

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

**Nuh Çimento Sanayi A.Ş.  
and its subsidiaries**

**Consolidated financial statements at December 31, 2013  
together with Independent auditors' report**

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

**Nuh Çimento Sanayi A.Ş. and its subsidiaries**

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

## Independent auditors' report

To the shareholders of Nuh Çimento Sanayi A.Ş.

### *Introduction*

1. We have audited the accompanying consolidated balance sheet of Nuh Çimento Sanayi A.Ş. (the Company) and its Subsidiaries (together will be referred to as "the Group") as of December 31, 2013 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 a summary of significant accounting policies and explanatory notes.

### *Management's responsibility for the financial statements*

2. The Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards (TAS) published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for the internal controls considered necessary by the management relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud.

### *Independent auditors' responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with Turkish Auditing Standards issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.



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### *Basis for qualified opinion*

6. As of December 31, 2013 in the consolidated balance sheet, the Company has joint venture investments in Torgoviy Port Ltd. (Torgoviy) and Kovcheg Ltd (Kovcheg), which are established in Russia and were accounted by using the equity method at the amounts of TL 5.903.919 and TL 0, respectively. As also disclosed in the Note 10 to the consolidated financial statements, as per unaudited financial statements, Torgoviy incurred losses in the first nine months of 2011. After that date, the joint control of the Company on Torgoviy ceased and the application of equity accounting is discontinued. As of December 31, 2013 and December 31, 2012, the net shareholders equity of Kovcheg is negative. On April 8, 2011, a protocol was signed between the Company and the other joint venture partner, in order to end the partnership and split the net investments. As of December 31, 2013, such asset sharing and share transfers in accordance with this protocol have not been realized yet and several lawsuits were filed against these companies and by these companies in May and July, 2012. As of December 31, 2013 the Company has overdue receivables amounting to TL 34.220.663 in total from Torgoviy, Kovcheg and another Company which is related to these companies arising from loans given and the sale of goods. The Company has made provision for the full amount, TL 24.096.083 of the amount booked in year 2013. No provision has been made in the the accompanying consolidated financial statements for the abovementioned subsidiaries amount of TL 5.903.919 and possible outcome of these lawsuits.
7. The Company's one of the associates, Tan Kömür Dış Ticaret Limited Şirketi (Tan Kömür), which was established in 2010 and accounted by using the equity method in the consolidated financial statements has a subsidiary having operations in Abhazia, Korçhal Kömür Limited (Korçhal). The financial statements of Korçhal as of and for the year ended December 31, 2013 is unaudited and in the consolidated statement of comprehensive income for 2013, period loss amounting to TL 407.653 in the the account of "share of profits of investments accounted under equity method" and in consolidated balance sheet, TL 11.948.653 (December 31, 2012 - TL 10.883.467 of the account "investments accounted under equity method" and TL 1.195.032 (December 31, 2012 – TL 1.276.753) of the account "currency translation differences" is related to Korçhal. Korçhal is selling almost all of its lignite production to a company located in U.K. Korçhal has also been supplying a portion of lignite that is used in cement production of the Company and the lignite supply in 2013 is amounting to TL 2.596.295.

### *Qualified opinion*

8. In our opinion, except for the effects of the matters explained in the basis for qualified opinion paragraphs, if any, the accompanying consolidated financial statements present fairly the financial position of Nuh Çimento Sanayi A.Ş. and its Subsidiaries as at December 31, 2013 and their financial performance and cash flows for the year then ended in accordance with TAS (please refer to Note 2).



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**Reports on independent auditor's responsibilities arising from other regulatory requirements**

9. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
10. Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly listed companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditors' report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the date of our auditors' report, POA has not announced the principles of this report yet accordingly no separate report has been drawn up relating to it. Accordingly, no work has been performed to form an auditor's opinion on whether the establishment of an early risk identification committee. On the other hand the board's sub-committee, the Corporate Governance Committee has discussed the existence of the Group, early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard in the meeting held on November 23, 2013.

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

Ertan Ayhan, SMMM  
Engagement Partner

March 5, 2014  
İstanbul, Türkiye

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

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Consolidated balance sheet

as of December 31, 2013

(Amounts expressed in Turkish Lira (TL))

		Current period (Audited) December 31, 2013	Prior period (Audited) December 31, 2012
<b>Assets</b>			
<b>Current assets</b>		<b>452.204.096</b>	<b>448.509.997</b>
Cash and cash equivalents	5	35.891.779	24.212.874
Trade receivables		237.863.338	262.914.164
- Due from related parties	8, 26	3.657.059	6.122.970
- Other trade receivables	8	234.206.279	256.791.194
Other receivables		8.599.123	24.230.011
- Due from related parties	9, 26	2.869.772	19.472.983
- Other trade receivables	9	5.729.351	4.757.028
Inventories	10	87.905.936	83.589.462
Prepaid expenses	17-b	56.615.102	30.556.717
Current tax assets		57.505	147.578
Other current assets	17-a	23.967.850	14.838.906
<b>Subtotal</b>		<b>450.900.633</b>	<b>440.489.712</b>
Assets classified as held for sale	17-c	1.303.463	8.020.285
<b>Non-current assets</b>		<b>906.976.058</b>	<b>903.179.194</b>
Trade receivables	8	95.238	1.009.373
- Other trade receivables	26	95.238	1.009.373
Other receivables		5.967.593	484.139
- Other trade receivables	9	5.967.593	484.139
Financial investments	6	3.187.199	5.710.429
Investments accounted under equity method	11	138.152.315	135.293.520
Investment properties	17-d	134.251.827	79.825.804
Tangible assets	12	565.705.323	593.844.080
Intangible assets	13	28.224.563	28.623.556
Goodwill	14	19.067.067	24.910.842
Prepaid expenses	17-b	1.488.418	26.438.202
Deferred tax assets	24	10.836.515	7.039.249
<b>Total assets</b>		<b>1.359.180.154</b>	<b>1.351.689.191</b>

The accompanying policies and explanatory notes on pages 9 through 69 form an integral part of these consolidated financial statements.

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

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Consolidated balance sheet  
as of December 31, 2013  
(Amounts expressed in Turkish Lira (TL))

		Current period (Audited) December 31, 2013	Prior period (Audited) December 31, 2012
	Notes		
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>250.125.939</b>	<b>325.481.721</b>
Financial liabilities	7	17.072.056	174.280.527
Trade payables	8	76.899.813	81.553.555
- Due to related parties	26	151.218	3.528.996
- Other trade payables		76.748.595	78.024.559
Reserve for employee termination benefits		4.464.777	3.469.529
Other payables	9	8.546.934	8.125.304
- Due to related parties	26	-	40.438
- Other payables		8.546.934	8.084.866
Deferred Income		26.031.955	19.444.404
Current income tax liabilities	20	9.466.370	1.948.798
Provisions		8.907.166	2.797.514
- Other provisions	15	8.907.166	2.797.514
Other current liabilities		2.424.266	73.828
<b>Non-current liabilities</b>		<b>216.747.027</b>	<b>174.512.360</b>
Financial liabilities	7	176.635.963	134.600.304
Provisions		24.921.461	25.057.797
- Reserve for employee termination benefits	15	18.434.741	18.571.077
- Other provisions	14	6.486.720	6.486.720
Deferred tax liabilities	24	15.189.603	14.854.259
<b>Equity</b>		<b>892.307.188</b>	<b>851.695.110</b>
<b>Equity holders of the parent</b>		<b>892.150.375</b>	<b>851.544.241</b>
Paid-in share capital	18	150.213.600	150.213.600
Adjustment to share capital	18	39.338.145	39.338.145
Other comprehensive income/expense not to be reclassified to profit or loss		(432.555)	(221.358)
- Actuarial gain/loss arising from defined benefit plans		(432.555)	(221.358)
Other comprehensive income/expense to be reclassified to profit or loss		884.791	(112.343)
- Currency translation differences		879.079	(112.343)
- Revaluation surplus		5.712	-
Restricted reserves allocated from profits		133.767.295	109.985.606
Retained earnings		480.478.274	487.907.020
Net income for the year		87.906.537	64.433.571
Non-controlling interest		156.813	150.869
<b>Total liabilities and equity</b>		<b>1.359.180.154</b>	<b>1.351.689.191</b>

The accompanying policies and explanatory notes on pages 9 through 69 form an integral part of these consolidated financial statements.

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

**Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Consolidated statement of comprehensive  
income as of December 31, 2013  
(Amounts expressed in Turkish Lira (TL))**

		Current period (Audited)	Prior period (Audited)
	Not	January 1 - December 31, 2013	January 1 - December 31, 2012
<b>Continuing operations</b>			
Sales	17	963.609.551	897.378.346
Cost of sales (-)	17	(722.213.773)	(736.816.239)
<b>Gross profit</b>		<b>241.395.778</b>	<b>160.562.107</b>
Selling, marketing and distribution expenses (-)		(41.942.881)	(56.676.990)
General and administrative expenses (-)		(46.665.826)	(42.503.932)
Research and development expenses (-)		(23.431)	(15.423)
Other operating income	21	41.138.124	18.063.545
Other operating expenses (-)	21	(95.268.147)	(31.342.122)
<b>Operating profit</b>		<b>98.633.617</b>	<b>48.087.185</b>
Investing activities income	22	57.170.001	10.067.797
Investing activities expenses (-)	22	(18.914.109)	(2.696.356)
Share of profits of investments accounted under equity method		21.677.308	23.094.537
<b>Operating profit before financing expense</b>		<b>158.566.817</b>	<b>78.512.288</b>
Financial income	23	14.386.542	30.957.797
Financial expense (-)	23	(55.867.214)	(26.995.034)
<b>Operating income before tax</b>		<b>117.086.145</b>	<b>82.515.926</b>
Tax expense for continuing operations		(28.942.751)	(18.233.258)
- Current tax expense for the year	24	(32.334.278)	(15.751.926)
- Deferred tax income/(expense)	24	3.391.527	(2.481.332)
<b>Net income for continuing operations</b>		<b>88.143.394</b>	<b>64.282.668</b>
Income from discontinued operations	3	(230.913)	-
<b>Net income</b>		<b>87.912.481</b>	<b>64.282.668</b>
<b>Other comprehensive income:</b>			
- Change in currency translation differences		991.422	(972.337)
- Actuarial gain/loss arising from defined benefit plans		(263.996)	205.320
- Actuarial gain/loss arising from defined benefit plans related to investments accounted under equity method		(69.861)	(186.131)
- Revaluation surplus related to investments accounted under equity method		5.713	-
Taxes related to other comprehensive income not to be reclassified to profit or loss			
- Deferred tax income/(expense)		52.799	(41.064)
<b>Other comprehensive income (after tax)</b>		<b>88.628.558</b>	<b>63.288.456</b>
<b>Total comprehensive income</b>		<b>88.628.558</b>	<b>63.288.456</b>
Profit for the year attributable to		87.912.481	64.282.668
Non-controlling interest		5.944	(150.903)
Share of the parent		87.906.537	64.433.571
Total comprehensive income attributable to		88.628.558	63.288.456
Non-controlling interest		5.944	(150.903)
Share of the parent		88.622.614	63.439.359
Earnings per share		0,59	0,43

The accompanying policies and explanatory notes on pages 9 through 69 form an integral part of these consolidated financial statements.



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

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Consolidated statement of changes in equity as of December 31, 2013  
(Amounts expressed in Turkish Lira (TL))

	Paid-in share capital	Adjustment to share capital	Actuarial gain/loss arising from defined benefit plans	Other comprehensive income/expense not to be reclassified to profit or loss	Restricted reserves allocated from profits	Retained earnings	Net income for the period	Share of the parent	Non-controlling interest	Total
Balance as of January 1, 2012	150.213.600	39.338.145	-	859.894	86.239.560	484.014.496	75.507.440	836.173.235	(130.728)	836.042.507
Effect of the change in accounting policies (Note 2)	-	-	(199.483)	-	-	-	199.483	-	-	-
Balance as of January 1, 2012 (revised)	150.213.600	39.338.145	(199.483)	859.894	86.239.560	484.014.496	75.706.923	836.173.235	(130.728)	836.042.507
Transfer	-	-	-	-	-	75.706.923	(75.706.923)	-	-	-
Transfer from retained earnings to reserves	-	-	-	-	23.746.046	(23.746.046)	-	-	-	-
Dividend payments	-	-	-	-	-	(48.068.353)	-	(48.068.353)	-	(48.068.353)
Shares without control caused by cotton share purchases	-	-	-	-	-	-	-	-	432.500	432.500
Total comprehensive income	-	-	(21.875)	(972.337)	-	-	64.433.571	63.439.359	(150.901)	63.288.456
Balance as of December 31, 2012	150.213.600	39.338.145	(221.358)	(112.343)	109.985.606	487.907.020	64.433.571	851.544.241	150.869	851.695.110
Transfer	-	-	-	-	-	64.433.571	(64.433.571)	-	-	-
Transfer from retained earnings to reserves	-	-	-	-	23.781.689	(23.781.689)	-	-	-	-
Dividend payments	-	-	-	-	-	(48.080.628)	-	(48.080.628)	-	(48.080.628)
Total comprehensive income	-	-	(216.909)	991.422	-	-	87.906.537	88.686.762	5.944	88.692.706
Balance as of December 31, 2013	150.213.600	39.338.145	(438.267)	879.079	133.767.295	480.478.274	87.906.537	892.150.375	156.813	892.307.188

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

**Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Consolidated statement of  
cash flows as of December 31, 2013  
(Amounts expressed in Turkish Lira (TL))**

