

**CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND THE
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

**BATIÇİM BATI ANADOLU
ÇİMENTO SANAYİİ ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
AND THE INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Batıçim Batı Anadolu Çimento Sanayii Anonim Şirketi**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Batıçim Batı Anadolu Çimento Sanayii A.Ş. (the "Company") and its subsidiaries (together will be referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Batıım Batı Anadolu imento Sanayii Anonim Őirketi and its subsidiaries as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 13 March 2017.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Groups's set of accounts and financial statements prepared for the period 1 January - 31 December 2016 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŐAVİRLİK A.Ő.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Volkan Becerik
Partner

İstanbul, 13 March 2017

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**BATIÇİM BATI ANADOLU ÇİMENTO SANAYİİ ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

		Current Period	Prior Period
	Notes	31 December 2016	31 December 2015
ASSETS			
Current Assets		401.444.704	386.842.463
Cash and Cash Equivalents	32	126.730.982	146.078.304
Trade Receivables	7	193.048.728	171.425.588
- Trade Receivables from Third Parties		193.048.728	171.425.588
Other Receivables	8	1.477.318	579.638
- Other Receivables from Third Parties		1.477.318	579.638
Inventories	9	57.857.735	63.998.961
Prepaid Expenses	10	10.917.444	3.826.621
Current Tax Assets	26	3.906.261	-
Other Current Assets	17	7.506.236	933.351
Non-Current Assets		1.095.799.856	741.165.332
Financial Investments	4	10.000	10.000
Other Receivables	8	1.054.111	1.316.315
- Other Receivables from Third Parties		1.054.111	1.316.315
Intangible Assets Related to Concession Agreements	13	145.890.506	149.180.318
Property, Plant and Equipment	11	844.124.526	544.847.586
Intangible Assets	12	10.999.301	11.495.641
Prepaid Expenses	10	58.833.988	23.740.370
Deferred Tax Assets	26	17.703.211	10.575.102
Other Non-Current Assets	17	17.184.213	-
TOTAL ASSETS		1.497.244.560	1.128.007.795

The accompanying notes are integral part of these consolidated financial statements.

**BATIÇİM BATI ANADOLU ÇİMENTO SANAYİİ ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	Current Period 31 December 2016	Prior Period 31 December 2015
LIABILITIES			
Current Liabilities		303.129.796	229.501.042
Short-term Borrowings	5	22.551.074	19.165.503
Short-term Portion of Long-term Borrowings	5	80.816.744	38.049.627
Trade Payables	7	166.932.950	132.029.205
- Trade Payables to Third Parties		166.932.950	132.029.205
Payables Related to Employee Benefits	16	4.906.158	3.663.295
Other Payables	8	4.637.451	3.979.873
- Other Payables to Related Parties	6	311.494	311.494
- Other Payables to Third Parties		4.325.957	3.668.379
Derivative Financial Instruments	28	3.720.993	-
Deferred Income	10	3.947.638	2.113.969
Current Tax Liabilities	26	1.398.821	5.852.370
Short-term Provisions		11.276.148	21.946.423
- Short-term Provisions for Employee Benefits	16	5.375.869	4.066.545
- Other Short-term Provisions	14	5.900.279	17.879.878
Other Current Liabilities	17	2.941.819	2.700.777
Non-Current Liabilities		590.850.746	282.469.340
Long-term Borrowings	5	558.588.141	247.952.784
Long-term Provisions		25.053.991	23.440.265
- Long-term Provisions for Employee Benefits	16	18.273.440	17.201.282
- Other Long-term Provisions	14	6.780.551	6.238.983
Deferred Tax Liabilities	26	7.208.614	11.076.291
EQUITY		603.264.018	616.037.413
Equity Attributable to Owners of the Company		544.049.117	552.498.254
Share Capital	18	80.000.000	80.000.000
Adjustments to Share Capital	18	118.749.217	118.749.217
Re-acquired Shares (-)	18	(147.065)	-
Reciprocal Interests (-)	18	(33.042.438)	(33.042.438)
Other Comprehensive Income (Expenses) That will not be Reclassified Subsequently Profit or Loss			
Gain/(Loss) on Revaluation and Remeasurement			
- Gain/(Loss) on Remeasurement of Defined Benefit Plans		490.579	58.259
Restricted Reserves Appropriated from Profit	18	44.783.481	42.228.930
Prior Years' Profit or Loss		325.903.353	280.488.115
Net Profit or Loss for the Period		7.311.990	64.016.171
Non-Controlling Interests		59.214.901	63.539.159
TOTAL LIABILITIES AND EQUITY		1.497.244.560	1.128.007.795

The accompanying notes are integral part of these consolidated financial statements.

