tax (Expense) / Income	*25*	*(24.239.566)*	*20.191.590*
NET PROFIT		**150.123.986**	**149.907.991**

NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

	Dipnot	Current Period 1 January- 31 December 2017	Prior Period 1 January- 31 December 2016
NET PROFIT		**150.123.986**	**149.907.991**
OTHER COMPREHENSIVE INCOME / (EXPENSES)			
Items that will not be reclassified subsequently to profit or (loss)		**2.777.656**	**824.189**
Gain on Remeasurement of Defined Benefit Plans	*16*	*2.783.749*	*605.430*
(Loss) / Gain on Remeasurement of Defined Benefit Plans of Investment in Associates		*(6.093)*	*218.759*
Tax expenses that will not be reclassified subsequently to profit or (loss)		**(555.531)**	**(164.838)**
Tax expense from Loss on Remeasurement of Defined Benefit Plans	*25*	*(556.750)*	*(121.086)*
Tax (Expense) / Income from Loss on Remeasurement of Defined Benefit Plans of Investment in Associates	*25*	*1.219*	*(43.752)*
Items that will be reclassified subsequently to profit or loss		**439.904**	**198.756**
Currency Translation Differences		*439.904*	*198.756*
OTHER COMPREHENSIVE INCOME / (EXPENSES)		**2.662.029**	**858.107**
TOTAL COMPREHENSIVE INCOME		**152.786.015**	**150.766.098**
Net Profit Attributable To:		**150.123.986**	**149.907.991**
Non-controlling interests		-	-
Owners of the company		150.123.986	149.907.991
Total Comprehensive Income Attributable To:		**152.786.015**	**150.766.098**
Non-controlling interests		-	-
Owners of the company		152.786.015	150.766.098
Earnings per Share	26	1,00	1,00

NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

			Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Accumulated Other comprehensive income or expenses that will be reclassified subsequently to profit or loss		Retained Earnings		
	Share Capital	Capital Adjustment Difference	Gain / (loss) on remeasurement of defined benefit plans	Property revaluation reserves	Currency Translation Differences	Other capital reserve	Prior Years' Profit	Profit for the Year	Total
Balance at 1 January 2017	**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**
Effects of disposal of subsidiary	-	-	-	-	-	-	136.726	-	**136.726**
Dividends	-	-	-	-	-	-	(135.192.240)	-	**(135.192.240)**
Balance at 31 December 2017 (Previously Reported)	**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**
Effects of Change in Accounting Policy (Note: 2.4)	-	-	-	-	-	-	**(1.689.320)**	-	**(1.689.320)**
Balance at 1 January 2018 (As restated)	**150.213.600**	**39.338.145**	**(8.562.906)**	**5.712**	**2.939.885**	**389.023.120**	**401.480.430**	**149.907.991**	**1.124.345.977**
Transfers	-	-	-	-	-	13.037.787	136.870.204	(149.907.991)	-
Total comprehensive income	-	-	2.222.125	-	439.904	-	-	150.123.986	**152.786.015**
Dividends	-	-	-	-	-	-	(135.192.240)	-	**(135.192.240)**
Balance at 31 December 2018	**150.213.600**	**39.338.145**	**(6.340.781)**	**5.712**	**3.379.789**	**402.060.907**	**403.158.394**	**150.123.986**	**1.141.939.752**

NUH ÇİMENTO SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

	Note	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
A. Cash flows from operating activities			
Profit for the period		**150.123.986**	**149.907.991**
Cash flows from operating activities			
- Adjustments related to depreciation and amortisation	11-12-13	75.118.367	67.806.856
- Adjustments related to doubtful receivables	6	14.925.785	1.088.980
- Adjustments related to uncollectable receivables	20	3.745.114	-
- Adjustments related to legal claims	15	4.050.592	2.127.457
- Adjustments related to land restoration	15	837.358	(1.758.061)
- Adjustments related to impairment of goodwill	14	-	1.718.793
- Adjustments related to impairment of investment properties	11	251.852	-
- Adjustments related to current tax expense	25	47.009.722	7.162.045
- Adjustments related to unrealized foreign exchange losses		23.173.832	9.541.225
- Adjustments related to interest income	24	(17.799.837)	(8.942.521)
- Adjustments related to employee termination benefits and unused vacation		11.480.970	10.583.268
- Adjustments related to interest expense	24	69.203.484	33.108.238
- Adjustments related to derivative instruments	24	1.105.535	-
- Gain on sale or disposal of property, plant and equipment	23	(3.907.047)	(6.324.569)
- Adjustments related to unpaid dividends from equity investments	3	(9.719.236)	(31.104.169)
		369.600.477	**234.915.533**
Movements in working capital			
- Adjustments related to increase/decrease in inventories		(125.773.870)	(41.806.206)
- Adjustments related to increase/decrease in trade receivables		17.021.420	(89.320.153)
- Adjustments related to increase/decrease in other receivables from operating activities		(20.259.406)	(616.511)
- Adjustments related to increase/decrease in trade payables		6.778.286	29.684.929
- Adjustments related to increase/decrease in other payables from operating activities		(28.130.102)	22.687.594
Net cash generated by operating activities		**219.236.805**	**155.545.186**
Income taxes paid	25	(27.878.334)	(28.057.284)
Legal claims paid	15	(2.159.553)	(2.646.815)
Employee termination benefits paid	16	(5.280.314)	(5.073.287)
		183.918.604	**119.767.800**
B. Cash flows from investing activities			
Dividends received from associates		26.753.448	23.208.434
Purchases of property, plant and equipment and intangible assets	12-13	(111.348.925)	(157.825.615)
Income from sale of property, plant and equipment and intangible assets		9.602.960	10.578.936
Purchases of investment property	11	(1.420.000)	(5.338.426)
Sales of investment property	11	857.097	-
Effects of disposal of subsidiary		-	136.726
		(75.555.420)	**(129.239.945)**
C. Cash flows from financing activities			
Dividend paid		(135.192.240)	(135.192.240)
Interest paid		(65.180.623)	(30.079.237)
Cash input / (outflow) from bank loans		158.316.518	225.343.033
Interest received	18	17.799.837	8.942.521
		(24.256.508)	**69.014.077**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**84.106.676**	**59.541.932**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	32	155.753.668	96.211.736
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (A+B+C+D)	32	**239.860.344**	**155.753.668**

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)

(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 15,92% of its shares are being traded on Borsa Istanbul (BIST) since 24 February 2000.

Segment information about the Group's continuing operations are presented in Note 3.

As of 31 December 2018 and 2017, the average number of personnel is categorized as follows;

	1 January- 31 December 2018	1 January- 31 December 2017
White collar	968	979
Blue collar	330	324
	1.298	1.303

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 2018	31 December 2017
Nuh Ticaret Sanayi ve Ticaret A.Ş.	44,13%	44,13%
Partaş Tekstil İnşaat Sanayi ve Ticaret A.Ş.	16,41%	15,99%
Traded on BIST	15,92%	13,86%
Other (*)	23,54%	26,02%
Total Shares	100%	100%

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

Dividend Payable:

On 5 March 2019, the Group management proposes to pay dividends to the shareholders amounting to TL 0.70 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 105.149.520.

Approval of Consolidated Financial Statements:

The consolidated financial statements have been approved for issue by the Board of Directors 5 March 2019. General Assembly has power to change Group's consolidated financial statements.

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. Besides, 87 thousand m² 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 2018 and 2017, 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 m³/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 m³, 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 29 April 2016, Kudret Enerji has merged with Nuh Enerji.

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

Subsidiaries (cont'd) :

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 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 2018 and 2017, 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.

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 Financial Reporting Standards ("TFRS") 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 except for the fair value valuation of derivative financial instruments. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the 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.

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 TAS 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, TAS 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.

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary.

In the current period, the Group has not made any reclassifications on prior period consolidated financial statements.

Periodicity

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

(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 2018 and 2017 are as follows:

			Share	
Subsidiaries	Location	Currency	31 December 2018	31 December 2017
Nuh Beton A.Ş.	Turkey	TL	100%	100%
Nuh Yapı Ürünleri A.Ş.	Turkey	TL	100%	100%
Nuh Enerji Elektrik Üretim A.Ş. (**)	Turkey	TL	0%	100%
Çim-Nak Taşımacılık Limited Şirketi	Turkey	TL	98%	98%
Nuh Gayrimenkul İnşaat A.Ş.	Turkey	TL	100%	100%
Navig Holding Trade B.V.	Netherlands	Euro	100%	100%
Joint ventures and associates accounted under equity method				
Torgoviy Port Ltd. (*)	Russia	Ruble	50%	50%
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, 2018. Various lawsuits and counterclaims were brought to the judiciary in May and June 2012. As of 31 December 2018 and 2017, impairment provision has been booked for subsidiary amount in Torgoviy Port Ltd.

(**) The Company's merger process has been completed with all of its assets and liabilities as a whole in accordance with " Faciliated Merger" method and the Company announced at the Public Disclosure Platform (KAP) to inform the public that the merger process has been completed on February 28, 2018.

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.