		Audited Current period	Audited Prior period Revised (Note 2)
	Notes	January 1 – December 31, 2013	January, 1 – December 31, 2012
<b>A Cash flows from operating activities</b>			
Continuing operations net income for the period		88.143.394	64.282.668
Discontinuing operations net loss for the period		(230.913)	-
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Adjustment for depreciation and amortization expense		57.147.374	54.435.271
Adjustment for tax income/expenses		(3.461.922)	2.481.332
Adjustment for provision for expenses		54.113.335	6.430.453
Adjustment for rediscount income/expenses		3.131.371	(3.902.068)
Adjustment for interest expense	23	16.282.195	21.535.433
Adjustment for interest income	23	(7.192.705)	(5.469.957)
Discount on Kudret Enerji purchasing sum		-	(4.168.576)
Impairment of Kudret Enerji goodwill	14	5.843.775	-
Loss/profit on sale of tangible and intangible assets		(27.798.525)	208.639
Share of profits of investments accounted under equity method		(21.677.308)	(23.094.537)
Loss on sale of subsidiary	22	16.349.269	-
Profit on sale of subsidiary	22	(18.691.900)	-
<b>Operating income before working capital changes</b>		<b>161.957.440</b>	<b>112.738.658</b>
Changes in working capital:			
Change in trade receivables		(11.983.125)	(34.612.147)
Change in inventories		(4.316.474)	(23.247.161)
Change in trade payables		(3.880.157)	30.468.540
Change in other receivables		(14.134.402)	(14.960.998)
Change in other payables		42.865.928	(2.526.221)
Payments for employment termination benefits and seniority incentive premiums		(3.575.378)	(3.682.534)
Income taxes paid/returns		(24.816.706)	(18.761.894)
<b>Net cash generated by operating activities</b>		<b>142.117.126</b>	<b>45.416.243</b>
<b>B. Cash flows from investing activities</b>			
Dividends collected from affiliates and subsidiaries		21.528.285	18.951.658
Interest received		7.192.705	5.469.957
Purchase of tangible and intangible assets	12	(63.555.746)	(92.994.152)
Proceeds from sale of property and equipment and intangibles		44.275.594	5.909.409
Cash paid for expenditures in investment properties	16	(48.299.716)	(27.474.346)
Tangible assets held for sale		6.016.822	(2.369.905)
Change in financial investments		23.230	2.941.045
Change in paid advances for investments		-	4.588.682
Cash generated by sale of the subsidiary		19.391.900	-
<b>Net cash used in investing activities</b>		<b>(13.426.926)</b>	<b>(84.977.652)</b>
<b>C. Cash flows from financing activities</b>			
Dividends paid, cash		(48.080.628)	(48.068.351)
Interest paid		(13.038.422)	(21.778.356)
Proceeds from borrowings	7	118.967.800	157.657.359
Repayment of borrowings	7	(174.860.045)	(48.770.543)
<b>Cash flows from financing activities</b>		<b>(117.011.295)</b>	<b>39.040.109</b>
Increase (+) / decrease (-) in cash and cash equivalents (A+B+C)		11.678.905	(521.300)
<b>D. Cash and cash equivalents at the beginning of the year</b>	5	<b>24.212.874</b>	<b>24.734.174</b>
<b>Cash and cash equivalents at the end of the year</b>	5	<b>35.891.779</b>	<b>24.212.874</b>

The accompanying policies and explanatory notes on pages 9 through 69 form an integral part of these consolidated financial statements.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

### Notes to the consolidated financial statements for the year ended December 31, 2013

(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

#### 1. Organization and business activities

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 İnönü Cad. No:102 Kat:6-7 Kozyatağı – İstanbul

The Company is registered to the Capital Markets Board (CMB) and 12,07% of its shares are being traded on Borsa İstanbul (BIST) since 24 February 2000.

Consolidated financial statements have been authorized on March 5, 2014 by the Board of Directors of the Company. The General Board and other legal regulatory institutions have the right to amend the statutory and consolidated financial statements.

Shareholder structure as of December 31, 2013 and December 31, 2012 is as follows:

Name	Percentage of shares	
	December 31, 2013	December 31, 2012
Nuh Ticaret ve Sanayi A.Ş.	%43,73	%43,73
Partaş Tekstil İnş. San.ve Tic. A.Ş.	%15,94	%15,94
Other(*)	%40,33	%40,33
	%100,00	%100,00

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

The average number of personel is categorized as follows:

	31 Aralık 2013	31 Aralık 2012
White collar	348	340
Blue collar	653	626
Total	1.001	966

#### Subsidiaries:

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

#### Nuh Beton A.Ş.

Nuh Beton A.Ş. started to produce ready-mixed concrete in 1987 at the Bostancı facility as a separate entity of Nuh Çimento Sanayi A.Ş. 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 Sanayi A.Ş. and Nuh Beton A.Ş. was established in 1995. 31 concrete plants, 278 mixers, 87 pumps and 26 loaders exist in 29 separate facilities and in 2013, 3,54 million m<sup>3</sup> (2012 – 4,1 Million m<sup>3</sup>) ready-mixed concrete was produced. Besides, the bazaar and hotel constructions on the land owned by the Company in Bostancı were mostly finalized and it is estimated that other hotel construction in the same area will be finalized in 2014.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

### 1. Organization and business activities (continued)

#### Nuh Yapı Ürünleri ve Makina Sanayi A.Ş.(Nuh Yapı)

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

The legal establishment of Nuh Yapı Ürünleri ve Makine Sanayi A.Ş. 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 Ürünleri ve Makina Sanayi A.Ş. completed the construction of aerated concrete block production facility, in 2008 with an annual capacity of 400.000 m<sup>3</sup>, which was started in 2007. Besides, the limestone production facility whose investment started in 2007 and which was fully financed by equity was completed at the end of 2010 with an annual quicklime production capacity of 212.000 tons. 460.439 m<sup>3</sup> /year of aerated concrete block (2012- 440.000 m<sup>3</sup>) and 171.800 tons/year of quicklime (2012 - 166.000 tons) were sold in 2013.

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

Nuh Enerji Elektrik Üretim A.Ş. 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 Sanayi A.Ş. 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. The operations continued with 3 gas power plants with a total capacity of 158 MW. The operations towards investing or acquiring hydroelectric and wind power plants in order to diversify the production resources are also in progress. In this context investment activities in Hereke Wind Power Central still continue. In 2013, 370 million KWH (2012 – 444 million KWH) of production has been performed.

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

Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. was established in 2006 in order to procure electricity from both local and foreign markets and to sell them in bulk or directly to the free consumer. It started its operations in 2010 due to the economic conditions and its paid-in share capital amounts to TL 1.000.000.

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

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.

#### Nuh Gayrimenkul İnşaat A.Ş.

The company 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.

The company has shares of Nuh Beton and Ünye Çimento.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

### 1. Organization and business activities (continued)

#### Çim-Nak Taşımacılık Limited Şirketi

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

#### Navig Holding Trade B.V.

Navig Holding Trade B.V. was established in 1997 in Netherlands with the 100% participation of Nuh Çimento Sanayi A.Ş. to assist the export-import operations of the group's firms, finding long-term external credits for investments and making securities investments. The company's current capital is EUR 12.039.658.

#### Nuh Beton – Torgoviy port Ltd

Torgoviy Port Ltd. was established in 2009 in the province of Rostov-on-Don of Russian Federation for the purpose of producing products from concrete, plaster and cement. The Group's shareholding rate in the company is 75%.

#### Tekkale Elektrik Üretim Ticaret Sanayi A.S

On July, 2011 the Group purchased all shares of Tekkale Elektrik Üretim Ticaret Sanayi A.Ş which is the license owner of "Tekkale HES" Project built in Artvin with 17,48 MW power.

### Joint ventures and associates

#### Kovcheg Ltd.

Kovcheg Ltd. was established in 2007 in Russian Federation provinces of Rostov-on-Don and Kalach for operating in port administration, cement production and sales, etc., with a total share capital of Ruble 10.257.026. The Company participated in the firm with a 50% share in 2008.

#### 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%. As of 31 December 2013, the share capital of Torgoviy Port Ltd. is Ruble 190.526.000 and the Company's shareholding rate is 50%.

#### Tan Kömür Dış Ticaret Limited Şirketi

Tan Kömür Dış Ticaret Limited Şirketi was established on 5 August 2009 in Istanbul with a share capital of TL 20.000.000 and a shareholding rate of 50% in Nuh Çimento Sanayi A.Ş for management and trading of coal mines, cement, plaster, briquette, ready-made concrete in local and foreign markets, and for establishing partnerships with companies operating in related fields. Tan Kömür continues its coal mine production and investment operations via its subsidiary located abroad.

#### Ünye Çimento Sanayi ve Ticaret A.S.

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 A.Ş. and Nuh Gayrimenkul İnşaat A.Ş. holds 40% of its shares in total.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)**  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

### **1. Organization and business activities (continued)**

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 preparation of consolidated financial statements**

#### **i. Basis of preparation**

The accomplished consolidated financial statements and disclosures have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) promulgated by the Public Oversight Accounting and Auditing Standards Authority (POA) as set out in the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of POA.

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Turkish Accounting Standards published by the POA.

Statutory record of the subsidiaries and participations of the Group operating in Turkey have been prepared in accordance with Turkish Commercial Code ("TCC"), tax code and uniform chart of accounts published by Turkish Republic Ministry of Finance. Further statutory records are comply with principles and requirements issued by the CMB. Subsidiaries and participations operating in foreign countries have prepared their legal financial statements in accordance with applicable laws in their countries. Consolidated financial statements prepared in accordance with TFRS are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standards. Consolidated financial statements except financial assets shown with fair value and assets provided during the acquisition of subsidiaries have been prepared taking the historical cost basis into consideration.

#### **Functional and presentation currency**

The functional currency of the Group is Turkish Lira (TL) and accompanying consolidated financial statements and explanatory notes are represented in Turkish Lira (TL). The consolidated financial statements have been prepared under the historical cost convention.

#### **Seasonality**

Operations of the Group increases in spring and summer months when the construction industry brisks and the demand increases.

#### **Adjustment of financial statements during hyperinflationary periods**

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/367, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of December 31, 2013 and December 31, 2012 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

### 2. Basis of preparation of consolidated financial statements (continued)

#### ii. Basis of consolidation

The direct and indirect shareholdings of the Company within its Subsidiaries are as follows:

	December 31, 2013	December 31, 2012
<b>Subsidiaries</b>		
Nuh Beton A.Ş.	100,00%	100,00%
Nuh Yapı Ürünleri ve Makine Sanayi A.Ş.	100,00%	100,00%
Nuh Enerji Elektrik Üretim A.Ş.	100,00%	100,00%
Çim-Nak Taşımacılık Limited Şirketi	98,00%	98,00%
Nuh Gayrimenkul İnşaat A.Ş.	100,00%	100,00%
Navig Holding Trade B.V.	100,00%	100,00%
Nuh Beton Torgoviy Port Ltd (*)	75,00%	75,00%
Nuh Enerji Elektrik İthalat İhracat ve Toptan Ticaret A.Ş.	100,00%	100,00%
Kudret Enerji Elektrik Üretim A.Ş.	100,00%	100,00%
Pamuk Elektrik Üretim Ticaret ve Sanayi Limited Şirketi (Not 3)	-	80,00%
Tekkale Elektrik Üretim Ticaret Sanayi A.Ş.	100,00%	100,00%
<b>Joint ventures and associates accounted under equity method</b>		
Torgoviy Port Ltd. (*)	50,00%	50,00%
Kovcheg Ltd. (*)	50,00%	50,00%
Tan Kömür Dış Ticaret Limited Şirketi	50,00%	50,00%
Ünye Çimento Sanayi ve Ticaret A.Ş.	40,03%	40,03%

(\*) The Company's Board of Directors, with their decision dated May 11, 2011 decided to end their partnership within Nuh Beton Torgoviy Port Ltd., Torgoviy Port Ltd. and Kovcheg Ltd. As a result of this decision, with the joint venture partners, which are the same for the three companies, the Company signed a good faith agreement, and accordingly it was agreed that 50% of the shares of the other partners in Nuh Beton Torgoviy Port Ltd. and Kovcheg Ltd. be transferred to the Company, and 50% of the shares of the Company in Torgoviy Port Ltd. be transferred to the other partners. As of 31 December 2013, the process regarding the termination of the cooperation continues. The mentioned issue is passed to the high court in May and June 2013 and several claims and counter claims were filed (Note 11).

Consolidated financial statements have been prepared on the basis of principles stated below:

#### Full consolidation method

- All items in the balance sheet except for the paid in capital and the equities of the Parent Company and the subsidiary at the acquisition date are combined and inter-company balances are eliminated. Paid in capital in the subsidiary's financial statements and long term investments within the Parent Company's financials are offset against to each other.
- As of the acquisition date, the acquisition cost of the Parent Company's shareholding in its subsidiaries is offset against the portion of share capital it owns in the subsidiary's equity for one time. The equity of the subsidiary at the acquisition date should be drawn up according to the fair value of the subsidiary's net assets at that date. If the cost value of the Parent Company's shareholding in its subsidiary is more than the nominal value of the part of the share capital in the subsidiary's equity, the difference is recorded as positive goodwill in the asset side of the consolidated balance sheet as a separate item. If the difference is negative, it is reflected to the consolidated income statement.
- Non-controlling interests are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as "Non-controlling interests" in the consolidated balance sheet before the equity account group and in the consolidated income statement.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

### Notes to the consolidated financial statements for the year ended December 31, 2013 (continued) (Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

#### 2. Basis of preparation of consolidated financial statements (continued)

- The purchases and sales among the Parent Company and its Subsidiaries and the profit or losses arising from these transactions are eliminated in the consolidated income statement. Furthermore, profits or losses arising from the purchase or sale of marketable securities, stocks, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

#### Equity method

- Affiliates are stated at the acquisition cost.
- For the period starting as of the acquisition date of the affiliate until the reporting date, the Parent Company's share of the increases and decreases in the affiliate's equity are either added to or deducted from the acquisition cost of the affiliate. The increases and decreases corresponding to the equity share in comparison with the acquisition cost are stated in the consolidated income statement as profit or loss, respectively. In case the differences arise from equity items other than profit and loss, adjustments in the relevant items need also to be made in the shareholders' equity of the Parent Company. The dividends received from affiliates are deducted from the related investments.

#### iii. Adjustments

The accompanying consolidated financial statements are prepared in accordance with the TAS/TFRS and include the following adjustments which are not included in the statutory books.