**BATIÇİM BATI ANADOLU ÇİMENTO SANAYİİ ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	Current period 1 January 2016- 31 December 2016	Prior period 1 January 2015- 31 December 2015
PROFIT OR LOSS			
Revenue	19	589.354.090	600.907.717
Cost of Sales (-)	19	(472.192.567)	(425.900.535)
GROSS PROFIT (LOSS) FROM BUSINESS ACTIVITIES		117.161.523	175.007.182
GROSS PROFIT		117.161.523	175.007.182
Administrative Expenses (-)	20	(40.401.715)	(32.166.297)
Marketing Expenses (-)	20	(17.164.303)	(21.570.568)
Other Income from Operating Activities	22	69.906.920	60.305.602
Other Expenses from Operating Activities (-)	23	(34.678.278)	(54.916.448)
OPERATING PROFIT (LOSS)		94.824.147	126.659.471
Income from Investing Activities	24	6.552.816	11.789.602
Expense from Investing Activities (-)	24	(6.950.825)	-
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		94.426.138	138.449.073
Finance Expenses (-)	25	(92.278.614)	(48.085.859)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		2.147.524	90.363.214
Tax (Expense) from Continuing Operations		787.866	(21.155.537)
- Current Tax (Expense) Income	26	(10.329.086)	(23.612.455)
- Deferred Tax (Expense) Income	26	11.116.952	2.456.918
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		2.935.390	69.207.677
PROFIT (LOSS) FOR THE PERIOD		2.935.390	69.207.677
Profit (Loss) for the Period Attributable to			
Non-Controlling Interests		(4.376.600)	5.191.506
Owners of the Company		7.311.990	64.016.171
		2.935.390	69.207.677
Earnings per Share			
	27	0,0954	0,8351
OTHER COMPREHENSIVE INCOME			
Items that will not be Reclassified			
Subsequently to Profit or Loss		484.662	(1.090.860)
Gain (Loss) on Remeasurement of Defined Benefit Plans	16	605.828	(1.363.575)
Gain (Loss) on Remeasurement of Defined Benefit Plans, Tax Effect	26	(121.166)	272.715
TOTAL COMPREHENSIVE INCOME (EXPENSE)		3.420.052	68.116.817
Total Comprehensive Income Attributable to			
Non-Controlling Interests		(4.324.258)	5.174.849
Owners of the Company		7.744.310	62.941.968

The accompanying notes are integral part of these consolidated financial statements: 8

BATIÇİM BATI ANADOLU ÇİMENTO SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Share Capital	Adjustments to Share Capital	Re-acquired shares (-)	Reciprocal Interests	Measurement	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss	Retained Earnings			Equity Attributable to Owners of the Company	Non-Controlling Interests	Equity
							Gain/(Loss) on Measurement	Prior Years' Profit / Loss	Net Profit / Loss for the Period			
Balances as of 1 January 2015 (Opening)	80.000.000	118.749.217	-	(33.042.438)	-	1.132.462	39.528.980	222.284.585	77.765.261	506.418.067	61.898.043	568.316.110
Transfers	-	-	-	-	-	-	2.699.950	75.065.311	(77.765.261)	-	-	-
Total Comprehensive Income (Expense)	-	-	-	-	-	(1.074.203)	-	-	64.016.171	62.941.968	5.174.849	68.116.817
Profit (Loss) for the Period	-	-	-	-	-	(1.074.203)	-	-	64.016.171	64.016.171	5.191.506	69.207.677
Other Comprehensive Income (Expense)	-	-	-	-	-	(1.074.203)	-	-	(1.074.203)	(1.074.203)	(16.637)	(1.090.860)
Dividends Paid (Note 18)	-	-	-	-	-	-	-	(16.861.781)	-	(16.861.781)	(3.533.733)	(20.395.514)
Balances as of 31 December 2015 (Closing)	80.000.000	118.749.217	-	(33.042.438)	58.259	58.259	42.228.930	280.488.115	64.016.171	552.498.254	63.539.159	616.037.413
Balances as of 1 January 2016 (Opening)	80.000.000	118.749.217	-	(33.042.438)	58.259	58.259	42.228.930	280.488.115	64.016.171	552.498.254	63.539.159	616.037.413
Transfers	-	-	-	-	-	-	2.554.551	61.461.620	(64.016.171)	-	-	-
Total Comprehensive Income (Expense)	-	-	-	-	-	432.320	-	-	7.311.990	7.744.310	(4.324.238)	3.420.052
Profit (Loss) for the Period	-	-	-	-	-	432.320	-	-	7.311.990	7.311.990	(4.376.600)	2.935.390
Other Comprehensive Income (Expense)	-	-	-	-	-	432.320	-	-	-	432.320	52.342	484.662
Dividends Paid (Note 18)	-	-	-	-	-	-	-	(16.046.382)	-	(16.046.382)	-	(16.046.382)
Increase (Decrease) due to Re-acquired Shares Transactions (Note 18)	-	-	(147.065)	-	-	-	-	-	-	(147.065)	-	(147.065)
Balances as of 31 December 2016 (Closing)	80.000.000	118.749.217	(147.065)	(33.042.438)	490.579	490.579	44.783.481	325.905.353	7.311.990	544.049.117	59.214.901	603.264.018

The accompanying notes are integral part of these consolidated financial statements.