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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

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

2.2 Change in Accounting Policies

The Group has applied accounting standarts consistently with prior year. 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

New and amended TFRS Standards that are effective for the current year

TFRS 9 Financial Instruments

(a) Classification and measurement of financial assets

In the current year, the Group has applied TFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other TFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of TFRS 9 allow an entity not to restate comparatives. As a result of the first-time adoption of TFRS 9, the cumulative effect due to the first time adoption of TFRS 9 by the Group is recognised in retained earnings as of 1 January 2018 and the comparatives haven't been restated accordingly.

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied TFRS 9 in accordance with the transition provisions set out in TFRS 9.

The date of initial application (the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of TFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of TFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

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

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

New and amended TFRS Standards that are effective for the current year (cont'd)

TFRS 9 Financial Instruments (cont'd)

(a) Classification and measurement of financial assets (cont'd)

All recognised financial assets that are within the scope of TFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments 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 amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

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

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

New and amended TFRS Standards that are effective for the current year (cont'd)

TFRS 9 Financial Instruments (cont'd)

(b) Impairment of financial assets

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 the Group 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, TFRS 9 requires the Group to recognise a loss allowance for expected credit losses on Trade receivables and receivables from related parties.

In particular, TFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. TFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Impairment

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

The Group applies the simplified approach to recognize lifetime expected credit losses for its trade receivables, receivables from related parties, finance lease receivables and contract assets as required or permitted by TFRS 9.

To measure the expected credit losses, trade receivables and receivables from related parties have been grouped based on shared credit risk characteristics and the days past due.

(c) Classification and measurement of financial liabilities

A significant change introduced by TFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

(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)

New and amended TFRS Standards that are effective for the current year (cont'd)

TFRS 9 Financial Instruments (cont'd)

(c) Classification and measurement of financial liabilities (cont'd)

Specifically, TFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk 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, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under TAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of TFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Please refer to (e) below for further details regarding the change in classification upon the application of TFRS 9.

Impact of adoption

Adjustments arising from the new accounting policies are recognised as cumulative catch up adjustment in the opening retained earnings balance as of 1 January 2018.

On 1 January 2018 (the date of initial application of TFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate TFRS 9 categories.

The main effects resulting from this reclassification are as follows:

	As Restated 1 January 2018	**TFRS 9**	**Previously Reported 31 December 2017**
Cash and Cash Equivalents	153.107.105	(618.241)	153.725.346
Trade Receivables	382.173.006	(1.448.356)	383.621.362
Deferred Tax Assets	27.825.832	454.651	27.371.181
Retained Earning's	401.557.804	(1.611.946)	403.169.750
Accumulated Losses			
Investments in Associates	(77.374)	(77.374)	-

(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)

New and amended TFRS Standards that are effective for the current year (cont'd)

TFRS 9 Financial Instruments (cont'd)

(d) Presentation changes due to initial implementation of TFRS 9

Impact of adoption

As a result of the adoption of TFRS 9, some changes have occurred in the accounting policies as of 1 January 2018 and some amendments have been made to the financial statements.Applied accounting policies are explained in Note 2.5. In accordance with the transition clauses of TFRS 9, prior year consolidated financial statements have not been restated.

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 January 2018
Retained earnings as of 31 December 2017	**403.169.750**
Increase in provision for doubtful trade receivables related to trade receivables	(1.129.718)
Increase in provision for doubtful trade receivables related to time and demand deposits	(482.228)
Increase in provision for doubtful trade receivables in equity investments	(77.374)
Total effect of previous year adjustments in accordance with TFRS 9	**(1.689.320)**
As of 1 January 2018 revised retained profits	**401.480.430**

Classification and measurement

Changes in the classification of financial assets and lialibities are summarized below. These classifications do not have any effect on the measurement of financial assets other than the financial investments account group.

Financial Assets	**Previous classification according to TAS 39**	**New classification according to TFRS 9**
Cash and Cash Equivalents	Loans and Receivables	Financial assets measured at amortized cost
Trade Receivables	Loans and Receivables	Financial assets measured at amortized cost
Trade receivables from Related Parties	Loans and Receivables	Financial assets measured at amortized cost
Other Receivables	Loans and Receivables	Financial assets measured at amortized cost
Other Financial Assets	Financial Assets Available for Sale	Changes in fair value recognised in other comprehensive income
Finansal Yükümlülükler	Loans and Receivables	Financial assets measured at amortized cost

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

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

New and amended TFRS Standards that are effective for the current year (cont'd)

TFRS 15 Revenue from Contracts with Customers

Impact on the Consolidated Financial Statements

In the current year, the Group has applied TFRS 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2018. TFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

TFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2.5 below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of TFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

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

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Amendments to TFRS 2 have no impact on the Group's consolidated financial statements.

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.

(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)

New and amended TFRS Standards that are effective for the current year (cont'd)

Annual Improvements to TFRS Standards 2014–2016 Cycle

TMS 28:Imporvement**;**

Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.Annual improvements to TFRS Standards 2014-2016 cycle have no impact on the Group's consolidated financial statements.

TFRS Interpretation 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.

New and revised TFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised TFRS Standards that have been issued but are not yet effective:

TFRS 16	Leases
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
TFRS 10 *Consolidated Financial Statements* and TAS 28 (amendments)	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to *TAS 19 Employee Benefits*	*Plan Amendment, Curtailment or Settlement* [1]
Annual Improvements to TFRS Standards 2015–2017 Cycle	*Amendments to TFRS 3 Business Combinations, TFRS 11 Joint Arrangements*, *TAS 12 Income Taxes and TAS 23 Borrowing Costs* [1]

[1] Effective from periods on or after 1 January 2019.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as noted below:

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

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

New and revised TFRS Standards in issue but not yet effective (cont'd)

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 will supersede the current lease guidance including TAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Group will be 1 January 2019.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

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

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

New and revised TFRS Standards in issue but not yet effective (cont'd)

Impact on Lessee Accounting

Operating leases

TFRS 16 will change how the Group accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under TFRS 16, right-of-use assets will be tested for impairment in accordance with TAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by TFRS 16.

As at 31 December 2018, the Group has no non-cancellable operating lease commitments.

The Group assess the possible impacts of the application of the amendments on the Group's consolidated financial statements.

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

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

New and revised TFRS Standards 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.

TFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

TFRS 10 Consolidated Financial Statements and TAS 28 (amendments) *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. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Amendments to TAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

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

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

New and revised TFRS Standards in issue but not yet effective (cont'd)

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.

The Group assess the possible impacts of the application of the amendments on the Group's 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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue

Revenue is recognized in the consolidated financial statements at the transaction price. The transaction fee is the amount that the entity expects to receive in return for transferring the goods or services that it has committed to the customer, except for the amounts collected on behalf of third parties. When the control of the goods or services is transferred to the customers, the Group reflects the relevant amount as revenue in the consolidated financial statements.

In accordance with TFRS 15 Customer Contract Revenue Standard, effective from 1 January 2018, the Group recognizes revenue in the consolidated financial statements in the five-step model below.

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determining the transaction price in contracts
- Distribution of transaction fee to performance obligations
- Revenue recognition

The Group evaluates the cement and clinker it commits in each contract with the customers and determines each commitment to transfer the goods or services in question as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract that the performance obligation will be fulfilled in time or at a certain time. If the Group transfers the control of a good or service over time and thus fulfills the performance obligations related to the related sales over time, the Group measures the proceeds on the fulfillment of the performance obligations completely and takes the proceeds to the financial statements. The Company, as it fulfills or fulfills its performance obligation by transferring a committed product or service to its customer, records the transaction price corresponding to this performance obligation as revenue in its financial statements. The goods or services are transferred when the goods or services are received (as soon as it received) by the customers.The Group evaluates the transfer of control of the goods or services sold to the customer;

- ownership of the Group's right to collect goods or services,
- the ownership of the legal property of the customer,
- transfer of the possession of goods or services,
- the ownership of significant risks and rewards arising from the ownership of the goods or services,
- takes into account the conditions for the customer to accept the goods or services.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Revenue Recognition Policy Applied until 31 December 2017

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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the 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.

Except for land and construction in progress,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.

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.

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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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)

Classification of financial assets (cont'd)

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 24).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item ;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

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)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and *lease receivables* that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises 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.

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 (cont'd)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

(a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

(c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Group does not reclassify any financial liability.

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 liabilities (cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 27.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Accounting Policy Applied for Financial Instruments until 31 December 2017

Financial assets

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. Financial assets purchased and sold regularly are recognised on the transaction date. Financial assets are recognised as at fair value on initial recognition. On initial recognition of financial assets or financial liabilities that are not recognised as at fair value through profit or loss, transaction costs directly attributable to the acquisition of the relevant financial asset are added to the fair value.

Impairment on financial assets are recognised based on the realised credit loss model in the consolidated financial statements.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Accounting Policy Applied for Financial Instruments until 31 December 2017 (cont'd)

Financial liabilities

Financial liability is recognised at fair value on initial recognition. During initial recognition of financial liabilities that are not recognised as at fair value through profit or loss, transaction costs directly attributable to the related financial liability are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

Derivative instruments and hedge accounting

Effective portion of changes in the fair value of derivatives that are designated as future cash flow hedges are recognized directly in equity and the ineffective portion is recognized directly in profit or loss.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions

<u>Foreign Currency Transactions and Balances</u>

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.