- Consolidation accounting and elimination of inter-group balances and transactions
- Rediscount calculation on post-dated cheques, notes receivable, customers, notes payable, and suppliers
- Depreciation adjustment on tangible and intangible assets for prorated depreciation calculation
- Employee benefits in accordance with IAS 19
- Deferred tax adjustment
- Provision for impairment in financial investments
- Recognizing the effects of equity method of accounting
- Loan discount as per the effective interest method
- Adjustment of provision for doubtful receivables
- Provisional accounting in accordance with IAS 37
- Calculation of goodwill in accordance with IAS 3
- Impairment of assets in accordance with IAS 36

#### iv. Comparative information and re-classification of the prior period financial statements

The current consolidated financial statements of the Company have been prepared comparatively in order to provide opportunity for identification of financial situation and performance analysis. Comparative information is reclassified in order to conform with the current period financial statements presentation when necessary.

- a) In accordance with IAS 19 cumulative actuarial gain/loss amounts relating to employee severance indemnity for the periods after January 1, 2011 accounted under employee benefits have been identified and reclassified from retained earnings to employee benefits fund in the consolidated balance sheet dated January 1, 2012. Actuarial gain/loss amounts relating to periods before January 1, 2011 have not been reclassified as these amounts cannot be identified.



**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)**  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

**2. Basis of preparation of consolidated financial statements (continued)**

The Company has reclassified actuarial gain/loss amount after deferred tax which is recognized in the income statement of year 2012 from net profit for the period to actuarial gain/loss fund.

Effect of retrospective adjustments related to accounting of actuarial gain/loss fund in the comprehensive income statements dated December 31, 2012 and January 1, 2012 have been summarized as below :

	January 1, 2012	January 1, 2012		December 31, 2012	December 31, 2012	
	Before the change of accounting policy	After the change of accounting policy	Difference	Before the change of accounting policy	After the change of accounting policy	Difference
Retained earnings	484.014.496	484.014.496	-	487.707.537	487.907.020	199.483
Net profit for the period	75.507.440	75.706.923	199.483	64.411.696	64.433.571	21.875
Actuarial gain/loss arising from defined benefit plans	-	(199.483)	(199.483)	-	(221.358)	(221.358)

- b) In accordance with the decision taken at the meeting of CMB number 20/670 and dated June 7, 2013 financial statements examples which are effective from the end of the interim period of March 31, 2013 and instructions for use have been published.

Some reclassifications have been made in the balance sheet and the income statement of the Group in accordance with these enacted formats.

Reclassifications in the consolidated balance sheet dated December 31, 2012 are as below;

- Short-term prepaid expenses amounting to TL 26.065.616 is reclassified from "other current assets" to "prepaid expenses",
- Advances given amounting to TL 4.491.091 is reclassified from "other current assets" to "prepaid expenses",
- Prepaid taxes amounting to TL 147.578 is reclassified from "other current assets" to "current tax assets",
- Income accrual amounting to TL 5.170.478 is reclassified from "other current assets" to "trade receivables",
- Advances given related to investments amounting to TL 26.375.590 is reclassified from "other non-current assets" to "prepaid expenses",
- Long-term prepaid expenses amounting to TL 62.613 is reclassified from "other non-current assets" to "prepaid expenses",
- Current portion of long term borrowings amounting to TL 33.788.262 is reclassified from "short term borrowings" to "current portion of long term borrowings",
- Due to personnel amounting to TL 1.330.317 is reclassified from "other short term liabilities" to "employee termination benefits",
- Expense accruals amounting to TL 3.243.018 is reclassified from "other short term liabilities" to "trade payables",

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

### 2. Basis of preparation of consolidated financial statements (continued)

- Advances received amounting to TL 19.444.404 is reclassified from "other short term liabilities" to "deferred income",
- Social security premium payables amounting to TL 1.464.056 and taxes payable to personnel amounting to TL 675.156 are reclassified from "short term other payables" to "employee termination benefits",
- Provision for vacation and seniority incentive premiums amounting to TL 1.961.538 is reclassified from "provision for retirement pay liability" to "long-term provisions",
- Provision expenses amounting to TL 2.797.514 is reclassified from "provision for other debts" to "short-term provisions",
- Land price amounting to TL 5.622.599 is reclassified from "tangible assets" to "investment properties",

Reclassifications in the consolidated income statement dated December 31, 2012 are as below;

- Foreign exchange income amounting to TL 1.771.333 is reclassified from "financial income" to "other operating income",
- Late interest income amounting to TL 3.231.548 is reclassified from "financial income" to "other operating income",
- Rediscount income amounting to TL 7.830.435 is reclassified from "financial income" to "other operating expenses",
- Rent income from investment properties amounting to TL 7.539.205 is reclassified from "other operating income" to "investing activities income",
- Profit on sale of fixed assets amounting to TL 2.696.356 is reclassified from "other operating income" to "investing activities income",
- Foreign exchange losses amounting to TL 7.668.288 is reclassified from "financial expenses" to "other operating expenses",
- Rediscount expenses amounting to TL 3.928.368 is reclassified from "financial expenses" to "operating expenses",
- Loss on sale of fixed assets amounting to TL 2.696.356 is reclassified from "other operating expenses" to "investing activities expenses",

### v. Changes and errors in the accounting policies and estimates:

Group accounting policies are applied in consistence with the prior year. Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### **vi. Changes in accounting policy and disclosures**

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

#### **New standards, changes and interpretations applicable to the financial statements as of January 1, 2013::**

##### **TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)**

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in;

### **2. Basis of preparation of consolidated financial statements (continued)**

- i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
- ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset in accordance with TAS 32. Such disclosures also apply to recognised financial instruments that are subject to enforceable master netting arrangement or similar agreement irrespective of whether they are set off in accordance with TAS 32 The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

##### **TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

##### **TAS 19 Employee Benefits (Amended)**

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, and recognizing actuarial gain/(loss) under other comprehensive income for defined benefit plans and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement.

The Group used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The Group, applied this amendment retrospectively and restated its prior year financial statements. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 15.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)**

### **2. Basis of preparation of consolidated financial statements (continued)**

#### **TAS 27 Separate Financial Statements (Amended)**

As a consequential amendment to TFRS 10 and TFRS 12, the TASB also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

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

As a consequential amendment to TFRS 11 and TFRS 12, the TASB also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have an impact on the financial position or performance of the Group.

#### **TFRS 10 Consolidated Financial Statements**

TFRS10, TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard did not have an impact on the financial position or performance of the Group.

#### **TFRS 11 Joint Arrangements**

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Group.

#### **TFRS 12 Disclosure of Interests in Other Entities**

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Group.

#### **TFRS 13 Fair Value Measurement**

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted.

#### **TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

Entities are required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)**  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

### **2. Basis of preparation of consolidated financial statements (continued)**

#### **Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)**

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments did not have an impact on the consolidated financial statements of the Group.

#### **Improvements to TFRSs**

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

#### **TAS 1 Financial Statement Presentation:**

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

#### **TAS 16 Property, Plant and Equipment:**

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

#### **TAS 32 Financial Instruments: Presentation:**

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

#### **TAS 34 Financial Reporting:**

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

#### **Standards issued but not yet effective and not early adopted**

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

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)**

### **2. Basis of preparation of consolidated financial statements (continued)**

#### **TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance the Group.

#### **TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### **TFRIC Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

#### **Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)**

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied TFRS 13. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

#### **Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting**

Amendments to TAS 39 Financial Instruments: Recognition and Measurement, provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### **TFRS 10 Consolidated Financial Statements (Amendment)**

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. This amendment will not have any impact on the financial position or performance of the Group.

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

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

#### **IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### **Improvements to IFRSs**

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted.

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

##### **IFRS 2 Share-based Payment:**

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

##### **IFRS 3 Business Combinations**

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

#### Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

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

#### IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

#### IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

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

#### IFRS 1 First-time Adoption of International Financial Reporting Standards

An entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment is effective immediately.

#### IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

#### IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

#### IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Group.



## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### **Resolutions promulgated by the Public Oversight Authority**

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

#### **2013-1 Financial Statement Examples and User Guide**

The POA promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the related classifications stated in Note 2 in order to comply with the requirements of this regulation.

#### **2013-2 Accounting of Combinations under Common Control**

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

#### **2013-3 Accounting of Redeemed Share Certificates**

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

#### **2013-4 Accounting of Cross Shareholding Investments**

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

### **vii. Summary of significant accounting policies:**

#### **Financial instruments**

Financial instruments constituted of financial assets and liabilities below:

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### ***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 5).

Bank accounts consist of time and demand deposit accounts and the related interest accrued. The Turkish Lira balances are stated at face values and the foreign currency balances are translated into Turkish Lira at the foreign currency rate issued by the Central Bank as at the report date. Time deposit accounts are stated as calculated by adding accrued interest as of balance sheet date on the principle amount.

Post dated cheques received with maturity dates exceeding the balance sheet date are classified in trade receivables and are rediscounted using the interest rates determined for government debt securities by considering the interest levels arising in the stock exchanges or other organized markets.

Other current assets include the credit card slips obtained through credited sales.

#### ***Trade receivables***

Trade receivables are financial assets created by the Company and its subsidiaries through selling goods and services directly to the customers. Trade receivables and notes and post-dated checks classified within trade receivables which are recognized at original invoice amount are measured at amortized cost using the effective interest rate method. Short term trade receivables without specified interest rate, are measured at invoice amount when the interest accrual effect is immaterial.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

The allowance for doubtful receivables is established through a provision charged to expenses. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debts are written off when identified.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period (Note 8).

#### ***Financial investments***

Financial assets held for trading are financial assets for which the fair value differences are reflected to the income statement. Financial investments are carried at cost when no market price in the stock exchange market is available, the fair value cannot be estimated reliably since the methods to be used in determining the fair value are not appropriate or they do not operate properly or the fair value cannot be assessed reliably.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### ***Impairment in financial assets***

Except for financial assets held for trading for which the fair value differences are reflected to the income statement, financial assets are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For loans and receivables impairment loss has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account. In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the consolidated income statement.

#### ***Trade payables***

Trade payables are financial liabilities created by the Company and its Subsidiaries through purchasing goods directly from the suppliers. Trade payables are subject to rediscount.

#### ***Short and long term bank loans***

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date.

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the income statement over the period of the borrowings. Borrowing costs arising from bank loans are charged to the income statement when they are incurred (Note 7).

#### **Derecognition of financial assets and liabilities**

The Group recognizes a financial asset or financial liability in its balance sheet when only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

#### ***Offsetting***

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

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### 2. Basis of preparation of consolidated financial statements (continued)

#### *Business combinations and goodwill*

A business combination is evaluated as the bringing together of separate entities or businesses into one reporting entity.

Business combinations have been accounted for by using the purchase method in the scope of IFRS 3 "Business combinations". The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree and in addition, any costs directly attributable to the business combination.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements. All transaction costs are expensed and the changes in the fair value of the contingent considerations are reflected to the consolidated comprehensive income.

Goodwill recognized in business combinations is tested for impairment annually or more frequently if events or changes in circumstances indicate impairment, instead of amortization. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

#### *Related parties*

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

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

The shareholders of the Company and the subsidiaries, the executive management personnel including the members of the Board and the General Manager, subsidiaries controlled by close family members, participations are defined as related parties. The Group's key management personnel and close family members of the parties mentioned above, the parties representing the benefits plans provided to the personnel who left the Company or a related party of the Company are also defined as related parties.

## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### ***Financial lease assets and lease commitments***

The Group records the fixed assets acquired through financial leasing with the present value of the minimum lease payments as of the balance sheet date. The discount rate used to calculate the present value of the minimum lease payments is the rate that equalizes -present value of the total of minimum lease payments and the uncertain residual value at the initial period of the lease contract- to the fair value of the leased asset and any direct initial costs of the lessor. As of the balance sheet date, leasing liabilities have been classified in the balance sheet as short or long term based on their payment terms and the interest expenses related with the current year are reflected to the consolidated income statement.

#### ***Inventories***

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the moving weighted average method and includes materials, labor and a reasonable amount of factory overhead costs.

#### ***Assets classified as held for sale***

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuous use and depreciation and amortization charges for those assets are ceased. Non-current assets classified as held for sale are measured at the lower of carrying amounts and their fair values less costs to sell. Non-current assets classified as held for sale of the Group includes properties acquired as collaterals during the credit risk management of trade receivables.

#### ***Projected lands in the context of revenue sharing by land sales***

The Group has made revenue sharing agreements with construction companies to increase revenue from land sales. This lands are carried at cost until the recognition of the sale as they are subject to revenue sharing agreements arranged with construction companies. Revenue is recognized when risks and rewards of ownership of lands have transferred to the buyer (customers of construction companies) and the amount of revenue can be measured reliably.

#### ***Discontinuing operations***

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- (a) is an operating segment, or
- (b) represents a separate major line of business or geographical area of operations, or
- (c) is a business that meets the criteria to be classified as held for sale on acquisition

Until the date of sale current year profit/loss of associates after eliminating balances resulting from operations with the Company is included in the consolidation and shown under income/expense from discontinued operations section in income statement.

Profit or loss before tax reflected to consolidated financial statements occurred during dispose of assets or asset groups related to discontinuing operations and profit or loss after tax of discontinuing operations are disclosed in note 3. Further net cash flows from operating, investment and financial activities related to discontinuing operations are disclosed in note 3.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### 2. Basis of preparation of consolidated financial statements (continued)

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation as of December 31, 2013. Tangible assets have been restated using the measuring unit current at December 31, 2004 from the dates of acquisition. Acquisitions subsequent to January 1, 2005 are stated at nominal values.

Depreciation is provided on cost or revalued amount of property, plant and equipment on a straight-line basis. Estimated useful lives are as follows:

Buildings	5-50 years
Land improvements	5-25 years
Machinery and equipment	5-25 years
Vehicles	4-15 years
Furniture and fixtures	3-25 years

#### **Intangible assets**

Intangible assets are stated at cost less accumulated depreciation as of December 31, 2013.