**BATIÇİM BATI ANADOLU ÇİMENTO SANAYİ ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	Current Period 1 January - 31 December 2016	Prior Period 1 January - 31 December 2015
A. Cash Flows From Operating Activities			
Profit (Loss) Before Tax		2.935.390	69.207.677
Adjustments to Reconcile Profit (Loss) Before Tax			
- Adjustments Related to Depreciation and Amortization	11, 12, 13	36.327.716	31.958.790
- Adjustments Related to Allowance for Receivables		846.371	183.704
Adjustments Related to Allowance for Trade Receivables	7	846.371	183.704
- Adjustments Related to Provision		5.581.649	20.229.435
Adjustments Related to Employment Benefits	16	5.041.133	7.724.554
Adjustment Related to Legal Provisions	14	(1.052)	12.006.395
Adjustments Related to Industry Specific Provisions	14	541.568	498.486
- Adjustments Related to Interest (Income) and Expense		7.123.169	(2.561.082)
Adjustments Related to Interest Income	24	(4.385.508)	(4.295.580)
Adjustments Related to Interest Expense	25	16.568.178	5.659.369
Deferred Finance Expense due to Forward Purchase	22	(17.759.312)	(11.416.560)
Unearned Finance Income due to Forward Sales	23	12.699.811	7.491.689
- Adjustments Related to Unrealized Foreign Exchange Differences		58.441.892	13.201.150
- Adjustment Related to Fair Value Losses (Gain)		3.720.993	-
Adjustment Related to Fair Value of Derivative Instrument Loss (Gain)	24	3.720.993	-
- Adjustments to Tax (Income) Expense	26	(787.866)	21.155.537
- Adjustments Related to Loss (Gain) on Disposal of Non-Current Assets		1.063.275	(7.492.448)
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	24	1.063.275	(7.492.448)
		112.317.199	76.675.086
Movements in Working Capital			
- Adjustments Related to the Decrease (Increase) in Trade Receivables	7	(35.169.322)	(45.713.432)
- Adjustments Related to Decrease (Increase) in Other Receivables from Operations	8	(635.476)	(134.322)
- Adjustments Related to the Decrease (Increase) in Inventories	9	6.141.226	(1.952.691)
- Decrease (Increase) in Prepaid Expenses	10	(5.726.454)	(1.125.495)
- Adjustments Related to Increase (Decrease) in Trade Payables	7	52.663.057	60.356.674
- Increase (Decrease) in Payables to Employee Benefits	16	1.242.863	495.533
- Adjustment Related to Increase (Decrease) in Other Payables for Operations		2.491.247	1.621.738
Adjustments Related to the Increase (Decrease) in Other Payables from Related Parties		-	(6.627)
Adjustments Related to the Increase (Decrease) in Other Payables from Third Parties		2.491.247	1.628.365
- Adjustments Related to Increase (Decrease) in Working Capital		(23.516.056)	(54.149)
Decrease (Increase) in Other Assets from Operations		(23.757.098)	(419.613)
Increase (Decrease) in Other Liabilities from Operations	17	241.042	365.464
		(2.508.915)	13.493.856
Cash Generated From Operations			
- Payments for Employee Benefit Provisions	16	(2.053.823)	(2.712.769)
- Payments for Other Provisions	14	(11.978.547)	-
- Income Tax Return (Paid)		(18.688.896)	(23.784.540)
		80.022.408	132.879.310

The accompanying notes are integral part of these consolidated financial statements.

**BATIÇİM BATI ANADOLU ÇİMENTO SANAYİ ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	Current Period 1 January - 31 December 2016	Prior Period 1 January - 31 December 2015
B. Cash Flows From Investing Activities			
- Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		3.554.901	9.731.039
Proceeds from Disposal of Property, Plant and Equipment	11, 24	3.554.901	9.722.622
Proceeds from Disposal of Intangible Assets	12	-	8.417
- Payments for Acquisition of Property, Plant and Equipment and Intangible Assets		(312.707.606)	(116.511.805)
Payments for Acquisition of Property, Plant and Equipment	11, 25	(311.695.328)	(114.103.068)
Payments for Acquisition of Intangible Assets	12	(1.012.278)	(2.408.737)
- Cash Advances Given and Liabilities	10	(36.457.987)	(9.250.291)
- Interest Received		4.329.019	4.295.580
Cash Used in Investing Activities		(341.281.673)	(111.735.477)
C. Cash Flows From Financing Activities			
- Cash Outflows for the Acquisition of Own Shares and Other Equity Instruments		(147.065)	-
Cash Outflows for the Acquisition of Own Shares	18	(147.065)	-
- Cash Inflows from Borrowings		360.708.492	199.054.212
Cash Inflows from Loans		360.708.492	199.054.212
- Cash Outflows on Repayment of Borrowings		(91.245.444)	(121.522.972)
Cash Outflows on Repayment of Borrowings		(91.245.444)	(121.522.972)
- Dividends Paid	18	(16.046.382)	(20.395.514)
- Interest Paid		(11.414.147)	(2.745.587)
Cash Generated from Financing Activities		241.855.454	54.390.139
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(19.403.811)	75.533.972
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	32	146.078.304	70.544.332
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	32	126.674.493	146.078.304

The accompanying notes are integral part of these consolidated financial statements.