<u>Financial Statements of Associates, Subsidiaries and Joint Ventures Operaitng in Other Countries</u>

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 occured, 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 consolidated 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 prorate basis. When calculating profit 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.

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.

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.

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" ("TAS 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

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. The Group has not recognized deferred tax assets related to unused past years' losses in some companies, as it is unclear whether the Group will benefit from the deferred tax assets resulting from taxable profit in the future (since there is no opinion that a deferred tax asset could be recovered).In light of the evidence obtained, the Group's belief that taxable profit will be avaliable 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.

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Key sources of estimation uncertainty (cont'd)

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. 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.

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.

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).

Fair value of derivative instruments and other financial instruments

The Group calculates the fair values of financial instruments that do not have an active market by using market data, using similar transactions, using the fair values of similar instruments and using discounted cash flow analysis (Note 27 and 29).

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)

Impairment in financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on trade receivables between 1 and 3 months past due had been 1% higher (lower) as of 31 December 2018, the loss allowance on trade receivables would have been TL 101.861 (2017: TL 51.508) higher (lower).

If the ECL rates on trade receivables 90 days past due had been 1% higher (lower) as of 31 December 2018, the loss allowance on trade receivables would have been TL 57.705 (31 December 2017: TL 38.740) higher (lower).

(Amounts expressed in Turkish Lira (TL))

3. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

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

The merger process of the Nuh Çimento A.Ş. and Nuh Enerji Elektrik Üretim A.Ş. ,which is a subsidiary of the Nuh Çimento A.Ş. , has been completed by applying the "Faciliated Merger" method as a whole with all assets and liabilities and the details of the merger are explained in Note 2.1. There has been no change in the shares of the Company in other subsidiaries.

b) Associates

Details of material associates

As of 31 December 2018 and 2017, details of each of the Group's material associates are as follows:

			Share	
Joint ventures and associates accounted under equity method	Location	Currency	31 December 2018	31 December 2017
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 2018	31 December 2017
Ünye Çimento	103.728.231	122.016.733
Torgoviy Port Ltd.	5.903.919	5.903.919
	109.632.150	127.920.652
Impairment provision - Torgoviy Port Ltd. (-) (*)	(5.903.919)	(5.903.919)
	103.728.231	122.016.733

(*) 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, 2018. Various lawsuits and counterclaims were brought to the judiciary in May and June 2012. As of 31 December 2018 and 2017, impairment provision has been booked for subsidiary amount in Torgoviy Port Ltd.

(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.

Ünye Çimento	31 December 2018	31 December 2017
Total Assets	**375.428.718**	**384.034.452**
Current Assets	185.860.392	209.384.883
Non-Current Assets	189.568.326	174.649.569
Total Liabilities	**375.428.718**	**384.034.452**
Short-Term Liabilities	92.465.607	55.747.678
Long-Term Liabilities	23.836.877	23.473.552
Equity	259.126.234	304.813.222
Share of the Group	40,03%	40,03%
Carrying Value of Subsidiary	103.728.231	122.016.733

Ünye Çimento	31 December 2018	31 December 2017
Revenue	300.258.414	252.526.159
Net profit for the year	24.279.879	77.702.146
Other comprehensive income	1.426.493	933.685
Earnings per share	9.719.236	31.104.169

(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 2018 and 2017 are as follows:

31 December 2018	Construction and Construction goods	Energy	Consolidation Adjustments	Total
Third party sales	1.157.377.035	12.091.041	-	1.169.468.076
Related party sales	147.203.568	-	(147.203.568)	-
Net Sales	**1.304.580.603**	**12.091.041**	**(147.203.568)**	**1.169.468.076**
Cost of goods sold	(984.883.371)	(3.155.494)	147.203.568	(840.835.297)
Gross Profit	**319.697.232**	**8.935.547**	**-**	**328.632.779**
Total assets	1.715.121.811	226.962.078	-	1.942.083.889
Total liabilities	740.339.283	59.804.854	-	800.144.137

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

(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 2018			
	Current		Current	
	Trade Receivables	Trade Payables	Other Receivables	Sales
Kovcheg Ltd (1)	8.061.614	-	-	-
Trade Port	2.604.848	-	-	-
Çimpaş Çimento İnşaat Mlz. Paz. A.Ş. (2)	6.191	-	-	39.218
Nuh Çimento Eğitim ve Sağlık Vakfı (3) (*)	50.268	-	172.166	199.769
Doubtful trade receivable provision (-)				
Kovcheg Ltd (1)	(8.061.614)	-	-	-
Trade Port	(2.604.848)	-	-	-
	56.459	-	172.166	238.987

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

	31 December 2017			
	Current		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	-
Doubtful trade receivable provision (-)				
Kovcheg Ltd (1)	(8.061.614)	-	-	-
Trade Port	(2.604.848)	-	-	-
	149.351	154	2.066.481	-

(1) Joint ventures
(2) Financial investments of the Company
(3) Foundation which was established by the Company with the decision of Council of Ministers.

(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 2018	1 January- 31 December 2017
Salaries and other short-term benefits	8.797.790	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 2018	31 December 2017
Trade receivables	202.655.776	200.856.388
Notes receivable	244.539.881	264.814.369
Trade receivables from related parties (Note: 5)	10.722.921	10.815.813
Income accruals	856.734	350.763
Discount of notes receivables (-)	(8.465.066)	(6.890.271)
Provision for doubtful receivables (-)	(102.381.203)	(86.325.700)
Trade receivables from related parties	*(10.666.462)*	*(10.666.462)*
Trade receivables from third parties	*(86.476.939)*	*(75.659.238)*
Expected credit losses (-) (*)	*(5.237.802)*	-
	347.929.043	383.621.362

(*) TFRS 9 impacts are explained in Note 2.4.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 114 days and therefore are all classified as current. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method (31 December 2017: 164 days).

As of 31 December 2018, trade receivables of TL 102.381.203 (31 December 2017: TL 86.325.700) were impaired and provided for. Significant part of the individually impaired receivables consist of wholesalers, which are in unexpectedly difficult economic situations and litigation process against the Group and provisions by applying TFRS 9 within the scope of the Group's general policy which include varying dates depending on the delays.

(Amounts expressed in Turkish Lira (TL))

6. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade Receivables (cont'd):

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

Movement of doubtful receivables	1 January - 31 December 2018	1 January - 31 December 2017
1 January 2018 (Before transition of TFRS 9)	86.325.700	-
Transition effect of TFRS 9 (Note: 2.4)	1.129.718	-
1 January 2018 (After transition of TFRS 9)	87.455.418	85.236.720
Opening balance	(1.301.203)	(3.159.400)
Payments and reversal of unnecessary reserve (Note: 20)	12.118.904	4.248.380
Charge for the period (Note: 20)	4.108.084	-
Closing balance	102.381.203	86.325.700

Collaterals held for the doubtful trade receivables are TL 300.000 (31 December 2017: TL 300.000) as of 31 December 2018.

The aging of trade receivables are as follows:

	31 December 2018	31 December 2017
Neither not past due, nor imparied	302.634.005	352.032.870
Past due / overdue but not impaired	45.295.038	31.588.492
Impaired and provided for	102.381.203	86.325.700
	450.310.246	469.947.062

As of 31 December 2018, trade receivables amounting to TL 45.295.038 (31 December 2017: TL 31.588.492) are overdue but are not considered as doubtful receivables due to the ability to collect. Within the scope of the Company's general policy under the scope of TFRS 9 application, a provision is made for varying rates based on delays. The maturity analysis of these receivables is as follows:

	31 December 2018	31 December 2017
1 - 3 months	26.478.670	21.007.982
3 - 6 months	12.279.738	7.833.944
6 - 9 months	4.915.089	1.417.927
Over 9 months	1.621.541	1.328.639
	45.295.038	31.588.492

The Group held guarantee letter amounting to TL 23.140.315 for the trade receivables that are past due and not impaired (31 December 2017: TL 31.588.492).

(Amounts expressed in Turkish Lira (TL))

6. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade Receivables (cont'd):

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Trade receivables - days past due				
31 December 2018	**Not past due**	**<30**	**31-90**	**>90**	**Total**
Expected credit loss rate	0,38%	7,67%	14,43%	36,11%	58,60%
Estimated total gross carrying amount at default	267.956.114	8.416.526	10.208.238	5.797.807	292.378.685
Lifetime ECL	1.025.116	645.554	1.473.271	2.093.861	5.237.802

	Trade receivables - days past due				
1 January 2018	**Not past due**	**<30**	**31-90**	**>90**	**Total**
Expected credit loss rate	0,10%	2,81%	6,66%	14,78%	24,35%
Estimated total gross carrying amount at default	292.388.998	8.224.114	5.143.239	3.866.485	309.622.836
Lifetime ECL	303.089	231.412	342.464	571.391	1.448.356

b) Trade Payables:

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

	31 December 2018	31 December 2017
Trade payables	105.453.626	99.272.863
Trade payables to related parties (Note: 5)	-	154
Notes payable	14.088.896	13.491.219
	119.542.522	112.764.236

The average maturity of credit sales of goods is 50 days. (31 December 2017: 55 days).