The acquisition values of intangible assets are considered in the restatement of intangible assets as at December 31, 2004. Depreciation is provided on cost or revalued amount of intangible assets on a straight-line basis with respect to the estimated useful lives stated as follows:

Rights	4 - 48 years
Leasehold improvements	3 - 10 years
Other intangible assets	1,5 - 10 years

#### **Assets and liabilities in foreign currencies**

Assets and liabilities in foreign currencies stated in balance sheet are translated into Turkish Lira using the buying rate of Turkish Central Bank as of balance sheet date. Transactions in foreign currencies during the period have been translated into Turkish Lira at the exchange rates prevailing at the dates of the transactions. Exchange gains or losses arising from those transactions are recognized in the consolidated income statement.

#### **Investment properties**

Buildings or real estate constructions in progress held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property".

Group's investment properties comprise the cost of construction of mall and hotel blocks which are in progress in Bostancı on a 90.000 m<sup>2</sup> land. As of December 31, 2013, investment properties have been completed and ready for their intended use are carried at cost less accumulated depreciation. Useful lives for buildings are determined as 50 years.

#### **Impairment of assets**

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in income statement.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
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### 2. Basis of preparation of consolidated financial statements (continued)

Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

#### Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2013 and 2012, income tax provisions have been accrued in accordance with the prevailing tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

#### (a) Employee Benefits:

##### Provision for retirement pay liability

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

### Notes to the consolidated financial statements

for the year ended December 31, 2013 (continued)

(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

#### 2. Basis of preparation of consolidated financial statements (continued)

In the consolidated financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the income statement.

##### Provision for seniority incentive premiums

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.*

##### (b) Defined contribution plans:

The Group pays contributions to the Social Security Institution on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

##### Provisions

Provisions are recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are revised at each balance sheet date and amended in order to reflect management's recent estimations.

##### Revenue recognition

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.

Interest income is recognised using the effective interest method.

Dividend income is assumed to be accrued when the shareholders gain their right to collect dividends.



## **Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
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### **2. Basis of preparation of consolidated financial statements (continued)**

#### **Revenue and expenses**

Accruals basis accounting is applied for the recognition of revenue and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

#### **Earnings per share**

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

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

#### **Contingent assets and liabilities**

Assets and liabilities that originate from past incidents and whose presence is not fully under the entity's control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are considered as contingent liabilities and assets.

#### **Subsequent events**

The Group updates its consolidated financial statements and respective disclosures that relate to conditions that existed at the end of the reporting period to regarding any new information that they receive after the reporting period which require amendment. Non-adjusting events are solely disclosed if they are of such importance.

#### **Cash flow statement**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### **Segment reporting**

The operating segments of the Group are based on the revenue generating operations whose financial information is available. Accordingly, the financial information of entities operating in the production and trade of cement, concrete, and construction material is classified under the "Construction and construction materials" account group whilst the financial information of those operating in generation and sales of electrical energy is stated under the "Energy Operations" account group. Other than these segments, some entities which provide construction-related transportation and services have been also classified under "Construction and construction materials" since their assets do not exceed 10% of the total assets.

**2. Basis of preparation of consolidated financial statements (continued)**

**viii. Significant accounting judgments and estimates**

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. However, actual results may vary from these results.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

- a) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 15)
- b) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered (Note 8).
- d) Provision for restoration costs of mining land arises from the obligation of the Company to spread soil to restore and green the lands currently used by the Company in the mining facilities. To calculate the restoration cost provision for lands with mining licenses, the Company considers the estimated restoration costs as of the balance sheet date (Note 15).
- e) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred
- f) tax asset is recognised for all temporary differences. The Group management, based on their evaluations, has recognized deferred tax assets for the portion of tax losses carried forward that they relied to have utilized in the foreseeable future in the pre-expiration period. Such evaluation is based on the assumption that the respective subsidiaries will have taxable profits in the future (Note 20).
- g) Inventory price lists after discount is used to calculate impairment for inventories. In such cases that sales price cannot be predicted, inventory aging and physical status are considered together with technical personnel's opinion. If anticipated expected net realizable value is less than the cost, impairment for the difference is provided for (Note 10).
- h) When allocating provision for legal risks, the probabilities of failure in the cases and the possible liabilities to be arisen in the case of failure are evaluated by the management through begin counseled by legal advisors of the Company or the subsidiaries. The management determines the amount of the provisions based on their best estimates (Note 14).
- i) In determining the fair value of the electricity production license acquired during the business combination, when calculating the expected discounted cash flows from this project, certain assumptions and estimates were made and used (Note 3).

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

3. Discontinued operations

Pamuk Elektrik Üretim Ticaret Ltd. Şti.

As a result of board of directors of Nuh Enerji dated December 12, 2013;

Pamuk Elektrik Üretim Ticaret Ltd. Şti. in which Nuh Enerji owns 100% shares has been sold to Haldız İnşaat Otomotiv ve Ticaret Ltd. Şti. with an amount of TL 8.200.000. Sales loss amounting to TL 16.349.269 has been recognized in investing activities income (Note 22).

a) Discontinued operations income

	January 1- December 31, 2013
<b>Discontinued operations</b>	
Revenue	-
Cost of sales (-)	-
<b>Discontinued operations gross profit</b>	-
Selling, marketing and distribution expenses (-)	
General and administrative expenses (-)	(86.648)
Other operating income	158
Other operating expenses (-)	(142.209)
<b>Discontinued operations operating loss</b>	<b>(228.699)</b>
Financial income	356
Financial expense (-)	(2.570)
<b>Net loss before taxes from discontinued operations</b>	<b>(230.913)</b>
<b>Tax income / (expense) for discontinued operations</b>	
Current tax expense for the period	-
Deferred tax income	-
<b>Net loss</b>	<b>(230.913)</b>

b) Summary of cash flow information related to discontinued operations

	January 1- December 31, 2013
Cash flows from operating activities	(4.006.526)
Cash flows from investing activities	(12.342.743)
Cash flows from financing activities	-
	<b>(16.349.269)</b>

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

4. Segmental reporting

As of December 31, 2013, segmental reporting is as follows:

January 1 – December 31, 2013	Construction and construction materials	Energy	Consolidation adjustments	Consolidated
Non-group sales, net	945.071.972	118.537.579	-	963.609.551
Inter-group sales	137.648.381	74.339.900	(211.988.281)	-
<b>Total sales, net</b>	<b>982.720.354</b>	<b>192.877.478</b>	<b>(211.988.281)</b>	<b>963.609.551</b>
<b>Cost of sales</b>	<b>(749.847.875)</b>	<b>(187.738.278)</b>	<b>215.372.382</b>	<b>(722.213.771)</b>
<b>Gross profit / (loss) from main operations</b>	<b>232.872.479</b>	<b>5.139.200</b>	<b>3.384.100</b>	<b>241.395.780</b>
Selling, marketing and distribution expenses	(28.225.480)	(13.861.362)	143.961	(41.942.881)
General and administrative expenses	(44.847.671)	(2.738.946)	920.791	(46.665.826)
Research and development expenses	(23.431)	-	-	(23.431)
Other operating income	42.097.969	678.245	(1.638.089)	41.138.125
Other operating expenses	(94.219.449)	(1.507.254)	440.960	(95.285.150)
<b>Operating profit / (loss)</b>	<b>107.654.417</b>	<b>(12.290.116)</b>	<b>3.251.721</b>	<b>98.616.021</b>
Investing activities income	58.824.038	-	(1.654.037)	57.170.001
Investing activities expenses(-)	(2.564.840)	(16.349.269)	-	(18.914.109)
Share of profits of investments accounted under equity method	-	-	21.677.308	21.677.308
<b>Operating profit before financing expense</b>	<b>163.913.615</b>	<b>(28.639.385)</b>	<b>23.274.992</b>	<b>158.549.221</b>
Financial income	35.975.141	857.710	(22.447.309)	14.386.542
Financial expense (-)	(34.043.246)	(22.089.637)	265.669	(55.867.214)
<b>Current tax income / (expense)</b>	<b>(26.825.139)</b>	<b>(1.617.202)</b>	<b>(482.814)</b>	<b>(28.925.155)</b>
<b>Current period income / (expense) from continuing operations</b>	<b>139.020.371</b>	<b>(51.487.515)</b>	<b>610.538</b>	<b>88.143.394</b>
Depreciation and amortisation expenses				
- Continuing operations	(47.666.310)	(9.098.010)	(383.054)	(57.147.374)
- Discontinued operations	-	(84.855)	-	(84.855)
<b>Balance sheet</b>				
Total assets	1.118.621.973	240.558.181	-	1.359.180.154
Total liabilities	318.271.834	148.601.132	-	466.872.966

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

4. Segment reporting (continued)

As of December 31, 2012, segmental reporting is as follows:

January 1 – December 31, 2012	Construction and construction materials	Energy	Consolidation adjustments	Consolidated
Non-group sales, net	759.215.412	138.162.934	-	897.378.346
Inter-group sales	130.799.944	72.858.980	(203.658.924)	-
<b>Total sales, net</b>	<b>890.015.356</b>	<b>211.021.914</b>	<b>(203.658.924)</b>	<b>897.378.346</b>
Cost of sales	(729.726.521)	(208.610.417)	201.520.699	(736.816.239)
<b>Gross profit / (loss) from main operations</b>	<b>160.288.835</b>	<b>2.411.497</b>	<b>(2.138.225)</b>	<b>160.562.107</b>
Selling, marketing and distribution expenses	(37.887.637)	(19.320.108)	530.755	(56.676.990)
General and administrative expenses	(41.227.316)	(2.568.009)	1.291.393	(42.503.932)
Research and development expenses	(15.423)	-	-	(15.423)
Other operating income	18.094.452	3.178.527	(3.209.434)	18.063.545
Other operating expenses	(28.759.523)	(3.200.895)	618.296	(31.342.122)
<b>Operating profit / (loss)</b>	<b>70.493.388</b>	<b>(19.498.988)</b>	<b>(2.907.215)</b>	<b>48.087.185</b>
Investing activities income	8.760.341	1.063.229	244.227	10.067.797
Investing activities expenses(-)	(2.665.713)	(30.643)	-	(2.696.356)
Share of profits of investments accounted under equity method	-	-	23.094.537	23.094.537
<b>Operating profit before financing expense</b>	<b>76.588.016</b>	<b>(18.466.402)</b>	<b>20.431.549</b>	<b>78.553.163</b>
Financial income	43.222.671	7.879.576	(20.144.450)	30.957.797
Financial expense (-)	(30.376.678)	(5.846.271)	9.227.915	(26.995.034)
<b>Current tax income / (expense)</b>	<b>(15.241.508)</b>	<b>(3.336.826)</b>	<b>345.076</b>	<b>(18.233.258)</b>
<b>Current period income / (expense) from continuing operations</b>	<b>74.192.501</b>	<b>(19.769.923)</b>	<b>9.860.090</b>	<b>64.282.668</b>
Depreciation and amortisation expenses				
- Continuing operations	(46.725.930)	(8.037.001)	327.710	(54.435.271)
- Discontinued operations	-	-	-	-
<b>Balance sheet</b>				
Total assets	1.097.941.481	253.747.710	-	1.351.689.191
Total liabilities	324.941.387	175.052.694	-	499.994.081

**Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)**  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

**5. Cash and cash equivalents**

Cash and cash equivalents are as follows:

	December 31, 2013	December 31, 2012
Cash	80.661	117.742
Banks		
-Demand deposits	939.178	1.761.727
-Time deposits	27.803.152	12.950.841
Cheques and notes received	6.806.634	8.864.542
Other cash equivalents	262.154	518.022
	<b>35.891.779</b>	<b>24.212.874</b>

Details of time deposit accounts are as follows:

	December 31, 2013		December 31, 2012	
	Amount (TL equivalent)	Annual interest Rate (%)	Amount (TL equivalent)	Annual interest rate (%)
TL	24.614.385	8,00 – 9,75	12.950.841	6,70 – 8,25
USD	3.188.767	1,40	-	-
<b>Total</b>	<b>27.803.152</b>		<b>12.950.841</b>	

As of December 31, 2013 maturities of time deposits vary between 1 to 31 (December 31, 2012 - 2 to 100) days. Time deposits have fixed interest rates.

**6. Financial investments**

Long term financial investments are stated below:

	Participation rates	December 31, 2013	Participation rates	December 31, 2012
Nuh Beton L.L.C. (d)	100,00%	2.828.214	100,00%	2.827.698
Cementos Esfera S.A. (b)	10,00%	2.433.760	10,00%	2.433.760
Aslan Çimento Sanayi A.Ş. (a)	Less than 1%	68.758	Less than 1%	100.282
Çimpaş Çimento ve İnşaat Mlz. Paz. A.Ş. (b)	12,10%	90.900	12,10%	90.900
Nuh Cement BG Jsc (c)	75,00%	190.314	75,00%	190.314
Kosbaşı Kocaeli Serbest Bölgesi (b)	Less than 1%	37.500	Less than 1%	37.500
T. Garanti Bankası A.Ş. (a)	Less than 1%	16.325	Less than 1%	22.048
Antalya Güç Birliği (b)	Less than 1%	7.805	Less than 1%	7.805
NST Limited (c)	50,00%	122	50,00%	122
Çandarlı Enerji üretim A.Ş. (c)	100,00%	13.500	-	-
		<b>5.687.198</b>		<b>5.710.429</b>
Decrease in value of subsidiary shares- Nuh Beton L.L.C.		<b>(2.500.000)</b>		-
		<b>3.187.198</b>		<b>5.710.429</b>

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

### Notes to the consolidated financial statements for the year ended December 31, 2013 (continued) (Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

#### 6. Financial investments (continued)

- (a) The Company has defined its shares in Aslan Çimento Sanayi A.Ş. and T. Garanti Bankası A.Ş. as financial instruments held for trading purposes, and associates the difference between their carrying value and the best ISE closing purchase-price with the income statement.
- (b) As of December 31, 2013 and December 31, 2012, 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.
- (c) As of December 31, 2013 and December 31, 2012, Nuh Cement BG Jsc in which the Company owns 75% shares, NTS Limited in which the Company owns 50% shares, Nuh Beton L.L.C. in which the Company owns 100% shares, and Çandarlı Enerji Üretim A.Ş. which the Company owns 100% shares, are carried at cost in the consolidated financial statements since their initial investments have not yet been completed and they have not started operations yet, and since these investments have no significant and material effect on Group financial statements due to their total asset value which are separately and in total less than 1% of the total consolidated assets.
- (d) As of December 31, 2013 and December 31, 2012, Nuh Beton L.L.C. in which the Company owns 100% shares, will be closed according to the board decision taken on June 5, 2013. Thus the Company has booked decrease in value of the subsidiary shares amounting to TL 2.500.000. (Note 6). As of December 31, 2013 the Group's management thinks that the carrying value of Nuh Beton L.L.C. amounting to TL 328.214 after the provision is the estimated recoverable amount of the tangible asset.