BATIÇİM BATI ANADOLU ÇİMENTO SANAYİİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

The Group's principle activities are production and marketing cement, ready mixed concrete, stone chips, clinker production and sale, port management, electricity power production and sale.

Entity's ready-mixed concrete business Batıbeton Sanayi A.Ş. and port management Batıliman Liman İşletmeleri A.Ş. have been approved for simplified method "participation model" partial division with the General Assembly Meeting as on the date of 28 December 2015. Entity's decisions taken by Extraordinary General Meeting referring operation of partial division registered by İzmir Registry of Commerce as on the date of 31 December 2015.

Accordingly; partial division was approved by the General Assembly and Batıbeton Sanayi A.Ş. and Batıliman Liman İşletmeleri A.Ş. are established as a 100% subsidiary of the Company.

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

	31 December 2016		31 December 2015	
	Share (%)	Amount	Share (%)	Amount
Sanko Holding A.Ş.	23,33	18.665.000	-	-
Fatma Gülgün Ünal	9,98	7.980.396	4,99	3.991.450
Sülün İlkin	8,19	6.555.789	8,19	6.555.789
Yıldız İzmiroğlu	8,17	6.537.266	8,17	6.537.266
Belgin Egeli	7,64	6.112.757	2,44	1.952.561
Fatma Meltem Günel	6,63	5.300.409	6,63	5.300.409
Mehmet Mustafa Bükey	5,85	4.678.077	5,85	4.678.077
Feyyaz Nurullah İzmiroğlu	-	-	9,97	7.977.458
Other	30,21	24.170.306	53,76	43.006.990
	100,00	80.000.000	100,00	80.000.000

The number of employees are categorized as follows:

	31 December 2016	31 December 2015
Manager	32	33
Officer	215	181
Worker	835	620
	1.082	834

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

The Board members of the Company are as follows:

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

Detail of Group's subsidiaries is as below:

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

Approval of financial statements

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 13 March 2017. General Assembly has the authority to modify the financial statements.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation

Statement of Compliance in TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No: 28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the "illustrations of financial statements and application guidance".

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency Used

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

Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 "Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Comparative Information and Reclassifications of Prior Period Consolidated Financial Statements

The Group's financial statements have been prepared comparatively with the prior year for enable to determine financial status and performance trends. Comparative informations have been re-classed and explained major differencies if it's necessary to current period financial statements presentations for reconciliations. In the current period, the Group did not make any re-classification on the prior year consolidated financial statements.

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

2.1 Basis of presentation (cont'd)

Basis of consolidation

Details of the Company's subsidiaries as of 31 December 2016 and 2015 are as follows:

Subsidiary	Establishment and operation location	31 December 2016		31 December 2015	
		Direct proportional ownership %	Indirect proportional ownership %	Direct proportional ownership %	Indirect proportional ownership %
Batisöke	Aydın, Turkey	74,62	74,66	74,62	74,66
Batıbeton	İzmir, Turkey	100	100	99,85	99,96
ASH Plus	Manisa, Turkey	100	100	98	99,87
Batiçim Enerji	İzmir, Turkey	63,98	90,86	63,98	90,86
Batiçim Enerji Toptan	İzmir, Turkey	-	90,86	<1	90,86
Yeni Batıbeton	İzmir, Turkey	100	100	100	100
Bati Liman	İzmir, Turkey	100	100	100	100

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

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

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

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

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

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

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

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

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. The Group did not make any significant changes in its accounting policies.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates are for only one period, changes are applied on the current year but if the changes in accounting estimates are for the following periods, changes are applied both on the current and the following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Group.

Significant changes in accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly.

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

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the consolidated financial statements

None.

b) New and revised TAS applied with no material effect on the consolidated financial statements

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants¹</i>
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations¹</i>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1²</i>
Amendments to TAS 1	<i>Disclosure Initiative²</i>
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19²</i>
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements²</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception²</i>
TFRS 14	<i>Regulatory Deferral Accounts²</i>

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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

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

b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

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

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

b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

Amendments to TAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 Regulatory Deferral Accounts

TFRS 14 *Regulatory Deferral Accounts* permits an entity, which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

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

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

c) New and revised TAS in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

TFRS 9 *Financial Instruments*

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

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

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

2.5 Summary of Significant Accounting Policies

Related Parties

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

- a) A person or a close member of that person's family is related to a reporting entity if that person,
- (i) has control or joint control over the reporting entity,
 - (ii) has significant influence over the reporting entity,
 - (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 defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Net sales is reduced for estimated or realized customer returns, discounts, commissions, rebates, and taxes related to sales.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

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

Rendering of services

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

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

Dividend and interest income

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Mining Assets

Mining assets owned by the Group comprise discounted costs associated with the reclamation, rehabilitation and closure of mines. Mining assets are carried in the financial statements at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of mining assets, commences when mine production begins. Depreciation expenses related with mining assets are allocated to cost of production.