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

(Amounts expressed in Turkish Lira (TL))

7. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

Short-term other receivables	31 December 2018	31 December 2017
Other receivables from Related Parties (Note: 5)	172.166	-
Other receivables	2.617.379	2.049.148
Due from personnel	814.490	709.279
Deposits and quarantees given	3.962.478	4.594.920
Provision for doubtful receivables (-)	(1.310.637)	(1.310.637)
	6.255.876	6.042.710

Long-term other receivables	31 December 2018	31 December 2017
Deposits and quarantees given	1.498.627	1.208.092
	1.498.627	1.208.092

b) Other Payables

	31 December 2018	31 December 2017
Taxes and dues payable	3.930.943	3.679.706
Deposits and quarantees taken	4.238.344	3.392.761
Other payable	530.348	323.021
	8.699.635	7.395.488

8. OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets	31 December 2018	31 December 2017
VAT carried forward	11.354.652	6.635.353
Deductible VAT	2.511.265	-
Personnel advances given	258.155	494.414
	14.124.072	7.129.767

Other non-current assets	31 December 2018	31 December 2017
Deductible VAT in future years	4.237.369	-
	4.237.369	-

(Amounts expressed in Turkish Lira (TL))

9. INVENTORIES

	31 December 2018	31 December 2017
Raw materials	145.094.122	119.145.278
Work in process	67.044.945	12.787.123
Finished goods	8.547.446	2.899.671
Trade goods	872.800	41.564
Other inventory	-	2.977.276
Allowance for impairment on inventory (-)	(2.039.998)	(2.039.998)
	219.519.315	135.810.914

The Group determines inventories whose net realizable value is below the cost of each year, and a provision amounting to TL 2.039.998 has been reserved for inventory impairment (31 December 2017: TL 2.039.998). As of December 31, 2018, the total amount of inventories shown at net realizable value is TL 2.039.998 (31 December 2017: TL 2.039.998).

10. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses	31 December 2018	31 December 2017
Advances given for inventory purchase	11.737.244	8.382.048
Prepaid expenses	5.861.560	4.278.956
	17.598.804	12.661.004

Long term prepaid expenses	31 December 2018	31 December 2017
Advances given for fixed asset purchase	9.225.424	7.423.973
Prepaid expenses	280.190	327.628
	9.505.614	7.751.601

	31 December 2018	31 December 2017
Advances given for inventory purchasement	13.948.785	43.038.976
	13.948.785	43.038.976

(Amounts expressed in Turkish Lira (TL))

11. INVESTMENT PROPERTY

Cost Value	Land	Buildings	Advances given	Total
Opening balance as of 1 January 2018	26.579.838	186.434.009	9.938.073	222.951.920
Additions	-	1.420.000	-	1.420.000
Çıkışlar	-	(857.097)	-	(857.097)
Impairment (-)	-	(251.852)	-	(251.852)
Closing balance as of 31 December 2018	26.579.838	186.745.060	9.938.073	223.262.971

Accumulated Depreciation	Land	Buildings	Advances given	Total
Opening balance as of 1 January 2018	-	(12.257.106)	-	(12.257.106)
Charge of the year	-	(2.918.412)	-	(2.918.412)
Closing balance as of 31 December 2018	-	(15.175.518)	-	(15.175.518)
Carrying value as of 31 December 2018	26.579.838	171.569.542	9.938.073	208.087.453

Cost Value	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

Accumulated Amortization	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	26.579.838	174.176.903	9.938.073	210.694.814

All depreciation expenses are included in expenses from investment activities (31 December 2017: included in expenses from investment activities).

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 carring value of the asset and records the impairment in value.

(Amounts expressed in Turkish Lira (TL))

11. INVESTMENT PROPERTY (cont'd)

The Group do not calculate fair value of land which is classified as investment properties every year due to cost-utilization balance as of 31 December 2017. The Group management has calculated the fair value of the land which is classified as investment properties in accordance with the decision taken as of 31 December 2018. As of 31 December 2018, the fair value of the Group's land which is classified as investment property has been determined by an independent valuers not related to the Group which is Bilgi 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.

As of 31 December 2018, The Group's rent revenue obtained by investment of real estate properties amounting to TL 22.634.313 (31 December 2017: TL 19.853.093). The Group paid property tax for investment of real estate properties amounting to TL 1.524.189 (31 December 2017: TL 1.267.066) (Note: 23).

As of 31 December 2018 and 2017, 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 8% and the nominal discount rate was 19% (31 December 2017: capitalization rate 9%, discount rate 11%).

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

		Fair value as at reporting period		
	31 December 2018	1. Level TL	2. Level TL	3. Level TL
Hotel and Shopping Mall	341.910.000	-	-	341.910.000
Buildings	51.204.624	-	51.204.624	-
Lands	201.711.000	-	201.711.000	-
	31 December 2017	**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	-

(Amounts expressed in Turkish Lira (TL))

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixture	Other Tangible Fixed Assets	Leasehold Improvements	Construction in Progress	Total
Cost Value										
Opening balance as of 1 January 2018	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
Additions	7.751.401	3.436.471	6.508.037	16.069.509	1.023.324	2.742.154	-	673.643	72.667.548	110.872.087
Disposals	(396.544)	(36.644)	(403.790)	(11.820.782)	(12.082.681)	(566.973)	-	(1.861.356)	-	(27.168.770)
Transfers from inventory	-	-	-	42.065.469	-	-	-	-	-	42.065.469
Transfers	-	24.199.638	20.738.444	91.027.744	13.807.734	138.331	-	621.039	(150.532.930)	-
Closing balance as of 31 December 2018	60.164.955	116.815.906	180.162.389	1.041.507.342	101.175.317	50.956.247	498.334	9.142.369	7.168.061	1.567.590.920
Accumulated Depreciation										
Opening balance as of 1 January 2018	-	(52.244.136)	(82.876.468)	(570.315.204)	(58.834.054)	(40.036.288)	(498.334)	(4.903.508)	-	(809.707.992)
Charge of the year	-	(5.024.756)	(6.831.663)	(43.203.736)	(10.764.270)	(3.410.947)	-	(889.883)	-	(70.125.255)
Disposals	-	30.752	321.983	11.391.624	8.595.738	552.813	-	579.947	-	21.472.857
Closing balance as of 31 December 2018	-	(57.238.140)	(89.386.148)	(602.127.316)	(61.002.586)	(42.894.422)	(498.334)	(5.213.444)	-	(858.360.390)
Carrying value as of 31 December 2018	60.164.955	59.577.766	90.776.241	439.380.026	40.172.731	8.061.825	-	3.928.925	7.168.061	709.230.530

(Amounts expressed in Turkish Lira (TL))

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

	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixture	Other Tangible Fixed Assets	Leasehold Improvements	Construction in Progress	Total
Cost Value										
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	1.312.497.642
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
Accumulated Depreciation										
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

(Amounts expressed in Turkish Lira (TL))

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

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

	Useful lifes
Land Improvements	15-50 years
Buildings	25-50 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 56.031.539 (31 December 2017: TL 49.841.575) has been charged in cost of goods sold, TL 5.593.235 (31 December 2017: TL 4.975.335) in marketing and sales expenses, and TL 8.500.481 (31 December 2017: TL 7.561.408) in administrative expenses.

As of 31 December 2018, insurance coverage of the Group's assets is TL 4.824.843.370 (31 December 2017: TL 3.934.253.389).

13. INTANGIBLE ASSETS

Cost Value	Rights	Other Intangible Assets	Total
Opening balance as of 1 January 2018	41.464.589	212.155	41.676.744
Additions	476.838	-	476.838
Disposals	(648)	-	(648)
Closing balance as of 31 December 2018	41.940.779	212.155	42.152.934
Accumulated Amortization			
Opening balance as of 1 January 2018	(12.079.144)	(183.946)	(12.263.090)
Charge of the year	(2.079.065)	4.365	(2.074.700)
Disposals	648	-	648
Closing balance as of 31 December 2018	(14.157.561)	(179.581)	(14.337.142)
Carrying value as of 31 December 2018	27.783.218	32.574	27.815.792

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
Disposals	1.336.753	-	1.336.753
Closing balance as of 31 December 2017	41.464.589	212.155	41.676.744
Accumulated Amortization			
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

(Amounts expressed in Turkish Lira (TL))

13. INTANGIBLE ASSETS (cont'd)

Amortization expense of TL 1.657.729 (31 December 2017: TL 2.006.669) has been charged in cost of goods sold, TL 165.479 (31 December 2017: TL 200.312) in marketing and sales expenses, and TL 251.492 (31 December 2017: TL 304.429) in administrative expenses.

The useful lives for intangible assets are as follows:

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

14. GOODWILL

Cost	31 December 2018	31 December 2017
Opening balance	24.910.842	24.910.842
Balance end of year	24.910.842	24.910.842
Accumulated impairment		
Opening balance	(7.562.568)	(5.843.775)
Period charge for impairment provision (Note: 23)	-	(1.718.793)
Balance end of year	(7.562.568)	(7.562.568)
Carrying amount		
Opening balance	17.348.274	19.067.067
Ending balance	17.348.274	17.348.274

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. As of 31 December 2018, the independent valuation experts have not determine the impairment loss according to the valuation method using the discounted cash flow method.