#### 7. Financial liabilities

	December 31, 2013	December 31, 2012
<i>Short-term</i>		
Short-term bank loans	17.072.056	165.818.551
Short-term portion of long term financial liabilities	96.312.602	33.788.262
Factoring debts	-	8.461.976
	<b>113.384.658</b>	<b>208.068.789</b>
<i>Long-term</i>		
Long-term bank loans	176.635.963	134.600.304
	<b>176.635.963</b>	<b>134.600.304</b>

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

7. Financial liabilities (continued)

As of December 31, 2013, details of short and long term loans are as follows:

				December 31, 2013	
	Maturity	Interest rate (%)	Original currency	TL	
<i>Short-term bank loans</i>					
EURO loans	02.1.2014 - 30.11.2014	2,27 - 5,50	3.401.017	9.987.085	
USD loans	24.1.2013 - 23.11.2014	2,05 - 3,62	10.818.099	23.089.070	
TL loans	02.1.2014 - 02.12.2014	5,75 - 10,75	80.308.504	80.308.503	
<b>Total</b>				<b>113.384.658</b>	

				December 31, 2013	
	Maturity	Interest rate (%)	Original currency	TL	
<i>Long-term bank loans</i>					
TL Loans	3/6/2017	8,50	52.347.607	52.347.606	
EURO loans	23.11.2014 - 23.05.2020	2,75 - 5,50	10.393.167	30.519.534	
USD loans	05.07.2014 - 23.05.2020	1,10 - 3,70	43.934.228	93.768.823	
<b>Total</b>				<b>176.635.963</b>	

As of December 31, 2012, details of short and long term loans are as follows:

				December 31, 2012	
	Maturity	Interest rate (%)	Original currency	TL	
<i>Short-term bank loans</i>					
EURO loans	02.01.2013-30.11.2013	2,3 - 5,5	5.504.670	12.945.333	
USD loans	02.01.2013-23.11.2013	0,09 - 3,92	36.039.453	64.243.928	
TL loans	02.01.2013-17.06. 2013	5,75 - 7,25	122.417.551	122.417.552	
Factoring debts				8.461.976	
<b>Total</b>				<b>208.068.789</b>	

				December 31, 2012	
	Maturity	Interest rate (%)	Original currency	TL	
<i>Long-term bank loans</i>					
EURO loans	31.03.2014 - 23.05.2020	2,75-5,5	13.226.424	31.104.582	
USD loans	05.01.2014 - 23.05.2020	0,09 - 3,92	58.058.859	103.495.722	
<b>Total</b>				<b>134.600.304</b>	



Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

7. Financial liabilities (continued)

Summary of repayment plans for long-term loans is as follows:

	December 31, 2013	December 31, 2012
2014	-	27.966.239
2015	52.070.805	26.299.864
2016	43.527.352	21.557.354
2017 and onwards	81.037.806	58.776.847
	<b>176.635.963</b>	<b>134.600.304</b>

8. Trade receivables and payables

Short-term trade receivables are as follows:

	December 31, 2013	December 31, 2012
Trade receivables	158.130.811	142.158.882
Notes receivables	101.942.418	132.769.828
Trade receivables from related parties (Note 26)	13.979.397	16.247.550
Other trade receivables	606.639	213.806
Accrued Income (*)	15.550.680	5.170.479
	<b>290.209.945</b>	<b>296.560.545</b>
Rediscount on receivables (-)	(3.957.937)	(2.992.107)
<i>Allowance for doubtful trade receivables</i>		
- Trade receivables from related parties	(10.322.338)	(10.124.580)
- Trade receivables from third parties	(38.066.332)	(20.529.694)
	<b>237.863.338</b>	<b>262.914.164</b>

(\*) As of December 31, 2013 TL 15.550.680 of accrued income is related to sales to Türkiye Elektrik İletim A.Ş. on December, 2013 (December 31, 2012 – TL 4.831.072).

The movement of allowance for doubtful trade receivables is as follows:

	2013	2012
Opening allowance for doubtful receivables	30.654.274	27.272.216
Collections and write-offs	(200.639)	(93.372)
Current year allowance for doubtful receivables	17.935.035	3.475.430
<b>Ending allowance for doubtful receivables</b>	<b>48.388.670</b>	<b>30.654.274</b>

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

8. Trade receivables and payables (continued)

Long-term trade receivables are as follows:

	December 31, 2013	December 31, 2012
Notes receivables	116.663	1.060.092
Rediscount on receivables (-)	(21.425)	(50.719)
	<b>95.238</b>	<b>1.009.373</b>

Short-term trade payables are as follows:

	December 31, 2013	December 31, 2012
Trade payables	70.395.598	77.743.981
Investment debts (*)	-	5.634.826
Notes payable	7.372.298	-
Rediscount on payables (-)	(1.019.301)	(1.932.628)
Trade payables to related parties	151.218	107.376
	<b>76.899.813</b>	<b>81.553.555</b>

(\*) The Company has payables in 2012 to former shareholders of Kudret Enerji regarding the purchase of Kudret Enerji shares.

As of December 31, 2013 and 2012, there is no long-term trade payables of the Company.

9. Other receivables and payables

i) Other short-term receivables:

	December 31, 2013	December 31, 2012
Financial receivables from related parties (Note 26)	26.768.097	19.472.983
Other short-term receivables (*)	473.624	694.477
Due from personnel	5.429.218	2.669.203
Deposits and guarantees given	475.338	1.393.348
	<b>33.146.277</b>	<b>24.230.011</b>
Allowance for other doubtful receivables		
Other receivables from related parties	(23.898.325)	-
Other receivables from third parties	(648.829)	-
	<b>8.599.123</b>	<b>24.230.011</b>

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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9. Other receivables and payables (continued)

The movement of allowance for other doubtful receivables is as follows:

	2013	2012
January 1	-	-
Current year allowance	24.547.154	-
<b>December 31</b>	<b>24.547.154</b>	<b>-</b>

(\*) The amount of TL 1.707.440 (December 31, 2012: TL 1.960.860) is related to unused letter of credit for import.

ii) Other long-term receivables:

	December 31, 2013	December 31, 2012
Deposits and guarantees given	601.456	484.139
Receivables from sale of Pamuk Elektrik Üretim Tic.ve San. Ltd.	6.550.000	-
Rediscount on trade receivables	(1.183.863)	-
	<b>5.967.593</b>	<b>484.139</b>

iii) Other short-term payables:

	December 31, 2013	December 31, 2012
Taxes, fees and other deductions	3.501.078	4.316.186
Deposits and guarantees received	4.946.200	3.672.070
Expense accruals	53.320	41.461
Other payables to related parties (Note 26)	2.671	40.438
Other miscellaneous payables	43.665	55.149
	<b>8.546.934</b>	<b>8.125.304</b>

10. Inventories

	December 31, 2013	December 31, 2012
Raw materials and supplies	74.308.709	77.108.592
Work in progress	10.496.500	4.558.992
Finished goods	3.043.078	1.875.486
Merchandises	57.649	46.392
	<b>87.905.936</b>	<b>83.589.462</b>

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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11. Investments accounted under equity method

	December 31, 2013	December 31, 2012
Ünye Çimento	110.939.065	109.054.316
Tan Kömür	21.309.331	20.335.285
Torgoviy Port Ltd.	5.903.919	5.903.919
Kovcheg Ltd.	-	-
	<b>138.152.315</b>	<b>135.293.520</b>

Details of financial statements of investments accounted under equity method are as follows  
(amounts stated as 100%):

	Torgoviy Port Ltd.		Kovcheg Ltd.	
	December 31, 2013 (**)	December 31, 2012 (*)	December 31, 2013	December 31, 2012
Assets	(**)	(**)	14.714.210	21.204.195
Liabilities	(**)	(**)	34.102.425	27.382.397
Net Sales	(**)	(**)	1.823.667	382.954
Net profit/(loss)	(**)	(**)	(14.994.435)	(116.102)

- (\*) As stated in note 2 of the consolidated financial statements, with the Board of Directors decision on May 11, 2011 the Company has decided to end its partnerships with Nuh Beton Torgoviy Port Ltd., Torgoviy Port Ltd. and Kovcheg Ltd. and per the agreement between these three companies, it has been decided that 50% shares of Nuh Beton Torgoviy Port Ltd and Kovcheg Ltd will be transferred to the Company and the company will transfer its 50% share in Torgoviy Port Ltd to other companies. As of December 31, 2013, in addition to finalization tasks of the partnership, on May and June, 2012 the company sued the partners and was sued by the partners. The control of the company on Torgoviy Port Ltd. was actually ended and this company has been included in consolidation with equity method lastly on September 30, 2011.
- (\*\*) The financial statements, dated on December 31, 2012 and 2013, of Torgoviy Port Ltd. could not be obtained and presented.

	Tan Kömür		Ünye Çimento	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Assets	66.268.448	65.621.825	313.376.726	315.048.153
Liabilities	23.649.785	29.752.160	36.252.303	42.631.807
Net sales	8.137.648	40.031.931	232.488.320	242.748.348
Net profit/(loss)	(748.520)	(562.504)	55.084.546	59.002.396

As of December 31, 2013 and 2012, the shares of Ünye Çimento are listed in Istanbul Stock Exchange and market value of shares held by the Group amounts to TL 294.850.976 (December 31, 2012 - TL 265.167.992). As of December 31, 2013 and 2012, the Company has obtained a cash dividend amounting to TL 21.528.285 and TL 18.951.658 respectively, from Ünye Çimento.

As of December 31, 2013 and December 31, 2012, since equity of Kovcheg Ltd. has a negative value, for the whole carrying value amounting to TL 2.930.750 of this total investment, provision for impairment loss is booked in the consolidated financial statements.

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

12. Tangible assets

The movement of tangible assets for the year ended December 31, 2013 is as follows:

	Opening January 1, 2013	Additions	Disposals	Transfers	Sale of subsidiary	Closing December 31, 2013
<b>Cost</b>						
Land (*)	80.255.301	1.168.183	(6.256.407)	(6.824.277)	-	68.342.800
Land improvements	66.169.042	2.944.204	(628.433)	2.259.469	-	70.744.282
Buildings	148.737.672	206.398	(3.252.735)	387.301	-	146.078.636
Machinery and equipment	818.805.388	15.191.811	(5.221.127)	8.111.280	(237.288)	836.650.063
Vehicles	90.045.261	12.098.705	(10.632.491)	1.337.568	(483.051)	92.355.992
Furniture and fixtures	38.407.504	973.940	(220.756)	1.925	-	39.162.614
Other tangible assets	515.876	-	-	-	-	515.876
Construction in progress	4.658.804	28.698.880	-	(13.193.111)	(11.707.259)	8.457.314
Leasehold improvements	13.487.250	1.731.432	(4.176.365)	1.095.568	-	12.137.885
<b>Total</b>	<b>1.261.082.098</b>	<b>63.003.553</b>	<b>(30.388.314)</b>	<b>(6.824.277)</b>	<b>(12.427.598)</b>	<b>1.274.445.462</b>
<b>Accumulated Depreciation (-)</b>						
Land improvements	(34.675.413)	(3.163.145)	151.143	-	-	(37.687.415)
Buildings	(60.947.501)	(4.149.360)	159.369	-	-	(64.937.492)
Machinery and equipment	(461.732.706)	(37.300.680)	3.244.196	-	15.827	(495.773.363)
Vehicles	(73.224.423)	(7.717.638)	6.368.990	-	69.028	(74.504.043)
Furniture and fixtures	(28.887.371)	(1.914.217)	166.916	-	-	(30.634.672)
Other tangible assets	(453.504)	(4.150)	-	-	-	(457.654)
Leasehold improvements	(7.317.100)	(1.249.031)	3.820.631	-	-	(4.745.500)
<b>Total</b>	<b>(667.238.018)</b>	<b>(55.498.221)</b>	<b>13.911.245</b>	<b>-</b>	<b>84.855</b>	<b>(708.740.139)</b>
<b>Net Book Value</b>	<b>593.844.080</b>	<b>7.505.332</b>	<b>(16.477.069)</b>	<b>(6.824.277)</b>	<b>(12.342.743)</b>	<b>565.705.323</b>

(\*) As of December 31, 2013 mortgage on land is amounting to TL 33.942.519 (December 31, 2012 - TL 22.650.079).

As of December 31, 2013 the capitalized borrowing cost is amounting to TL 1.679.340 (December 31, 2012 - TL 3.019.944).