Amortization of mining assets commences when they reach full capacity and the physical condition to meet the production capacity determined by management.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, plant and equipment (cont'd)

Mining Assets (cont'd)

In the presence of indicators of impairment, mining assets are tested against impairment in accordance with TAS 36, by being grouped into the smallest independent cash generating units and by comparing their recoverable amount and their carrying value in the financial statements. For purposes of assessing impairment, mining assets are recognized on the basis of cash-generating units. Impairment exists if the mining asset's or the cash generating unit's (which the asset belongs) carrying amount is higher than the amount recoverable from its sale after all costs associated with usage and selling have been deducted. Losses arising from impairment of mining assets are recognized as expenses in the statement of comprehensive income. The impairment loss is reviewed at each reporting period and subsequent increases in the recoverable amount of the asset impaired can be reversed by less than the original impairment amount, if the increase in the recoverable amount is related to an event occurring during the subsequent period.

Cost of reclamation, rehabilitation and closure of mines comprise the provisioned amount for costs that are considered as highly probable to be incurred during the closure and rehabilitation of mines, discounted and recognized on the reporting date of the financial statements. These provisions are discounted at the reporting date with the discount rates, which are non-taxable and risk free rates for the future expected cash flows, taking into consideration the market interest rate and the risk associated with the liability. The calculations are reviewed at each reporting date. The changes arising from the changes in the management estimates used for the calculation of the provision related to the conditioning, rehabilitation and closure of mining areas, are recognized in the reclamation of mining areas, rehabilitation and closure costs. On the other hand in determining the costs related to the reclamation, rehabilitation and closure of mines the depreciation rate used is the lower of; the remaining economic life of the mine, or the quantity of the mined amount during the period divided by the reserves left in the mine at the end of the period. Based on the scope of existing programs to prevent environmental pollution and protection of the environment is reflected in the statement of comprehensive income as an expense in the period in which the costs are incurred.

Intangible Assets

Intangible assets acquired seperately

Intangible assets with finite useful lives that are acquired seperately are carried at cost less accumulated amortization and accumulated impairment losses. These assets are amortized over their estimated useful lives using the straight-line method. The estimated useful life and the depreciation method, in order to determine the possible effects of changes in estimates are reviewed each year and changes in estimates are accounted for prospectively. Intangible assets with indefinite useful lives that are acquired seperately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

Borrowing Costs

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

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

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

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd) 2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial assets

Financial assets are classified into the following specified categories: 'financial assets as at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Investments are recognised and derecognised on a trade date where the purchase or sale of an investments under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

Loans and receivables

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

Cash and cash equivalents

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

Recognition and derecognition of financial assets

The Group recognizes a financial asset or a financial liability in its financial position when, and only, the entity becomes a party to the contractual provisions of the instrument.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities

When a financial liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method.

Derivative financial instruments

The Group uses forward contracts in international markets. According to the risk management policies of the Group, these forward contracts are classified as derivatives held-for trading in the accompanying financial statements, since they do not satisfy the conditions for hedge accounting in TAS 39 (*Financial Instruments: Recognition and Measurement*). Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

Fair value is generally determined by using the quoted prices in an active market, otherwise it is determined by using either discounted cash flow model or option pricing model. If fair value is positive, the derivative is recognized as an asset and if fair value is negative, it is recognized as a liability in the statement of financial position.

Effect of Foreign Currency Transactions

Foreign Currency Balances and Transactions

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

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

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

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Earnings Per Share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Segmental Information

The Group have identified relevant operating segments based on internal reports that are regularly reviewed. Chief operating decision making body of the Group is the Executive Board.

The chief operating decision making body of the Group reviews results and operations on a product basis in order to monitor performance and to allocate resources. Product basis segments of the Group are defined in the following categories: stone and mineral basis products, port services and electricity production.

Taxation on Income

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

Taxation on income is composed of current tax and deferred tax.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Taxation on Income (cont'd)

Current tax

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

Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Tax is recognized in profit or loss, except when this relate to items that are recognized directly in equity, in which case, tax is also recognized directly in equity.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Employee Benefits

Retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) *Employee Benefits* ("TAS 19").

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

Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

Statement of Cash Flows

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

Capital and Dividends

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Income taxes

Significant judgment is required to determine the Group provision for income taxes. The Group estimates its liabilities for tax obligations as well as the utilization of available loss carry forwards. When the final tax outcome is known, the actual positions may vary from these estimates and adjustments to deferred income tax positions may be required.