In accordance with the valuations performed by the independent valuation specialists using the discounted cash flows method as of 31 December 2018, the Group was identified 17,2 – 20,2 million USD (31 December 2017: 13,8 – 17,5 million USD) net equity value. The USD-based weighted average cost of capital was calculated as 11,38% for 2019 and after (31 December 2017: 9,97%) 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 38.000 kWh (31 December 2017: 37.972 kWh).

(Amounts expressed in Turkish Lira (TL))

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short term other provisions	31 December 2018	31 December 2017
Legal claims and termination provisions	12.756.294	10.865.255
	12.756.294	10.865.255

As of 31 December 2018, TL 19.167.252 for open lawsuits and proceeded against the Company and its subsidiaries (31 December 2017: TL 13.478.438).

As of 31 December 2018, Total litigation provision amounted to TL 12.756.294 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 2017: TL 10.865.255). 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 2018 and 2017, movements on the group provision for legal claims and termination provisions are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	10.865.255	11.384.613
Payments and reversal	(2.159.553)	(2.646.815)
Charge for the period (Note: 20)	4.050.592	2.127.457
Closing balance	12.756.294	10.865.255

(Amounts expressed in Turkish Lira (TL))

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

a) Provisions (cont'd)

Long term other provisions	31 December 2018	31 December 2017
Land restoration provision	4.975.238	4.137.880
	4.975.238	4.137.880

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 2018. 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 4.975.238 (31 December 2017: TL 4.137.880) 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 2018 and 2017, movements on the group provision for land restoration is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	4.137.880	5.895.941
Changes in current year charge	837.358	(1.758.061)
Closing balance	4.975.238	4.137.880

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. As of 31 December 2018, the opinion of the Company and lawyers has changed and stated that the possibility of the conclusion of the dispute against the Company is higher than the other. As at the opening date of the related lawsuit, TL 971.518 of provision is recognized in the consolidated financial statements. In addition, the collateral amounting to TL 3.745.114 has been expensed in the consolidated financial statements as of 31 December 2018 (Note 20).

As of 31 December 2018, total amount of checks and notes endorsed to third parties is TL 9.935.074 (31 December 2017: TL 9.507.845).

(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 2018 and 2017 are as follows:

31 December 2018	TL Equivalent	TL	US Dollars	Euro
A. Total amount of the GPM's given for its own legal entity				
-Guarantee	25.487.755	25.487.755	-	-
-Pledge	-	-	-	-
-Collaterals	-	-	-	-
B. GPM's given on behalf of fully consolidated companies				
-Guarantee	142.995.404	6.508.255	20.446.483	4.797.652
-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	-	-	-	-
Total	168.483.159	31.996.010	20.446.483	4.797.652

As of 31 December 2018, the rate of total amount of other "CPM"s to total equity of the Company is 0%.

(Amounts expressed in Turkish Lira (TL))

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

b) Contingent assets and liabilities (cont'd)

31 December 2017		TL Equivalent	TL	US Dollars	Euro
A. Total amount of the GPM's given for its own legal entity					
	-Guarantee	38.682.044	38.682.044	-	-
	-Pledge	-	-	-	-
	-Collaterals	-	-	-	-
B. GPM's given on behalf of fully consolidated companies					
	-Guarantee	179.111.351	6.554.894	39.222.286	5.450.984
	-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	-	-	-	-
Total		217.793.395	45.236.938	39.222.286	5.450.984

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

(Amounts expressed in Turkish Lira (TL))

16. EMPLOYEE TERMINATION BENEFITS

Payables related to employee benefits

	31 December 2018	31 December 2017
Social security premiums payable	3.016.595	4.325.806
Due to personnel	2.533.071	2.572.481
	5.549.666	6.898.287

Short-term provision for employment termination benefits

	31 December 2018	31 December 2017
Provision for seniority incentive bonus	840.348	691.765
Provision for unused vacation pay liability	3.832.022	2.868.824
	4.672.370	3.560.589

As of 31 December 2018 and 2017, movements on the group provision for unused vacation is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	2.868.824	2.186.072
Changes in current year charge	963.198	682.752
Closing balance	3.832.022	2.868.824

Long-term provision for employment termination benefits

	31 December 2018	31 December 2017
Provision for employee termination benefits	26.476.564	24.684.772
Provision for seniority incentive bonus	5.986.862	5.473.528
	32.463.426	30.158.300

(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 2018 and 2017, movements on the group provision for seniority incentive bonus is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	6.165.293	4.722.192
Current year charge	1.435.981	1.861.995
Payments	(774.064)	(418.894)
Closing balance	6.827.210	6.165.293

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 5,434.42 for each period of service at 31 December 2018 (31 December 2017: TL 4,732.48).

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:

(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 2018, 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 5.72% real discount rate (31 December 2017: 4.47%) calculated by using 10,04% annual inflation rate and 16.33% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 7,80% for employees with 0-15 years of service, and 0% for those with 15 or more years of service. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 6,017.60 which is in effect since 1 January 2019 is used in the calculation of Group's provision for retirement pay liability (1 January 2018: TL 5,001.76).

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 increase / (decrease) by TL 1.131.262 / TL (1.301.974).

- If the inflation rate had been 1% lower / (higher) while all other variables were held constant, provision for employee termination benefits would (increase) / decrease by TL 137.149 / TL (123.645).

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	24.684.772	21.906.074
Service cost	7.979.111	7.133.250
Interest cost	1.102.680	905.271
Termination benefits paid	(4.506.250)	(4.654.393)
Actuarial (gain) / loss	(2.783.749)	(605.430)
Closing balance	26.476.564	24.684.772

(Amounts expressed in Turkish Lira (TL))

17. OTHER PAYABLES AND EXPENSE ACCRUALS

Other short term liabilities	31 December 2018	31 December 2017
Deferred income	3.696.599	2.694.317
Other liabilities	7.070	4.789
	3.703.669	2.699.106

18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2018 and 2017, the share capital held of the Company is as follows:

Shareholders	Share (%)	31 December 2018	Share (%)	31 December 2017
Nuh Ticaret Sanayi ve Ticaret A.Ş.	44,13	66.283.864	44,13	66.283.864
Partaş Tekstil İnşaat Sanayi ve Ticaret A.Ş.	16,41	24.643.128	15,99	24.017.101
Diğer (*)	39,46	59.286.608	39,88	59.912.635
		150.213.600		150.213.600
Capital inflation diffrences (**)		39.338.145		39.338.145
		189.551.745		189.551.745

(*) 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 is subject to the capital system. 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.

(Amounts expressed in Turkish Lira (TL))

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

b) Restricted Reserves Appropriated from Profit

	31 December 2018	31 December 2017
Legal reserves	244.126.488	254.516.788
Extraordinary reserves	157.934.419	134.506.332
	402.060.907	389.023.120

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. According to the Turkish Commercial Code, if the general legal reserve does not exceed half of the share capital or the issued capital, it can be used only to close the losses, to continue the business when business is not going well or to take measures to mitigate the results.

Dividend distribution:

Listed companies distribute dividends according to the Communique numbered II-19.1 and published on 1 February 2014 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 May 2018, the Group has paid to shareholders amounting to TL 135.062.282 (31 December 2017: TL 135.192.240) TL 0.90 per share (31 December 2017: 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 150.123.986 (31 December 2017: TL 149.916.240) and other funds that may be subject to profit distribution is TL 402.060.907 (31 December 2017: 403.169.750 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 2018 and 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.

(Amounts expressed in Turkish Lira (TL))

19. REVENUE

	1 January - 31 December 2018		1 January - 31 December 2017	
	Construction and Construction goods	Energy	Construction and Construction goods	Energy
Domestic sales	920.858.602	12.091.041	899.721.725	14.469.014
Foreign sales	244.284.235	-	97.492.376	-
Other sales	5.609.234	-	2.794.307	-
Sale returns (-)	(63.471)	-	(610.434)	-
Sale discounts (-)	(13.311.565)	-	(11.394.910)	-
	1.157.377.035	12.091.041	988.003.064	14.469.014
Total Revenue	1.169.468.076		1.002.472.078	

	1 January-31 December 2018	1 January-31 December 2017
Raw materials used	(738.056.694)	(658.800.054)
Employee benefits expenses	(14.079.031)	(18.525.200)
Production overheads	(30.019.067)	(28.428.350)
Amortization and depreciation expenses (Note: 12 and 13)	(57.689.268)	(54.179.090)
Other sales expenses	(991.237)	(1.375.068)
	(840.835.297)	(761.307.762)

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

	1 January-31 December 2018	1 January-31 December 2017
Administrative expenses	(99.627.015)	(84.671.435)
Marketing and sales expenses	(25.263.374)	(18.293.198)
Research and development expenses	(5.841)	(181.567)
	(124.896.230)	(103.146.200)