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**12. Tangible assets (continued)**

The movement of tangible assets for the year ended December 31, 2012 is as follows:

	Opening January 1, 2012	Additions	Disposals	Transfers	Closing December 31, 2012
<b>Cost</b>					
Land (*)	72.908.771	9.208.652	(1.862.122)	-	80.255.301
Land improvements	61.950.476	1.774.779	(187.393)	2.631.180	66.169.042
Buildings	137.885.637	936.905	-	9.915.130	148.737.672
Machinery and equipment	718.160.212	22.502.449	(7.197.107)	85.339.834	818.805.388
Vehicles	90.375.715	3.194.315	(3.524.769)	-	90.045.261
Furniture and fixtures	37.044.318	1.356.758	(25.979)	32.407	38.407.504
Other tangible assets	515.876	-	-	-	515.876
Construction in progress	47.267.686	52.644.586	-	(95.253.468)	4.658.804
Leasehold improvements	12.534.528	1.241.866	(289.144)	-	13.487.250
<b>Total</b>	<b>1.178.643.219</b>	<b>92.860.310</b>	<b>(13.086.514)</b>	<b>2.665.083</b>	<b>1.261.082.098</b>
<b>Accumulated Depreciation (-)</b>					
Land improvements	(31.904.513)	(2.841.801)	70.901	-	(34.675.413)
Buildings	(57.082.381)	(3.865.120)	-	-	(60.947.501)
Machinery and equipment	(431.534.902)	(33.578.392)	3.380.588	-	(461.732.706)
Vehicles	(67.273.713)	(9.389.314)	3.438.604	-	(73.224.423)
Furniture and fixtures	(26.912.499)	(1.974.872)	-	-	(28.887.371)
Other tangible assets	(436.500)	(17.004)	-	-	(453.504)
Leasehold improvements	(6.079.058)	(1.316.415)	78.373	-	(7.317.100)
<b>Total</b>	<b>(621.223.566)</b>	<b>(52.982.918)</b>	<b>6.968.466</b>	<b>-</b>	<b>(667.238.018)</b>
<b>Net book value</b>	<b>557.419.653</b>	<b>39.877.392</b>	<b>(6.118.048)</b>	<b>2.665.083</b>	<b>593.844.080</b>

For the years 2013 and 2012, the allocation of depreciation and amortisation expense of tangible and intangible assets is as follows:

	2013	2012
Cost of goods sold	49.643.426	45.700.923
General administrative expenses	3.962.603	1.794.053
Selling and marketing expenses	3.298.961	6.877.770
Other expenses	242.384	62.525
	<b>57.147.374</b>	<b>54.435.271</b>
Depreciation of tangible assets	55.498.221	52.982.918
Depreciation of investment property	697.967	574.471
Amortization of intangible assets	951.186	877.882
	<b>57.147.374</b>	<b>54.435.271</b>

Insurance coverage on assets of the Group is as follows:

	December 31, 2013	December 31, 2012
Insurance amount	2.217.610.678	1.895.672.039

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Notes to the consolidated financial statements  
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13. Intangible assets

The movement of intangible assets for the year ended December 31, 2013 is as follows:

	Opening January 1, 2013	Additions	Disposals	Closing December 31, 2013
<b>Cost</b>				
Rights	32.863.321	539.242	(26.630)	33.375.933
Other intangible assets	233.232	12.951	-	246.183
<b>Total</b>	<b>33.096.553</b>	<b>552.193</b>	<b>(26.630)</b>	<b>33.622.116</b>
<b>Accumulated depreciation (-)</b>				
Rights	(4.275.623)	(933.541)	26.768	(5.182.396)
Other intangible assets	(197.374)	(17.783)	-	(215.157)
<b>Total</b>	<b>(4.472.997)</b>	<b>(951.324)</b>	<b>26.768</b>	<b>(5.397.553)</b>
<b>Net book value</b>	<b>28.623.556</b>	<b>(399.131)</b>	<b>138</b>	<b>28.224.563</b>

The movement of intangible assets for the year ended December 31, 2012 is as follows:

	Opening January 1, 2012	Additions	Disposals	Closing December 31, 2012
<b>Cost</b>				
Rights	32.745.917	117.404	-	32.863.321
Other intangible assets	216.794	16.438	-	233.232
<b>Total</b>	<b>32.962.711</b>	<b>133.842</b>	<b>-</b>	<b>33.096.553</b>
<b>Accumulated depreciation (-)</b>				
Rights	(3.416.332)	(859.291)	-	(4.275.623)
Other intangible assets	(178.783)	(18.591)	-	(197.374)
<b>Total</b>	<b>(3.595.115)</b>	<b>(877.882)</b>	<b>-</b>	<b>(4.472.997)</b>
<b>Net book value</b>	<b>29.367.596</b>	<b>(744.040)</b>	<b>-</b>	<b>28.623.556</b>

As of December 31, 2012 and 2013 costs of intangible assets which are fully depreciated but still used are stated below:

	December 31, 2013	December 31, 2012
Rights	2.207.234	2.207.234
Other intangible assets	65.894	65.894
<b>Total</b>	<b>2.273.128</b>	<b>2.273.128</b>

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Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### 14. Goodwill

	December 31, 2013	December 31, 2012
Goodwill	24.910.842	24.910.842
Provision for impairment of goodwill (*)	(5.843.775)	-
	<b>19.067.067</b>	<b>24.910.842</b>

(\*) Goodwill of Kudret Enerji is valued by independent experts using discounted cash flow method. According to the valuation as of December 31, 2013 impairment amounting to TL 5.843.775 is determined and accounted under other expenses from operating activities (Note 21).

### 15. Provisions, contingent assets and liabilities

#### Provision for short-term liabilities:

	December 31, 2013	December 31, 2012
Accruals for costs	729	44.005
Provision for litigations	8.906.437	2.753.509
	<b>8.907.166</b>	<b>2.797.514</b>

The movement of provision for litigations for the years 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
January 1	2.753.509	2.326.233
Payment and closings	-	(944.393)
Current year provisions	6.152.928	1.371.669
December 31	<b>8.906.437</b>	<b>2.753.509</b>

#### Provision for long-term liabilities:

##### *Provision for land restoration:*

As of December 31, 2013, the Company owns mines in which the ownership belongs to the Company and mines in which the company owns operating license, but the ownership belongs to the Treasury. 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 December 14, 2007 and was amended on January 23, 2012, the Company has booked a provision amounting to TL 6.486.720 for restoration costs, to restore green lands, related to the portion used until the balance sheet date. 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.



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Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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15. Provisions, contingent assets and liabilities (continued)

Contingent assets and liabilities:

- a) Breakdown of the guarantees, mortgage and pledges given by the Group for the respective periods is as follows:

	December 31, 2013	December 31, 2012
A. Total amount of guarantees, pledges and mortgages given on behalf of the legal entity	68.788.314	56.650.715
B. Total amount of guarantees, pledges and mortgages given in favor of the parties which are included in the scope of full consolidation	148.630.914	119.487.736
C. Total amount of guarantees, pledges and mortgages given for the liabilities of third parties in the purpose of conducting the ordinary operations	-	-
D. Total amount of other guarantees, pledges and mortgages (*)	80.365.989	60.503.396
<b>Total</b>	<b>297.785.217</b>	<b>236.641.847</b>

- (\*) As of December 31, 2013 the Company has given guarantee amounting to EUR 22.000.000 for the loans used by the affiliate of the Company's subsidiary Nuh Ay sold in current period (December 31, 2012 – EUR 22.000.000). The Company has given guarantee for the 1-year term loan, valued USD 3.000.000, of Tkurchal Ugol Limited which is a subsidiary of Tan Kömür, joint venture of the Company. In addition, the Company has given letter of guarantee amounting to USD 3.300.000 with 11-month term to its supplier, Pierson Metal CO.

As of December 31, 2013, the ratio of guarantees, mortgage and pledges given by the Company and its subsidiaries to total equity is 8% (December 31, 2012 – 7%).

- b) Guarantees given to third parties by the Group are as follows:

	December 31, 2013	December 31, 2012
Guarantee letters given	48.044.722	39.685.554
Mortgages and collaterals given	249.740.495	196.956.293
<b>Total</b>	<b>297.785.217</b>	<b>236.641.847</b>

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Notes to the consolidated financial statements  
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15. Provisions, contingent assets and liabilities (continued)

	Original currency		TL equivalent	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Guarantee letters given				
TL	48.044.722	39.685.554	48.044.722	39.685.554
Mortgages and collaterals given				
EURO	30.811.687	37.613.669	90.478.519	88.456.065
USD	57.296.240	55.415.965	122.287.365	98.784.499
TL	36.974.611	9.715.729	36.974.611	9.715.729
			<b>297.785.217</b>	<b>236.641.847</b>

- c) As of December 31, 2012, the ongoing legal disputes filed against the Company and its subsidiaries by third parties is amounting to TL 8.906.437 (December 31, 2012 – TL 2.769.131).

In the consolidated financial statements the Company booked provision amounting to TL 8.906.437 (December 31, 2012 – TL 2.753.509) for the legal disputes. The Company management does not estimate any cash outflows for other ongoing cases.

As of December 31, 2013 the Company filed lawsuits amounting to TL 22.593.560 (Ruble 348.773.703) against Kovcheg.

- d) Nuh Enerji Elektrik Üretim A.Ş has given gas purchase commitment to its gas supplier and could not meet this commitment as of December 31, 2013. Although per agreement the Company may purchase the remaining part in 2014 and 2015, if both sides come to an agreement for these years, the supplier issued an invoice amounting to TL 3.750.877 for related remaining gas amount as of January 24, 2014. The Company has protested this invoice and was sued by the supplier. According to the Company and lawyers the probability of winning the case is higher than losing it, so no provision is accounted by the Company in line with TAS 37.
- e) As of December 31, 2013, total amount of checks and notes endorsed to third parties is TL 40.716.803 (December 31, 2012 – TL 94.564.300).

16. Reserves related to employee benefits

Long term employee benefits

	December 31, 2013	December 31, 2012
Provision for severance pay	14.005.866	13.743.200
Provision for seniority incentive bonus	3.397.412	3.463.266
Provision for unused annual leave	1.031.463	1.364.611
	<b>18.434.741</b>	<b>18.571.077</b>

**Nuh Çimento Sanayi A.Ş. and its subsidiaries**

**Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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**16. Reserves related to employee benefits (continued)**

In the period ended December 31, 2013 and 2012, the movement of provision for seniority incentive bonus is as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
1 January	<b>3.463.266</b>	2.993.500
Current year provision	<b>265.683</b>	765.045
Payments	<b>(331.537)</b>	(295.279)
	<b>3.397.412</b>	3.463.266

**Reserve for severance pay:**

There are no agreements for pension commitments other than the legal requirements as explained below.

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age.

The payable amount consists of one month's salary limited to a maximum of TL 3.254 for each year of service as of December 31, 2013 (December 31, 2012 - TL 3.034).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The CMB Accounting Standards require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Discount rate (%)	<b>4,09</b>	3,43
Turnover rate to estimate the probability of retirement (%)	<b>99</b>	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate after adjusting anticipated effects of inflation.

Reserve calculation for severance pay of the Group is based on the severance pay ceiling valid on balance sheet date. As of January 1, 2014, the severance pay liability ceiling is increased to TL 3.438 (January 1, 2013 – TL 3.129).

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**16. Reserves related to employee benefits (continued)**

The movement of reserve for severance pay of the Group as of December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
January 1	13.743.200	11.790.708
Interest expense	1.181.915	1.179.071
Current period service cost	2.541.501	4.599.097
Payments	(3.243.841)	(3.387.255)
Actuarial loss / (gain)	(216.909)	(438.421)
<b>December 31</b>	<b>14.005.866</b>	<b>13.048.070</b>

**17. Other assets and liabilities**

**a. Other current assets**

	December 31, 2013	December 31, 2012
VAT receivables	23.312.417	14.534.435
Job advances	26.402	118.723
Personnel advances	41.300	79.600
Other	587.731	106.148
	<b>23.967.850</b>	<b>14.838.906</b>

**b. Prepaid expenses**

	December 31, 2013	December 31, 2012
Advances given	51.670.999	26.065.616
Prepaid expenses	4.944.103	4.491.101
	<b>56.615.102</b>	<b>30.556.717</b>

	December 31, 2013	December 31, 2012
Advances given	1.449.010	26.375.590
Prepaid expenses	39.408	62.613
	<b>1.488.418</b>	<b>26.438.203</b>

**Nuh Çimento Sanayi A.Ş. and its subsidiaries**

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**17. Other assets and liabilities (continued)**

**c. Assets classified as held for sale**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Residential property	<b>2.138.890</b>	7.320.285
Impairment	<b>(835.427)</b>	-
Nuh Ay (*)	-	700.000
	<b>1.303.463</b>	<b>8.020.285</b>

(\*) The Company sold shares of its subsidiary, Nuh Ay Ltd. Şti. with TL 700.000 nominal value for a value of TL 19.391.900 and resulting profit amounting to TL 18.691.900 from this sale is accounted under income from investment activities (Note 22).

**d. Investment properties**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
January 1	<b>79.825.804</b>	55.591.012
Transfer from tangible assets	<b>6.824.277</b>	-
Transfer to tangible assets	-	(2.665.083)
Current year depreciation	<b>(697.967)</b>	(574.471)
Current year construction costs	<b>48.299.713</b>	27.474.346
December 31	<b>134.251.827</b>	<b>79.825.804</b>

As of December 31, 2013 fair value of mall building, 2 hotel buildings and congress center, which are carried with net cost value of TL 128.629.228 in the consolidated financial statements, is determined as TL 265.239.533 using discounted cash flow method by independent valuation experts. Besides, fair value of the land carried with net cost value of TL 5.622.599 is determined as TL 40.000.000.

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**18. Equity**

**a) Share Capital**

As of December 31, 2013 and 2012, the share capital of the Company consists of the following:

Name	January 31, 2013		January 31, 2012	
	Share percentage	Share value	Share percentage	Share value
Nuh Ticaret ve Sanayi A.Ş.	43,73%	65.688.407	43,73%	65.688.407
Partaş Tekstil İnş. San.ve Tic. A.Ş.	15,94%	23.944.048	15,94%	23.944.048
Other (*)	40,33%	60.581.145	40,33%	60.581.145
		<b>150.213.600</b>		150.213.600
Share capital adjustments (**)		<b>39.338.145</b>		39.338.145
<b>Total share capital</b>		<b>189.551.745</b>		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 authorized capital system. The paid-in capital amounts to TL 150.213.600 consisting of 150.213.600 shares of TL 1 nominal value 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.

**(b) Restricted reserves**

As of December 31, 2013 and 2012, the restricted reserves consist of the legal reserves.