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

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

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and TAS basis of assets and liabilities. The main factors which are considered include future earnings potential and tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. When determining useful lives the Group takes into consideration the intended use of the property, plant and equipment. This estimation depends on the Groups' past experiences of similar property, plant and equipments. The Group also considers the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may cause the property, plant and equipment is not useful any longer.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows (Note 28-30).

Provision for mine site rehabilitation

The Group calculates for stone and earth-based land degraded by mining activities within the scope of reintegration for mine site rehabilitation. The provision is discounted to the present value of the and the related expense for the period, is included in financial expenses as the cost of rehabilitation.

3. SEGMENT REPORTING

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

The Group's foreign sales represent sales made to different geographical regions. The details of revenue have been given as domestic and foreign sales in Note 19.

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

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3. SEGMENT REPORTING (cont'd)

Segment assets, segment liabilities, investment expenditures, depreciation and amortisation charges and interest income and expenses as of 31 December 2016 and 31 December 2015 comprise of the following:

31 December 2016	Products of stone and land basis	Harbour services	Electricity production	Total
Total Assets	1.160.262.833	136.741.871	200.239.856	1.497.244.560
Total Liabilities	722.489.232	57.654.560	113.836.750	893.980.542
Current Year Investment Expenditures	292.784.710	41.490.932	2.161.038	336.436.680
Current Year Depreciation and Amortization Expense	30.019.157	2.583.842	3.724.717	36.327.716
Interest Income	3.693.692	149.165	542.651	4.385.508
Finance Expense	83.394.040	9.686.725	22.282.712	115.363.477

31 December 2015	Products of stone and land basis	Harbour services	Electricity production	Total
Total Assets	859.958.379	80.426.835	187.622.581	1.128.007.795
Total Liabilities	398.082.603	22.592.257	91.295.522	511.970.382
Current Year Investment Expenditures	102.320.678	17.127.574	1.799.358	121.247.610
Current Year Depreciation and Amortization Expense	25.655.661	2.469.202	3.833.927	31.958.790
Interest Income	3.467.090	-	828.490	4.295.580
Finance Expense	40.456.937	-	12.364.727	52.821.664

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3. SEGMENT REPORTING (cont'd)

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

1 January - 31 December 2016	Products of Stone and Land Basis	Harbour Services	Electricity Production	Total
Revenue	456.632.132	44.868.260	87.853.698	589.354.090
Cost of Sales (-)	(369.792.540)	(25.229.859)	(77.170.168)	(472.192.567)
Gross Profit	86.839.592	19.638.401	10.683.530	117.161.523
Administrative Expenses (-)	(37.281.787)	(459.018)	(2.660.910)	(40.401.715)
Marketing Expenses (-)	(15.605.049)	-	(1.559.254)	(17.164.303)
Other Income from Operating Activities	61.157.124	2.292.162	6.457.634	69.906.920
Other Expenses from Operating Activities (-)	(22.378.172)	(1.274.514)	(11.025.592)	(34.678.278)
Operating Profit	72.731.708	20.197.031	1.895.408	94.824.147
Income from Investing Activities	5.861.000	149.165	542.651	6.552.816
Expenses from Investing Activities	(6.950.825)	-	-	(6.950.825)
Finance Expenses (-)	(60.309.176)	(9.686.726)	(22.282.712)	(92.278.614)
Profit / (Loss) Before Tax	11.332.707	10.659.470	(19.844.653)	2.147.524

The results of the financial figures by segments for the year ended 31 December 2015 are as follows:

1 January - 31 December 2015	Products of Stone and Land Basis	Harbour Services	Electricity Production	Total
Revenue	491.728.433	36.526.913	72.652.371	600.907.717
Cost of Sales (-)	(356.710.994)	(21.111.660)	(48.077.881)	(425.900.535)
Gross Profit	135.017.439	15.415.253	24.574.490	175.007.182
Administrative Expenses (-)	(30.293.244)	-	(1.873.053)	(32.166.297)
Marketing Expenses (-)	(19.794.649)	-	(1.775.919)	(21.570.568)
Other Income from Operating Activities	53.171.649	239	7.133.714	60.305.602
Other Expenses from Operating Activities (-)	(34.400.156)	(1.222.221)	(19.294.071)	(54.916.448)
Operating Profit	103.701.039	14.193.271	8.765.161	126.659.471
Income from Investing Activities	5.085.562	-	6.704.040	11.789.602
Finance Expenses (-)	(33.620.849)	-	(14.465.010)	(48.085.859)
Profit / (Loss) Before Tax	75.165.752	14.193.271	1.004.191	90.363.214

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4. FINANCIAL INVESTMENTS

	31 December 2016	31 December 2015
Long-term financial investments	<u> </u>	<u> </u>
Financial investments that do not have a quoted market value recognized at their cost value		
Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.	10.000	10.000
	<u>10.000</u>	<u>10.000</u>