(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 2018	1 January- 31 December 2017
Employee benefit expenses	(35.597.406)	(31.445.564)
Changes in doubtful provisions (Note: 6)	(16.226.988)	(4.248.380)
Outsourcing expenses	(9.381.646)	(19.389.617)
Tax and subscription fee	(8.968.593)	(8.986.806)
Depreciation and amortization expenses (Note: 12 ve 13)	(8.751.973)	(8.219.448)
Changes in litigation provision (Note: 15)	(4.050.592)	(2.127.457)
Premium expenses	(4.043.173)	(3.535.102)
Uncollectable receivables (Note: 15)	(3.745.114)	-
Rent expenses	(1.941.357)	(1.793.356)
Office administration expenses	(1.590.611)	(873.040)
Steam expenses	(1.363.477)	(997.969)
Insurance expenses	(1.268.871)	(812.997)
Maintenance and repairment expenses	(1.235.145)	(1.233.724)
Utility expenses	(534.767)	(335.820)
Electricity expenses	(200.818)	(150.793)
Other expenses	(726.484)	(521.362)
	(99.627.015)	(84.671.435)

b) Details of marketing and sales expenses	1 January- 31 December 2018	1 January- 31 December 2017
Exportation expenses	(8.860.589)	(5.794.837)
Depreciation and amortization expenses (Note: 12 ve 13)	(5.758.714)	(5.408.318)
Outsourcing expenses	(3.648.345)	(2.755.689)
Employee benefit expenses	(3.078.170)	(1.648.140)
Premium expenses	(1.027.446)	(922.920)
Tax and subscription fee	(716.943)	(668.332)
Maintenance and repairment expenses	(259.059)	(258.756)
Transportation expenses	(310.449)	(218.426)
Rent expenses	(311.873)	(122.583)
Insurance expenses	(73.466)	(66.726)
Other expenses	(1.218.320)	(428.471)
	(25.263.374)	(18.293.198)

(Amounts expressed in Turkish Lira (TL))

21. EXPENSES BY NATURE

	1 January-31 December 2018	1 January-31 December 2017
Depreciation and amortization expenses (Note: 11,12 ve 13)	(75.118.367)	(67.806.856)
Employee benefit expenses	(38.681.417)	(33.275.271)
Changes in doubtful provisions (Note: 6)	(16.226.988)	(4.248.380)
Outsourcing expenses	(13.029.991)	(22.145.306)
Tax and subscription fee	(9.685.536)	(9.655.138)
Exportation expenses	(8.860.589)	(5.794.837)
Changes in litigation provision (Note: 15)	(4.050.592)	(2.127.457)
Premium expenses	(5.070.619)	(4.458.022)
Uncollectable receivables (Note: 15)	(3.745.114)	-
Rent expenses	(2.253.230)	(1.915.939)
Office administration expenses	(1.590.611)	(873.040)
Maintenance and repairment expenses	(1.494.204)	(1.492.480)
Steam expenses	(1.363.477)	(997.969)
Insurance expenses	(1.342.337)	(879.723)
Utility expenses	(534.767)	(335.820)
Transportation expenses	(310.449)	(218.426)
Electricity expenses	(200.818)	(150.793)
Other expenses	(1.944.804)	(949.833)
	(185.503.910)	(157.325.290)

22. INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
FX gains from trade receivables and payables	46.999.411	13.894.194
Accident and damage income	4.376.239	33.162
Interest income	3.138.499	1.342.270
Insurance income	2.750.836	2.346.393
Scrap sales income	2.370.543	2.098.042
Service income from subcontractors	704.498	531.812
Other income	1.020.529	210.059
	61.360.555	20.455.932

(Amounts expressed in Turkish Lira (TL))

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

The details of other expense from operating activities for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
FX losses from trade receivables and payables	(28.428.017)	(14.729.218)
Donations and grants	(11.188.425)	(7.697.426)
Accident and damage expenses	(3.335.731)	(1.907.602)
Interest expenses	(4.483.080)	(1.981.008)
Other expenses	(1.080.267)	(433.123)
	(48.515.520)	(26.748.377)

23. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of other income from investing activities for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Rent income (*)	22.634.313	19.853.093
Gain on sale of fixed assets	4.996.202	7.135.361
	27.630.515	26.988.454

(*) Includes the rent income from investment properties.

The details of other expense from investing activities for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Depreciation expenses from investment property (Note: 11)	(2.918.412)	(2.917.128)
Impairment expense from investment property (Note: 11)	(251.852)	-
Impairment provision for goodwill (Note: 14)	-	(1.718.793)
Real estate tax for investment property	(1.524.189)	(1.267.066)
Loss on sale of fixed assets	(1.089.155)	(810.792)
Loss on subsidiary (Note: 2.1)	-	(147.500)
	(5.783.608)	(6.861.279)

(Amounts expressed in Turkish Lira (TL))

24. FINANCE INCOME AND EXPENSES

The details of income from finance activities for the years ended 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Foreign exchange gains	85.351.707	39.431.339
Interest income	17.799.837	8.942.521
	103.151.544	48.373.860

The details of expense from finance activities for the years ended 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Foreign exchange losses	(83.856.544)	(41.152.601)
Interest expenses	(69.203.484)	(33.108.238)
Expense from derivative instruments (Note: 27)	(1.105.535)	-
	(154.165.563)	(74.260.839)

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

Corporation tax

Group,its subsidiary established in Turkey and other countries,associates and joint ventures are subject to the tax legistation and practices in the countries which they are operating.

In Turkey, the corporate tax rate is 22% (2017: 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.

Companies calculate a temporary tax of 22% on their quarterly financial profits and declare until the 14th day of the second month following that period and pay it until the seventeenth day.The paid temporary tax within the year is deducted from the corporate tax to be calculated over the corporate tax declaration to be given the following year. If there is a temporary tax remaining despite the offset, this amount may be refunded in cash or deducted from any other financial debt against the state.

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.

(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 2018, 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.

Current tax liability	31 December 2018	31 December 2017
Current corporate tax provision	22.770.156	27.353.635
Less: prepaid taxes and funds	(22.142.167)	(21.617.468)
	627.989	5.736.167

As of 31 December 2018 and 2017, details of tax expense in consolidated profit table is as follows:

	31 December 2018	31 December 2017
Corporate tax (-)	(22.770.156)	(27.353.635)
Deferred tax (expense) / income	(24.239.566)	20.191.590
	(47.009.722)	(7.162.045)

(Amounts expressed in Turkish Lira (TL))

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

Tax recognized on other comphrensive income:

	1 January - 31 December 2018		
	Before tax amount	Tax expense/ income	Net of tax amount
Actuarial gain on post employments benefits (Note: 16)	2.783.749	(556.750)	2.226.999
Portion of other comprehensive income from investments valued by equity method	433.811	1.219	435.030
Currency Translation Differences	*439.904*	*-*	*439.904*
Actuarial gain on post employments benefits	*(6.093)*	*1.219*	*(4.874)*
Other comprehensive income	3.217.560	(555.531)	2.662.029

	1 January - 31 December 2017		
	Before tax amount	Tax expense/ income	Net of tax amount
Actuarial loss 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
Currency Translation Differences	*198.756*	*-*	*198.756*
Actuarial loss on post employments benefits	*218.759*	*(43.752)*	*175.007*
Other comprehensive income	1.022.945	(164.838)	858.107

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 corporate tax rate has been increased to 22% from 20% for 2018,2019 and 2020 according to The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which published on the Official Gazette dated 5 December 2017. In accordance with the aforementioned law, the deferred tax assets and liabilities in the consolidated financial statements as of 31 December 2018 and 2017 have been calculated with the tax rate of 22% for the temporary differences arising from the tax effect in 2019 and 2020 and calculated with tax rate of 20% for the temporary differences arising from tax effect in 2021 and subsequent periods.

(Amounts expressed in Turkish Lira (TL))

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 2018	31 December 2017
Temporary diffrences from tangible and intangible assets	(29.259.254)	(25.699.782)
Discount of receivables	(20.223)	77.504
Temporary diffrences from discount of bank loans	(496.447)	(36.500)
Provision for employment termination benefits	5.295.313	4.936.954
Provision for seniority incentive bonus	1.382.249	1.246.894
Provision for unused vacation	843.045	631.141
Provision for land restoration provision	995.048	827.576
Provision for doubtful receivables (including TFRS 9 impact)	6.478.461	5.600.248
Provision for legal claims	2.806.385	2.390.356
Temporary diffrences from advances	101.999	203.769
Temporary diffrences from inventories	575.933	575.933
Impairment for subsidiaries	(2.735)	(2.735)
Impairment for goodwill	343.758	343.758
Temporary diffrences from derivative instruments	243.218	-
Uncollectable receivables	749.023	-
Expected credit losses from demand and time deposits - TFRS 9	342.069	-
Carryforward tax losses	5.965.913	26.087.066
Investment incentives	-	1.992.480
Temporary diffrences from investment property	1.679.364	1.987.573
Other	81	86
	(1.976.800)	21.162.321
Less: Provision for deferred tax assets	(4.404.538)	(2.747.343)
Deferred tax assets	10.557.907	27.371.181
Deferred tax liabilities	(16.939.245)	(8.956.203)
Deferred tax liabilities, net	(6.381.338)	18.414.978

(Amounts expressed in Turkish Lira (TL))

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 31 December 2017, 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. As of 31 December 2018, related accumulated losses have been offset against the profit of the Company.