According to Turkish Commercial Code, legal reserves are classified as First Legal Reserve and Second Legal Reserve:

- First legal reserve: Appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital.
- Second legal reserve: Appropriated out of the net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
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### 18. Equity (continued)

Historical values of legal and extraordinary reserves in the statutory financial statements are as follows:

	December 31, 2013	December 31, 2012
Legal reserves	135.043.405	130.171.061
Extraordinary reserves	295.122.716	276.213.368
<b>Total</b>	<b>430.166.121</b>	<b>406.384.429</b>

Dividends distributed during year based on previous year's net income per statutory financial statements	48.080.628	48.068.351
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Dividend paid per share (TL)	0,32	0,32
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#### (c) Retained earnings

"Paid-in Capital, Issue Premiums and Restricted Reserves" are recognized over the totals stated in the legal books, and the differences arising upon valuations made in accordance with TAS/TFRS are associated with the retained earnings/accumulated losses. Retained earnings/accumulated losses other than the net profit for the period, are stated in the "Retained Earnings" account together with the extraordinary reserves regarded in essence as retained earnings/accumulated losses.

#### Dividend distribution

Listed companies distribute dividends according to the Communiqué numbered II-19.1 and published on January 23, 2014 in the Official Gazette.

Companies distribute dividends according to dividend policy determined by the General Assembly and relevant legislation procedures. Within the scope of the Communiqué a minimum distribution rate has not been determined. Dividends may be paid in equal or different installments. Besides, dividends may be paid in advance by using profit in the interim financial statements.

According to TCC, unless required reserves and determined dividend have been allocated, no other reserves or dividends may be distributed.

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 owners of preferred shares, board members and others who are not shareholders it should be specified in the articles of association. The rate, if not specified in the articles of association, can not exceed 25% of the rate used for distribution to shareholders.

Share capital inflation adjustment differences and historical value of extraordinary reserves can be used for free capital increase, cash dividend distribution or loss deduction. If share capital inflation adjustment is used for cash dividend distribution, it will be subject to corporation taxation.

Legal and statutory reserves are shown with statutory values. In this context share capital inflation adjustment differences, which are not subject to capital increase or dividend distribution, are associated to retained earnings.

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**18. Equity (continued)**

**d) Foreign currency translation differences**

As of December 31, 2013 foreign currency translation differences are related to the Company's share in the foreign currency translation differences of the associates accounted under equity method (Note 11).

**19. Sales and cost of sales**

	<b>January 1 – December 31, 2013</b>	<b>January 1 – December 31, 2012</b>
Domestic sales	<b>857.097.855</b>	821.029.186
Export sales	<b>108.898.118</b>	83.429.148
Other sales	<b>61.658</b>	(1.900.084)
Sales returns (-)	<b>(30.654)</b>	(1.799.896)
Sales discounts (-)	<b>(342.278)</b>	(593.195)
Other deductions (-)	<b>(2.075.148)</b>	(2.786.813)
	<b>963.609.551</b>	897.378.346

	<b>January 1 – December 31, 2013</b>	<b>January 1 – December 31, 2012</b>
Cost of goods sold	<b>601.024.246</b>	636.196.050
Cost of merchandises sold	<b>101.204.539</b>	83.092.825
Cost of services sold	<b>16.935.803</b>	14.116.881
Cost of other sales	<b>3.049.183</b>	3.410.483
	<b>722.213.771</b>	736.816.239



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**20. Expenses by nature**

	<b>January 1 – December 31, 2013</b>	<b>January 1 – December 31, 2012</b>
General production expenses and change in finished goods and work in progress	<b>563.940.882</b>	592.466.558
Personnel expenses	<b>64.252.269</b>	58.955.836
Depreciation and amortization expenses (Note 11)	<b>57.147.374</b>	54.435.271
Outsourced services	<b>50.282.369</b>	49.960.582
Subcontractor labor expenses	<b>19.995.179</b>	19.956.666
Sales transportation expenses	<b>38.530.808</b>	34.650.963
Other operating expenses	<b>13.581.773</b>	20.385.613
Taxes and duties	<b>3.115.257</b>	5.201.095
	<b>810.845.911</b>	836.012.584
Cost of sales	<b>722.213.773</b>	736.794.364
Selling, marketing and distribution expenses	<b>41.942.881</b>	56.676.990
General and administrative expenses	<b>46.665.826</b>	42.525.807
Research and development expenses	<b>23.431</b>	15.423
	<b>810.845.911</b>	836.012.584

**Personnel expenses**

For the years 2013 and 2012, the allocation of personnel expenses is as follows:

	<b>January 1 – December 31, 2013</b>	<b>January 1 – December 31, 2012</b>
General and administrative expenses	<b>24.041.945</b>	18.161.426
Cost of sales and inventory	<b>35.096.048</b>	36.649.874
Selling, marketing and distribution expenses	<b>5.114.276</b>	4.144.536
	<b>64.252.269</b>	58.955.836

For the years 2013 and 2012, employee benefits consist of the following:

	<b>January 1 – December 31, 2013</b>	<b>January 1 – December 31, 2012</b>
Wages and salaries	<b>51.755.528</b>	44.433.047
SSK employer contributions	<b>7.796.502</b>	7.151.566
Other social benefits	<b>1.920.272</b>	1.266.431
Employee termination benefits	<b>2.514.284</b>	5.339.747
Seniority incentive payments	<b>265.683</b>	765.045
	<b>64.252.269</b>	58.955.836

Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
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21. Other operating income and expense

Other operating income

	December 31, 2013	December 31, 2012
Foreign exchange gains	35.947.252	1.771.333
Insurance income due to damages	3.492.806	1.754.990
Rediscount Income	735.165	7.830.434
Reversal of provisions for doubtful receivables	219.081	1.050.620
Other	743.820	5.656.168
	<b>41.138.124</b>	<b>18.063.545</b>

Other operating expense

	December 31, 2013	December 31, 2012
Foreign exchange losses	29.288.100	7.668.288
Provisions		
- Provision for doubtful receivables (Note 8,9)	42.482.189	2.903.535
- Provision for litigation (Note 15)	6.152.928	1.371.669
- Provision for goodwill impairment (Note 14)	5.843.774	-
Idle capacity expenses	1.400.327	10.493.629
Rediscount expense	3.866.536	3.928.368
Other	6.251.888	4.976.633
	<b>95.285.743</b>	<b>31.342.122</b>

22. Income/Expenses from investment activities

Income from investment activities

	December 31, 2013	December 31, 2012
Gain on sale of subsidiaries (*)	18.691.900	-
Rent income	10.590.816	7.539.205
Gain on sale of fixed assets	27.863.365	2.487.717
Other	23.920	40.875
	<b>57.170.001</b>	<b>10.067.797</b>

(\*) Nuh Ay Ltd. Şti, subsidiary of the Company with a nominal value of TL 700.000 was sold for TL 19.391.900 and %75, TL 14.018.925, of the profit amounting to TL 18.691.900 TL will not be distributed to shareholders and will be accounted in a special fund account until the end of the fifth year after the sale.

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### 22. Income/Expenses from investment activities (continued)

#### Expenses from investment activities

	December 31, 2013	December 31, 2012
Loss on sale of subsidiaries (*)	16.349.269	-
Provision for impairment of subsidiaries (Note 6)	2.500.000	-
Gain on sale of fixed assets	64.840	2.696.356
	<b>18.914.109</b>	<b>2.696.356</b>

(\*) As a result of board of directors of Nuh Enerji dated December 12, 2013; Pamuk Elektrik Üretim Ticaret Ltd. Şti. in which Nuh Enerji owns 100% shares has been sold to Haldız İnşaat Otomotiv ve Ticaret Ltd. Şti. with a price of TL 8.200.000. Sales loss amounting to TL 16.349.269 has been recognized.

### 23. Financial income and expense

#### Financial income

	December 31, 2013	December 31, 2012
Foreign exchange gains	10.686.643	24.550.811
Interest income	3.699.899	6.406.986
	<b>14.386.542</b>	<b>30.957.797</b>

#### Financial expense

	December 31, 2013	December 31, 2012
Foreign exchange losses	39.585.019	5.459.601
Interest expenses	16.282.195	21.535.433
	<b>55.867.214</b>	<b>26.995.034</b>

### 24. Tax assets and liabilities

#### a) Corporation tax

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20% (2012 - 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 installment by the end of the fourth month.

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**24. Tax assets and liabilities (continued)**

The tax legislation provides for a temporary tax of 20% (2012 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. 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 December 31, 2013 and 2012, 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:

	<b>December 31, 2013</b>	December 31, 2012
Current income tax provision	<b>(32.334.278)</b>	(15.751.926)
Prepaid taxes	<b>22.867.908</b>	13.803.128
<b>Tax liabilities</b>	<b>(9.466.370)</b>	(1.948.798)

The breakdown of consolidated tax expense for the years ended December 31, 2013 and 2012 is as follows:

	<b>January 1 – December 31, 2013</b>	January 1 – December 31, 2012
Deferred tax income/(expense)	<b>3.391.527</b>	(2.481.332)
Corporate tax	<b>(32.334.278)</b>	(15.751.926)
<b>Total tax expense</b>	<b>(28.942.751)</b>	(18.233.258)

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Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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24. Tax assets and liabilities (continued)

b) Deferred Tax

Temporary differences creating a basis for deferred tax assets / liabilities, deferred tax income / expenses and deferred tax calculations are as follows:

	Total temporary differences		Deferred tax asset/ (liability)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Adjustment of rediscount on receivables	2.639.149	(944.749)	527.830	(188.950)
Provision for doubtful receivables	13.808.466	16.177.914	3.761.693	3.235.583
Unused investment incentives	124.912.577	128.007.832	1.573.746	1.495.202
Tax loss carry forward	115.523.968	47.144.670	23.104.794	9.428.934
Provision for severance pay	14.005.866	13.743.200	2.801.173	2.748.640
Provision for unused vacation pays	1.063.263	4.250.180	212.653	850.036
Provision for seniority incentive premiums	3.397.412	3.463.266	679.482	692.653
Provision for land restoration costs	6.486.720	6.486.720	1.297.344	1.297.344
Impairment in financial assets	167.196	129.949	33.439	25.990
Provision for litigations	2.385.000	-	477.000	-
Rediscount for payable balances and notes given	(1.019.301)	(1.932.627)	(203.860)	(386.525)
Loan discount	(313.323)	(405.116)	(62.665)	(81.023)
Temporary differences in tangible and intangible assets	(112.927.107)	(108.560.381)	(22.744.434)	(21.874.410)
Temporary differences in inventories	2.875.425	2.039.998	575.085	407.998
Provision for gas purchases	-	1.795.912	-	359.182
Provision for deferred tax asset	(74.561.130)	(29.128.322)	(14.912.226)	(5.825.664)
Provision for unused investment incentives	(108.861.695)	-	(1.474.142)	-
<b>Total temporary differences</b>	<b>(5.417.514)</b>	<b>82.268.446</b>	<b>(4.353.088)</b>	<b>(7.815.010)</b>
<b>Deferred tax asset</b>				<b>10.836.515</b>
<b>Deferred tax liability</b>				<b>(15.189.603)</b>
<b>Deferred tax liability, net</b>				<b>(4.353.088)</b>

The movement of deferred tax liability for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
January 1	(7.815.010)	(5.333.678)
Current year deferred tax income/(expense)	3.444.326	(2.522.396)
Other comprehensive deferred tax income	(52.799)	41.064
	<b>(4.423.483)</b>	<b>(7.815.010)</b>

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**Notes to the consolidated financial statements  
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**24. Tax assets and liabilities (continued)**

The reconciliation of profit before tax to corporate income tax is presented below:

	<b>January 1 – December 31, 2013</b>	January 1 – December 31, 2012
<b>Profit before income tax provision</b>	<b>117.086.145</b>	82.515.926
Income tax expense at effective tax rate %20	<b>(23.417.229)</b>	(16.503.185)
Change in provision for tax losses	<b>(9.086.562)</b>	(4.365.030)
Gain/loss effect of investments valued using equity method	<b>4.335.462</b>	4.618.907
Exemption of the gain on subsidiary sale (Note 22)	<b>2.803.785</b>	-
Other permanent differences	<b>(3.578.207)</b>	(487.327)
<b>Total tax expense</b>	<b>(28.942.751)</b>	(10.580.947)

**25. Earnings per share**

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

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

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

	<b>December 31, 2013</b>	December 31, 2012
Net income for the year	<b>87.912.482</b>	64.260.793
Weighted average number of ordinary shares (TL 1 nominal value per share)	<b>150.213.600</b>	150.213.600
Earnings per share (TL)	<b>0,59</b>	0,43

Besides, the Company paid dividends of 0,32 TL per share in current period (December 31, 2012 - 0,32 TL).

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
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### 26. Related party disclosures

Short term trade receivables from related parties consist of the following:

	December 31, 2013	December 31, 2012
Kovcheg Ltd.(1)	7.717.490	8.677.794
Trade Port	2.604.848	2.604.848
Çimpaş Çimento İnşaat Mlz. Paz. A.Ş. (2)	862.006	1.617.323
Nuh Cement BG Jsc (1)	1.787.636	1.284.797
SPA SPCC (4)	-	877.698
Cementos Esfera (2)	13.107	9.811
Torgoviy Port Ltd. (1)	307.126	234.935
Nuh Çimento Eğitim ve Sağlık Vakfı (5)	87.457	79.173
Nuh Beton LLC (3)	599.727	861.171
	<b>13.979.397</b>	<b>16.247.550</b>
Provision for doubtful receivables		
Kovcheg Ltd.	(7.717.490)	(7.519.732)
Trade Port	(2.604.848)	(2.604.848)
	<b>3.657.059</b>	<b>13.642.702</b>

Receivables from related parties are receivables derived from the sales of cement, supplies and fixed assets to related parties.

*Short term other receivables from related parties:*

	December 31, 2013	December 31, 2012
Kovcheg Ltd. (1) (*)	23.898.325	16.387.978
Nuh Çimento Eğitim ve Sağlık Vakfı (4)	2.754.426	2.992.630
Nuh Beton LLC (3)	115.346	92.375
	<b>26.768.097</b>	<b>19.472.983</b>
Provision for doubtful receivables		
Kovcheg Ltd.	(23.898.325)	-
	<b>2.869.772</b>	<b>19.472.983</b>

(\*) Loans, including interests, provided by the Company or subsidiaries to affiliates

- (1) Joint ventures
- (2) Financial investments of company
- (3) Subsidiaries
- (4) Affiliate of a subsidiary
- (5) Foundation which was established by the Company with the decision of Council of Ministers.