5. FINANCIAL LIABILITIES

	31 December 2016	31 December 2015
<u>Financial liabilities</u>		
a) Bank loans	639.473.075	268.161.700
b) Financial borrowings to the Republic of Turkey Prime Ministry Privatization Administration	22.482.884	37.006.214
	<u>661.955.959</u>	<u>305.167.914</u>
	31 December 2016	31 December 2015
Short-term bank loans	68.190	-
Short-term portion of long-term bank loans	80.816.744	38.049.627
Other short-term financial liabilities	22.482.884	19.165.503
Short-term financial liabilities	<u>103.367.818</u>	<u>57.215.130</u>
Long-term bank loans	558.588.141	230.112.073
Other long-term financial liabilities	-	17.840.711
Long-term financial liabilities	<u>558.588.141</u>	<u>247.952.784</u>
Total financial liabilities	<u>661.955.959</u>	<u>305.167.914</u>

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5. FINANCIAL LIABILITIES (cont'd)

a) Bank loans

The detail of bank loans are shown below:

Currency	Weighted average effective interest rate (%)	31 December 2016	
		Short-term	Long-term
US Dollar	5,14	33.079.694	115.763.045
Euro	4,16	37.279.231	371.046.241
TL	13,63	10.526.009	71.778.855
		<u>80.884.934</u>	<u>558.588.141</u>

Currency	Weighted average effective interest rate (%)	31 December 2015	
		Short-term	Long-term
US Dollar	4,28	17.590.994	65.909.289
Euro	3,87	17.201.855	149.202.784
TL	13,90	3.256.778	15.000.000
		<u>38.049.627</u>	<u>230.112.073</u>

The detail of bank loans are shown below:

	31 December 2016	31 December 2015
To be paid within 1 year	80.884.934	38.049.627
To be paid between 1-2 years	94.261.314	32.114.291
To be paid between 2-3 years	79.197.937	44.214.736
To be paid between 3-4 years	72.799.363	31.564.746
To be paid between 4-5 years	64.311.561	28.921.505
5 years and longer	248.017.966	93.296.795
	<u>639.473.075</u>	<u>268.161.700</u>

The fair value of the Group's financial liabilities approximates their carrying amount.

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5. FINANCIAL LIABILITIES (cont'd)

b) Financial Liabilities to Republic of Turkey Prime Ministry Privatization Administration are as follows:

Currency	Weighted average effective interest rate (%)	31 December 2016	
		Short-term	Long-term
US Dollar	3,68	22.482.884	-
		<u>22.482.884</u>	<u>-</u>

Currency	Weighted average effective interest rate (%)	31 December 2015	
		Short-term	Long-term
US Dollar	3,68	19.165.503	17.840.711
		<u>19.165.503</u>	<u>17.840.711</u>

The maturities of other financial liabilities are as follows:

	31 December 2016	31 December 2015
To be paid within 1 year	22.482.884	19.165.503
To be paid between 1-2 years	-	17.840.711
	<u>22.482.884</u>	<u>37.006.214</u>

6. RELATED PARTY DISCLOSURES

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

	31 December 2016	31 December 2015
<u>Payables to related parties</u>		
Due to shareholders (Note 8)	311.494	311.494
	<u>311.494</u>	<u>311.494</u>

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

	31 December 2016	31 December 2015
Wage, bonus, social relief benefits	1.897.648	1.724.616
Seniority incentive, performance premium, other reliefs and payments	462.531	491.852
	<u>2.360.179</u>	<u>2.216.468</u>

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7. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

As of 31 December 2016 and 31 December 2015, the detail of the Group's trade receivables are as follows:

	31 December 2016	31 December 2015
Trade receivables	89.625.662	76.209.884
Notes receivables	105.069.715	96.015.982
Provisions for doubtful receivables (-)	(1.646.649)	(800.278)
	<u>193.048.728</u>	<u>171.425.588</u>

The Group's undue and highly collectible receivables as of 31 December 2016 amounts to TL 193.048.728 (31 December 2015: TL 171.425.588). Average turnover for account receivables is 100 days (31 December 2015: 96 days).

As of 31 December 2016, a doubtful account receivables provision adjustment in the amount of TL 1.646.649 (31 December 2015: TL 800.278) has been booked. A portion of the receivables is expected to be recovered.

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

Movements of the Group's provision for doubtful receivables is as follows:

<u>Movement of allowance for doubtful receivables</u>	2016	2015
Opening balance at 1 January	800.278	616.574
Charge for the year	846.371	183.704
Closing balance at 31 December	<u>1.646.649</u>	<u>800.278</u>

The aging of overdue and doubtful receivables is as follows

	31 December 2016	31 December 2015
Between 3 - 12 months	783.432	-
Over 1 year	863.217	800.278
	<u>1.646.649</u>	<u>800.278</u>

Nature and level of risk related to trade receivables have been given in Note 29.