Expiration schedule of carryforward tax losses which has calculated as deferred tax assets is as follows:

	31 December 2018	31 December 2017
Expiring in 2017	-	5.322.017
Expiring in 2018	-	75.963.294
Expiring in 2021	2.375.591	4.751.182
Expiring in 2022	2.757.908	5.515.816
Expiring in 2023	2.315.113	-
	7.448.612	91.552.309

Movement of deferred tax (assets) / liabilities for years ended 31 December 2018 and 2017 are as follows:

Movement of deferred tax liabilities:	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance as at January, 1	18.414.978	(1.655.526)
Charged to profit or loss	(24.239.566)	20.191.590
Charged to equity	(556.750)	(121.086)
Closing balance as at December, 31	(6.381.338)	18.414.978

(Amounts expressed in Turkish Lira (TL))

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:

Income tax reconcilation:	1 January- 31 December 2018	1 January- 31 December 2017
Income before tax from operating activities	197.133.708	157.070.036
Effective tax rate	22%	20%
Expected taxation expenses	(43.369.416)	(31.414.007)
Tax effect of:		
- Undeductible expenses	(5.503.522)	(4.116.962)
- Discount and donations	3.134.834	2.527.315
- Gain/loss effect of the Group's share investment in associates accounted for the equity method	1.943.847	6.220.834
- Change in reserve for carryforward tax losses	(1.657.195)	15.192.659
- Unused investment incentives	-	1.992.480
- Previously calculated deferred tax assets under previous year losses not calculated in current year	(1.113.191)	-
-Effects of tax rate change under deferred tax calculations	(442.607)	2.276.086
- Effect of other adjustments	(2.472)	159.550
Income tax benefit recognised in profit	(47.009.722)	(7.162.045)

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 retaind 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 2018	1 January- 31 December 2017
Net income for the year	150.123.986	149.907.991
Weighted average number of ordinary shares	150.213.600	150.213.600
(TL 1 nominal value per share earnings per share)	1,00	1,00

(Amounts expressed in Turkish Lira (TL))

27. FINANCIAL INSTRUMENTS

Financial Investments

Long term financial investments:

Associates	Share (%)	31 December 2018	Share (%)	31 December 2017
Cementos Esfera S.A. (*)	10	2.433.760	10	2.433.760
Çimpaş Çimento ve İnşaat Mlz. Paz. A.Ş. (*)	12,10	90.900	12,10	90.900
Kosbaş Kocaeli Serbest Bölgesi (*)	<1	37.500	<1	37.500
Antalya Güç Birliği (*)	<1	7.805	<1	7.805
		2.569.965		2.569.965

(*) As of 31 December 2018 and 2017, 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.

Financial Liabilities

	31 December 2018	31 December 2017
Short-term bank borrowings	267.453.210	127.156.091
Current portion of long term borrowings	66.881.631	95.782.504
Total short term borrowings	334.334.841	222.938.595
Long term bank borrowings	240.824.922	166.707.957
Total borrowings	575.159.763	389.646.552

As of 31 December 2018 and 2017, details of the short and long term borrowings which are Group used are stated below:

		31 December 2018	
Currency	Interest Rate (%)	Current	Non-Current
Euro	2,70 - 5,50	63.581.210	13.563.000
USD	2,05 - 3,21	23.224.948	21.928.589
TL	11,15 - 27,02	247.528.683	205.333.333
		334.334.841	240.824.922

(Amounts expressed in Turkish Lira (TL))

27. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

		31 December 2017	
Currency	Interest Rate (%)	Current	Non-Current
Euro	2,70 - 5,50	22.899.889	48.541.625
USD	1,65 - 4,46	39.067.495	47.166.332
TL	6,25 - 16,00	160.971.211	71.000.000
		222.938.595	166.707.957

Maturity of borrowings are stated below:

	31 December 2018	31 December 2017
To be paid within 1 year	334.334.841	222.938.595
To be paid between 1-2 years	240.824.922	135.348.104
To be paid between 2-3 years	-	31.359.853
	575.159.763	389.646.552

Reconcilation 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.

			Non-cash changes		
	1 January 2018	Financing cash-flows	Interest accrual adjustment	Foreign currency movement	31 December 2018
Bank Borrowings	389.646.552	158.316.518	4.022.861	23.173.832	575.159.763
	389.646.552	158.316.518	4.022.861	23.173.832	575.159.763

			Non-cash changes		
	1 January 2017	Financing cash-flows	Interest accrual adjustment	Foreign currency movement	31 December 207
Bank Borrowings	151.733.293	225.343.033	3.029.001	9.541.225	389.646.552
	151.733.293	225.343.033	3.029.001	9.541.225	389.646.552

(Amounts expressed in Turkish Lira (TL))

27. FINANCIAL INSTRUMENTS (cont'd)

Derivative Financial Instruments

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Foreign Currency Forward Contracts	-	(1.105.535)	-	-
Short-term	-	(1.105.535)	-	-
Long-term	-	-	-	-
	-	(1.105.535)	-	-

The Group uses foreign exchange derivatives to hedge its future significant transactions and cash flows from financial risk. The Group is a party to various foreign currency forwards transactions and options depending on the management of exchange rate fluctuations. The derivative instruments purchased are mainly denominated in foreign currencies in which the Group operates.

As of December 31, 2018, the fair value of the Group's cross exchange contracts is estimated to be approximately TL 30.453.300 and as of 31 December 2018, TL 1.105.535 loss is recognized in the statement of profit or loss (31 December 2017: None).

The Group's main financial instruments consist of bank loans, cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group also has other financial instruments, such as trade payables and trade receivables, arising directly from its operations.

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 2018, the Group's strategy, which was unchanged from 2017, 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 2018 and 2017 were as follows:

(Amounts expressed in Turkish Lira (TL))

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

a) Capital risk management (cont'd)

	31 December 2018	31 December 2017
Financial Liabilities (Note: 27)	575.159.763	389.646.552
Less: Cash and Cash Equivalents (Note: 32)		
and Short Term Financial Investments	(239.860.344)	(155.753.668)
Net Debt	335.299.419	233.892.884
Total Equity	1.141.939.752	1.126.035.297
Total Capital	1.477.239.171	1.359.928.181
Gearing Ratio	22,73%	17,20%

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.

b.1) Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group monitors the credibility of the parties with whom they perform transactions and also takes into account the credit rating of the related instruments when making the investment preference. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

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

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. The Group's trade receivables cover a large number of customers within the majority and the construction sector. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. Additionally, the Group management evaluates the trade payables and financial assets on a customer and asset basis at the end of the period and ensures that the required provisions for the non-collectible amounts are reflected in the consolidated financial statements.

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

In order to minimize the credit risk, the Group has performed credit ratings considering the default risks of the counterparties and categorized the related parties. The Group's current credit risk rating methodology includes the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit – impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit – impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

(Amounts expressed in Turkish Lira (TL))

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

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk exposure based on financial instrument categories	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Financial Investments**	**Bank Deposits**
Minimum credit risk exposure at the balance sheet date (*)	56.459	347.872.584	172.166	7.582.337	2.931.240	220.280.644
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	78.125.665	-	-	-	-
A. Net book value of not due or not impaired financial assets	56.459	302.577.546	172.166	7.582.337	2.931.240	220.280.644
B. Net book value of assets that are due but not impaired	-	45.295.038	-	-	-	-
- Overdue (gross book value)	-	45.295.038	-	-	-	-
- Secured net value via guarantee or etc.	-	23.140.315	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	10.666.462	86.476.939	-	1.310.637	-	-
- Impairment (-)	(10.666.462)	(86.476.939)	-	(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.

(Amounts expressed in Turkish Lira (TL))

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

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk exposure based on financial instrument categories	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2017	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Financial Investments**	**Bank Deposits**
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	-	31.588.492	-	-	-	-
- Overdue (gross book value)	-	31.588.492	-	-	-	-
- Secured net value via guarantee or etc.	-	31.588.492	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- 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.