*Short term payables to related parties:*

None (December 31, 2012 – None).

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**Notes to the consolidated financial statements  
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**26. Related party disclosures (continued)**

*In 2013 and 2012, sales to related parties consist of the following:*

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
SPA SPCC (1)	-	1.958.195
Çimpaş Çimento İnşaat Mlz Paz. A.Ş. (2)	<b>2.491.065</b>	4.345.860
Nuh Cement BG Jsc (1)	<b>2.162.481</b>	2.757.877
Nuh Beton LLC (3)	<b>1.216.944</b>	-
Kovcheg.(1)	<b>943.659</b>	1.886.744
Nuh Çimento Eğitim ve Sağlık Vakfı (3)	<b>7.020</b>	31.138
	<b>6.821.169</b>	<b>10.979.814</b>

*In 2013 and 2012, purchases from related parties consist of the following:*

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Çimpaş Çimento İnşaat Mlz. Paz. A.Ş.(2)	<b>61.168</b>	102.007
Nuh Cement BG Jsc (1)	-	8.152
Korçal	<b>2.596.295</b>	-
	<b>2.657.463</b>	<b>110.159</b>

*In 2013 and 2012, interest income from related parties consists of the following:*

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Nuh Beton – Torgoviy Port Ltd. (1)	<b>301.065</b>	17.403
Kovcheg (1)	<b>344.124</b>	1.018.651
	<b>645.189</b>	<b>1.036.054</b>

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

As of December 31, 2013, remunerations provided to top managing executives of the Group such as CEO, members of the Board, General Manager and Deputy General Managers amount to TL 6.716.355 (December 31, 2012 – 4.652.079 TL).



## Nuh Çimento Sanayi A.Ş. and its subsidiaries

### Notes to the consolidated financial statements for the year ended December 31, 2013 (continued) (Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

#### 27. Nature and level of risks arising from financial instruments

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Financial and Risk Management Board holds monthly meetings for the purpose of implementing a risk efficient management at the Group wide. In this meeting, the Group's financial performance and its commercial and financial risks are evaluated.

#### Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Group mainly arises from trade receivables. 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.

Trade receivables are evaluated by the Group Management based on their past experiences and current economic conditions and are presented net value after deducting provision for doubtful receivables in the consolidated financial statements (Note 7).

December 31, 2013	Trade receivables		Other receivables		Bank deposits	Other (1)
	Related party	Other party	Related party	Other party		
Maximum credit risk exposure as of reporting date (A+B+C+D)	3.657.059	234.301.517	2.869.772	6.330.807	28.742.329	7.068.789
- Maximum risk secured by guarantees (2)	-	(118.109.290)	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	3.657.059	201.394.241	-	6.330.807	28.742.329	7.068.789
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	-	32.907.276	2.869.772	-	-	-
- Secured portion by guarantees, etc	-	(23.923.141)	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	72.286.995	-	-	-	-
- Impairment (-) (Note 7)	-	(72.286.995)	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-

December 31, 2012	Trade receivables		Other receivables		Bank deposits	Other (1)
	Related party	Other party	Related Party	Other party		
Maximum credit risk exposure as of reporting date (A+B+C+D)	13.642.702	244.100.983	19.472.983	4.757.028	14.712.569	9.382.563
- Maximum risk secured by guarantees (2)	-	(110.023.853)	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	7.024.525	225.682.187	-	4.757.028	14.712.569	9.382.563
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	16.479.911	-	-	-
C. Net book value of assets overdue but not impaired	6.618.177	18.418.796	2.993.072	-	-	-
- Secured portion by guarantees, etc	-	(2.083.832)	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	27.272.216	-	-	-	-
- Impairment (-) (Note 7)	-	(27.272.216)	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-

- (1) Comprise checks received and other current assets which are included in cash and cash equivalents.  
(2) Guarantees received fully comprise letter of guarantees.

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Notes to the consolidated financial statements  
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### 27. Nature and level of risks arising from financial instruments (continued)

#### Credit risk

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

December 31, 2013:	Trade Receivables (*)	Other receivables
1-30 days past due	12.945.980	-
1-3 months past due	9.828.553	-
3-12 months past due	12.480.668	-
1-5 years past due	1.074.911	2.869.772
More than 5 years past due	-	-
	<b>36.330.112</b>	<b>2.869.772</b>
Secured portion by guarantees (-)	<b>(23.923.141)</b>	
December 31, 2012:	Trade Receivables (*)	Other receivables
1-30 days past due	12.115.068	-
1-3 months past due	10.732.492	-
3-12 months past due	1.647.391	16.479.911
1-5 years past due	542.023	2.993.072
More than 5 years past due	-	-
	<b>25.036.974</b>	<b>19.472.983</b>
Secured portion by guarantees (-)	<b>(2.083.832)</b>	

(\*) The amount of TL 25.529.876 (December 31, 2012 – TL 16.054.071) are receivables from related companies.

The credit risk of the Group is mainly attributable to its trade receivables.

Overdue trade receivables are evaluated by the Group management taking into account the past experiences and the current economic outlook, and are presented in the consolidated balance sheet net value after necessary provisions for doubtful receivables are deducted. The cheques received classified under liquid assets and maturing earlier than the balance sheet date are shown as "Other". The Group Management does not foresee any risk related to recoverability of its receivables other than the provisions provided for (Note 7).

#### Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary.

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

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

As of December 31, 2013 and December 31, 2012, maturities of gross trade payables and financial liabilities are as follows:

**December 31, 2013:**

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans (*)	290.020.621	319.982.025	30.902.352	85.658.233	173.902.699	29.518.741

Expected maturities	Book value	Total expected cash outflow	Less than 3 months	Between 3-12 month	Between 1-5 year	Over 5 years
Non-derivative financial liabilities						
Trade payables	76.899.813	77.919.114	77.919.114	-	-	-

**December 31, 2012:**

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans(*)	342.669.093	365.223.904	188.254.679	21.909.709	109.414.279	45.645.237

Expected maturities	Book value	Total expected cash outflow	Less than 3 months	Between 3-12 month	Between 1-5 year	Over 5 years
Non-derivative financial liabilities						
Trade payables	74.781.541	76.714.169	76.541.628	172.541	-	-

**Interest rate risk**

The interest position as of December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
<b>Financial instruments with fixed interest rates</b>		
Time deposits, denominated in TL	27.803.152	12.950.841
Time deposits, denominated in foreign currencies	-	-
Bank loans, denominated in TL	132.656.109	130.879.527
Bank loans, denominated in foreign currencies	39.092.619	81.300.270
<b>Financial instruments with variable interest rates</b>		
Bank loans, denominated in TL	-	-
Bank loans, denominated in foreign currencies	118.271.894	130.489.295

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**Notes to the consolidated financial statements  
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(Currency - amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

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

As of December 31, 2013, if the variable interest rate in USD and Euro were higher / lower by 50 basis points when all other variables remained constant, the profit before tax would have been lower/higher by 344.653 TL (December 31, 2012 – TL 351.687).

As of December 31, 2013 and 2012, there are no financial instruments denominated in TL with variable interest.

**Foreign currency risk**

As the short and long term loans are denominated in foreign currency, the payments to be made in foreign currency leads to a foreign currency risk at times when changes in foreign exchange are against the Turkish Lira. Furthermore, the Group is exposed to foreign exchange risk through the rate changes at the translation of foreign currency denominated liabilities to local currency since the Group trades with foreign companies. These risks are monitored and limited through analysis of the foreign currency position. The Group follows a policy of diversifying its foreign currency position in order to manage the foreign currency risk that may arise due to future operations and recognized assets and liabilities.

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

The accompanying table represents the foreign currency risk of the Company as of December 31, 2013 and 2012:

	December 31, 2013					December 31, 2012						
	TL Equivalent (functional currency)	U.S. Dollars	Euro	Yen	CHF	Ruble	TL Equivalent (functional currency)	U.S. Dollars	Euro	GBP	CHF	Ruble
1. Trade receivables	15,280,883	5,129,403	1,740,587	-	-	1,200,000	12,707,725	4,677,439	1,828,476	-	-	-
2a. Monetary financial assets (including cash, bar accounts)	3,264,403	1,595,069	13,270	1	-	4,500	1,386,547	733,029	33,497	-	-	-
2b. Non-monetary financial assets	29,653,101	11,921,335	1,365,904	-	-	29,617,300	37,299,069	18,259,434	1,326,312	280	1	-
3. Other	36,007	3,000	-	-	-	800,000	95,322	17,634	-	-	-	-
4. Current assets (1+2+3)	49,484,474	16,649,407	3,119,761	1	-	31,621,800	51,489,692	23,686,533	3,168,285	280	1	-
5a. Monetary financial assets	1,628,053	12,470	583,134	-	-	-	2,595,437	23,520	1,080,301	-	-	-
5b. Non-current assets (5+6+7)	1,628,053	12,470	583,134	-	-	-	2,595,437	23,520	1,080,301	-	-	-
9. Total assets(4+8)	50,112,527	18,661,877	3,702,895	1	-	31,621,800	54,024,129	23,710,055	4,248,586	280	1	-
10. Trade payables	20,007,649	8,489,243	895,906	-	-	-	883,394	456,316	23,222	-	-	7,902
11. Financial liabilities	32,005,458	12,020,745	3,874,829	-	-	-	89,048,950	36,149,532	8,938,248	-	-	-
12a. Other monetary liabilities	4,492,932	2,266,040	450	-	-	-	3,589,535	2,010,000	7,020	-	-	-
13. Current liabilities (10+11+12)	57,403,939	22,718,020	4,071,185	-	-	-	93,531,879	40,615,848	8,978,490	-	-	7,902
15. Financial liabilities	122,090,266	47,810,865	9,035,596	515	-	-	128,750,887	58,068,859	10,738,110	-	-	-
16a. Other monetary liabilities	6,740,360	360,158	2,185,899	-	-	-	6,126,463	118,132	2,515,577	-	-	-
17. Non-current liabilities (14+15+16)	126,830,626	48,171,023	11,221,485	-	-	-	134,877,350	58,176,991	13,254,687	-	-	-
18. Total liabilities (13+17)	166,234,565	70,869,051	15,292,670	515	-	-	228,409,229	98,792,839	22,233,177	-	-	7,902
20. Net foreign currency asset/(liability) position (9-18)	(136,122,038)	(52,227,174)	(11,589,775)	(235)	-	31,621,800	(174,385,100)	(75,082,784)	(17,984,591)	280	1	(7,902)
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5a-10- 11-15-16a)	(165,975,219)	(64,152,110)	(12,955,679)	(235)	-	1,204,500	(211,884,198)	(93,358,852)	(19,310,902)	280	1	(7,902)
23. Export (*)	84,618,773	38,625,241	2,200,301	-	-	-	85,193,886	45,234,490	1,938,548	-	-	-
24. Import (*)	84,122,913	39,745,111	1,191,023	-	-	-	166,202,550	92,074,563	880,407	-	-	-

(\*) Import and export amounts were converted to Turkish Lira by using weighted average exchange rates.

## Nuh Çimento Sanayi A.Ş. and its subsidiaries

Notes to the consolidated financial statements  
for the year ended December 31, 2013 (continued)  
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### 27. Nature and level of risks arising from financial instruments (continued)

The following table demonstrates the sensitivity to a possible change of 10% in the U.S. Dollars, Euro and other exchange rates, with all other variables held constant, on the Group's income before tax as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Value increase in foreign currency	Value decrease in foreign currency	Value increase in foreign currency	Value decrease in foreign currency
<i>In case 10% appreciation of USD against TL:</i>				
1- USD net asset/liability	(10.624.052)	10.624.052	(13.384.257)	13.384.257
2- Amount hedged for USD risk(-)				
3- USD net effect (1+2)	(10.624.052)	10.624.052	(13.384.257)	13.384.257
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(3.185.334)	3.185.334	(4.229.436)	4.229.436
5- Amount hedged for EUR risk (-)				
6- EUR net effect (4+5)	(3.185.334)	3.185.334	(4.229.436)	4.229.436
<i>In case average 10% appreciation of other currencies against TL</i>				
7- Other currency net asset/liability	197.182	(197.182)	175.183	(175.183)
8- Amount hedged for other currency risk (-)				
9- Other currency rates net effect (7+8)	197.182	(197.182)	175.183	(175.183)
<b>Total (3+6+9)</b>	<b>(13.612.204)</b>	<b>13.612.204</b>	<b>(17.438.510)</b>	<b>17.438.510</b>

### 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
- to increase profitability through determining a service pricing policy that is commensurate with the level of risks in the market.

The Group determines the amount of share capital in proportionate to the risk level. The equity structure is arranged in accordance with the economic outlook and the risk features 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 sum of short and long term liabilities stated in the consolidated statement of financial position). The total share capital is the sum of all equity items stated in the consolidated statement of financial position.

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

	<b>December, 31 2013</b>	<b>December 31, 2012</b>
Total debt	<b>290.020.621</b>	342.669.093
Less: Cash and cash equivalents	<b>(35.891.779)</b>	(24.212.874)
Net debt	<b>254.128.842</b>	318.456.219
Total equity	<b>892.320.188</b>	851.695.110
Total debt/equity ratio	<b>%28</b>	<b>%37</b>

**28. Financial instruments (fair value explanations and disclosures within the framework of hedge accounting)**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents including bank deposits, cheques received and other cash equivalents are estimated to be at their fair values since they have short term maturities and have little impairment risk.

The carrying value of trade receivables which are both discounted and provided provision for doubtful receivables are estimated to be at their fair values.

The fair values of short and long-term bank borrowings are assumed to approximate their book values which are calculated by adding the accrued interest as of the balance sheet date (calculated by effective interest rate method) on the principle.

Discounted values of trade payables are assumed to approximate their respective carrying values.

**29. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements**

None.