(Amounts expressed in Turkish Lira (TL))

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

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

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 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 December 2018	31 December 2017
Until 1-90 days	26.478.670	21.007.982
Until 3-6 months	12.279.738	7.833.944
Until 6-9 months	4.915.089	1.417.927
Until 9-12 months	983.797	379.653
More than 1 year past due	637.744	948.986
Total overdue receivables	45.295.038	31.588.492
Secure portion with quarantee letter	(23.140.315)	(31.588.492)
	22.154.723	-

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

	31 December 2018	31 December 2017
	Nominal Value	Nominal Value
Quarantee letter taken	300.000	300.000
	300.000	300.000

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 liquidty risk level

(Amounts expressed in Turkish Lira (TL))

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

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

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 2018

Due dates on agreement	Carrying Value	Cash outflows according to agreements (I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial instruments					
Bank loans	575.159.763	643.372.988	154.773.982	232.892.185	255.706.821
Trade payables	119.542.522	119.542.522	119.542.522	-	-
Other payables	8.699.635	8.699.635	8.699.635	-	-
Payables due to personnel	5.549.666	5.549.666	5.549.666	-	-
Total liabilities	708.951.586	777.164.811	288.565.805	232.892.185	255.706.821

Due dates on agreement					
Derivative financial instruments					
Derivative cash exposure	1.105.535	1.105.535	158.209	947.326	-
	1.105.535	1.105.535	158.209	947.326	-

31 December 2017

Due dates on agreement	Carrying Value	Cash outflows according to agreements (I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial instruments					
Bank loans	389.646.552	436.114.304	142.190.566	96.255.889	197.667.849
Trade payables	112.764.236	119.509.274	119.509.274	-	-
Other payables	7.395.488	7.395.488	8.726.181	-	-
Payables due to personnel	6.898.287	6.898.287	5.549.666	-	-
Total liabilities	516.704.563	569.917.353	275.975.687	96.255.889	197.667.849

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:

(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)

	31 December 2018				
	TL Equvalents (Fuctional currency)	**US Dollars**	**Euro**	**Ruble**	**CHF**
1. Trade receivables	214.309	40.736	-	-	-
2a. Monetary Financial Assets	131.103.827	16.286.698	7.534.044	-	890
2b. Non-Monetary Financial Assets	8.523.152	882.089	-	51.534.003	-
4. CURRENT ASSETS	**139.841.288**	**17.209.523**	**7.534.044**	**51.534.003**	**890**
6a. Monetary Financial Assets	3.630.299	-	602.239	-	-
8. NON CURRENT ASSETS	**3.630.299**	**-**	**602.239**	**-**	**-**
9. TOTAL ASSETS	**143.471.587**	**17.209.523**	**8.136.283**	**51.534.003**	**890**
10. Trade Payables	(5.774.040)	(6.416)	(901.870)	-	-
11. Financial Liabilities	(86.806.158)	(4.624.776)	(10.547.646)	-	-
12a. Monetary Other Liabilities	(2.688.351)	(510.490)	(450)	-	-
13. SHORT TERM LIABILITIES	**(95.268.549)**	**(5.141.682)**	**(11.449.966)**	**-**	**-**
15. Financial Liabilities	(35.491.589)	(4.168.220)	(2.250.000)	-	-
16b. Monetary Other Liabilities	(2.260.217)	(424.886)	(4.137)	-	-
17. LONG TERM LIABILITIES	**(37.751.806)**	**(4.593.106)**	**(2.254.137)**	**-**	**-**
18. TOTAL LIABILITIES	**(133.020.355)**	**(9.734.788)**	**(13.704.103)**	**-**	**-**
20. Net foreign currency asset / (liability) position (9+18)	**10.451.232**	**7.474.735**	**(5.567.820)**	**51.534.003**	**890**
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**1.928.080**	**6.592.646**	**(5.567.820)**	**51.534.003**	**890**
23. Import	251.171.795	47.154.168	3.837.646	-	318.602
24. Export	242.851.824	47.165.825	322.102	-	-

(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)

	31 December 2017				
	TL Equvalents (Fuctional currency)	**US Dollars**	**Euro**	**Leva**	**GBP**
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)**	**(25.570.286)**	**(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	-

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 20% increase and decrease in US Dollar and EURO against TL. 20% 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 20% 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 2018		**31 December 2017**	
	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 20% appreciation of USD against TL				
1 - USD net asset / liability	7.864.767	(7.864.767)	1.151.288	(1.151.288)
2- Amount hedged USD risk (-)	-	-	-	-
3- USD net effect (1 +2)	7.864.767	(7.864.767)	1.151.288	(1.151.288)
In case 20% appreciation of Euro against TL				
4 - Euro net asset / liability	(6.712.564)	6.712.564	(5.677.408)	5.677.408
5- Amount hedged Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(6.712.564)	6.712.564	(5.677.408)	5.677.408
In case 20% appreciation of other currencies against TL				
7 - Other currencies net asset / liability	938.043	(938.043)	15	(15)
8- Amount hedged other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7 +8)	938.043	(938.043)	15	(15)
TOTAL (3 + 6 +9)	2.090.246	(2.090.246)	(4.526.105)	4.526.105

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 exchange forward contracts

It is the policy of the Group to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated sales and purchase transactions out to 12 months.

The Group's policy has been reviewed and, due to the increased volatility in US Dollars, it was decided to hedge up for foreign currency forward risk arising on translation of the foreign operation. The Group utilises a rollover hedging strategy, using contracts with terms of up to 12 months.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (shown as liabilities) within the statement of financial position (Note: 27):

Hedging instruments	Average rate		Nominal amount: foreign currency		Nominal amount: Turkish Lira		Change in fair value for recognising hedge	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cash Flow Hedges								
Purchase of US Dollars								
Less than 3 months	5,8965	-	700.000	-	4.127.600	-	(158.209)	-
Between 3-6 months	6,1068	-	3.600.000	-	26.325.700	-	(947.326)	-
		-	4.300.000	-	30.453.300	-	(1.105.535)	-

(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:

	Interest Rate Position Table	
	31 December 2018	31 December 2017
Financial Instruments		
with fixed interest rate	**780.953.296**	**389.307.300**
Time Deposits (TL)	93.482.196	14.596.674
Time Deposits (Foreign Currency)	127.224.195	71.297.901
Total Time Deposits (Note: 32)	220.706.391	85.894.575
Financial Liabilities (TL)	452.862.016	231.971.211
Financial Liabilities (Foreign Currency)	107.384.889	71.441.514
Financial Instruments		
with variable interest rate	**14.912.858**	**86.233.827**
Financial Liabilities (Foreign Currency)	14.912.858	86.233.827
Total Financial Liabilities (Note: 27)	575.159.763	389.646.552

As of 31 December 2018, if the variable interest rate in TL were higher / lower by 100 basis points when all other variables remained constant, the profit before tax would have been lower/higher by TL 16.330 (31 December 2017: TL 612.267).

The Group sensivity 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.

(Amounts expressed in Turkish Lira (TL))

29. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

31 December 2018	Financial assets at amortized cost	Fair value changes to through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	236.929.104	-	-	236.929.104	32
Trade receivables	347.872.584	-	-	347.872.584	6
Financial investments	5.501.205	-	-	5.501.205	27-32
Trade receivables from related party	56.459	-	-	56.459	5-6
Other receivables from related party	172.166	-	-	172.166	5-7
Other receivables	7.582.337	-	-	7.582.337	7
Financial liabilities					
Bank loans	-	-	575.159.763	575.159.763	27
Trade payables	-	-	119.542.522	119.542.522	6
Other payables	-	-	8.699.635	8.699.635	7
Derivative instruments	-	1.105.535	-	1.105.535	27
Payables due to personnel	-	-	5.549.666	5.549.666	16

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

(Amounts expressed in Turkish Lira (TL))

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

31 December 2017	Loans and receivables (including Cash and cash equivalents)	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	153.725.346	-	-	153.725.346	32
Trade receivables	383.472.011	-	-	383.472.011	6
Financial investments	2.028.322	2.569.965	-	4.598.287	27-32
Trade receivables from related party	149.351	-	-	149.351	5-6
Other receivables	7.250.802	-	-	7.250.802	7
Financial liabilities					
Bank loans	-	-	389.646.552	389.646.552	27
Trade payables	-	-	112.764.082	112.764.082	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.

(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.

Assets and liabilities measured at fair value based on valuation techniques

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined;

Financial Liabilities	Fair value			Valuation
	31 December 2018	31 December 2017	Fair level	technique
Foreign exchange forward contracts	(1.105.535)	-	2. level	Market value

The reconciliation of financial liabilities which valued at level 2 are stated as follows:

	31 December 2018 Financial liability recognized at fair value through profit or loss	31 December 2017 Financial liability recognized at fair value through profit or loss
	Derivative Financial Instruments	Derivative Financial Instruments
Opening balance, 1 January	-	-
Total gain		
-The period profit / (loss) as reflected in the loss	(1.105.535)	-
Closing Balance, 31 December	(1.105.535)	-

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.

(Amounts expressed in Turkish Lira (TL))

31. EVENTS AFTER THE BALANCE SHEET DATE

None Noted.

32. DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2018	31 December 2017
Cash on hand	92.718	135.156
Cash at banks	220.280.644	133.364.160
Demand deposits	*2.505.493*	*35.402.845*
Time deposits	*217.775.151*	*97.961.315*
Cheques and notes received	15.910.412	19.756.614
Other cash equivalents	645.330	469.416
Cash and Cash Equivalents	236.929.104	153.725.346
Less: Time deposits over 3 months maturity	2.931.240	2.028.322
Cash and Cash Equivalents as shown in cash flows	239.860.344	155.753.668

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

As of 31 December 2018 and 2017, maturities of the Group's time deposits which are less than 3 months are stated below:

Currency	Interest rate (%)	31 December 2018
TL	16,50 - 23,60	90.550.956
US Dollars	3,25 - 5,00	83.219.836
Euro	2,00 - 3,00	44.004.359

Currency	Interest rate (%)	31 December 2017
TL	12,25 - 15,10	12.568.352
US Dollars	3,20 - 4,75	71.297.901
Euro	2,00	14.095.062

As of 31 December 2018, the maturity of time deposits varies between 3 and 36 days (31 December 2017: 3 to 34 days). Interest rates of time deposits are fixed.