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7. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

The detail of the Group's trade payables as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Trade payables	166.932.950	132.029.205
	<u>166.932.950</u>	<u>132.029.205</u>

The average credit period on purchases of certain goods is 90 days (31 December 2015: 75 days).

8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

	31 December 2016	31 December 2015
<u>Other short term receivables</u>		
Receivables related to value added tax	-	5.869
Guarantees and deposits given	220	662
Other receivables	1.477.098	573.107
	<u>1.477.318</u>	<u>579.638</u>

	31 December 2016	31 December 2015
<u>Other long term receivables</u>		

Guarantees and deposits given	1.054.111	1.316.315
	<u>1.054.111</u>	<u>1.316.315</u>

b) Other Payables

	31 December 2016	31 December 2015
Taxes and funds payable	3.990.180	3.111.644
Other payables to related parties (Note 6)	311.494	311.494
Deposits and guarantees received	335.369	552.706
Other payables	408	4.029
	<u>4.637.451</u>	<u>3.979.873</u>

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9. INVENTORIES

	31 December 2016	31 December 2015
Raw materials	7.309.217	6.293.084
Work in process inventories	18.477.023	27.186.378
Finished goods	2.080.385	1.893.562
Auxiliary materials and spare parts and other inventories	29.991.110	28.625.937
	<u>57.857.735</u>	<u>63.998.961</u>

In 2016, the cost of inventories recognized as expense amounts to TL 254.742.076 (31 December 2015: TL 215.923.239) and is included in cost of sales account (Note 19).

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

10. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2016	31 December 2015
<u>Short-term prepaid expenses</u>		
Order advances for inventory purchases	9.350.449	2.942.947
Prepaid expenses	1.537.897	864.575
Work advances	8.658	4.000
Advances given to personnel	20.440	15.099
	<u>10.917.444</u>	<u>3.826.621</u>
<u>Long-term prepaid expenses</u>		
Advances for fixed asset purchases	55.198.630	18.740.643
Prepaid expenses	3.635.358	4.999.727
	<u>58.833.988</u>	<u>23.740.370</u>
<u>Deferred income</u>		
Advances received	3.947.638	2.113.969
	<u>3.947.638</u>	<u>2.113.969</u>

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11. PROPERTY, PLANT AND EQUIPMENT

Cost value	Land	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Mine assets	Leasehold improvements	Total
Opening balance as of 1 January 2016	82.266.832	79.265.113	171.943.097	436.167.274	2.738.559	48.278.916	108.301.714	2.512.484	2.910.314	994.384.303
Additions	17.205.136	342.121	379.580	3.123.808	2.290.938	4.866.922	306.036.527	-	1.212.213	335.457.245
Disposals	-	(52.640)	(25.405)	(8.482.043)	(722.194)	(848.402)	-	-	-	(10.130.684)
Transfers from construction in progress (*)	-	2.726.976	19.104.234	106.030.688	-	745.915	(162.481.925)	-	33.841.269	(32.843)
Closing balance as of 31 December 2016	99.471.968	82.281.570	191.401.506	536.839.727	4.307.303	53.043.351	251.856.316	2.512.484	37.963.796	1.259.678.021
Accumulated depreciation										
Opening balance as of 1 January 2016	-	(37.821.769)	(51.245.838)	(262.368.529)	(1.555.956)	(33.833.956)	-	(1.094.419)	(1.616.250)	(389.536.717)
Charge for the year	-	(3.483.043)	(3.406.095)	(16.956.630)	(586.572)	(6.447.973)	-	(217.884)	(431.089)	(31.529.286)
Disposals	-	19.769	6.224	4.406.662	373.540	706.313	-	-	-	5.512.508
Closing balance as of 31 December 2016	-	(41.285.043)	(54.645.709)	(274.918.497)	(1.768.988)	(39.575.616)	-	(1.312.303)	(2.047.339)	(415.553.495)
Net carrying value as of 31 December 2016	99.471.968	40.996.527	136.755.797	261.921.230	2.538.315	13.467.735	251.856.316	1.200.181	35.916.457	844.124.526

(*) TL 32.843 represents the transfer from construction in progress to rights in 2016.

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

Cost value	Land	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Mine assets	Leasehold improvements	Total
Opening balance as of 1 January 2015	50,947,092	77,750,007	155,191,614	444,678,350	2,641,059	42,577,571	59,917,172	2,512,484	2,764,309	838,979,658
Additions	32,246,920	126,882	45,643	1,204,124	509,031	4,758,179	81,323,122	-	146,005	120,359,906
Disposals	(998,786)	(7,085)	(50,428)	(21,531,539)	(411,531)	(480,934)	(3,925)	-	-	(23,434,228)
Transfers from construction in progress (*)	71,606	1,395,309	16,756,268	11,816,339	-	1,374,100	(32,934,655)	-	-	(1,521,033)
Closing balance as of 31 December 2015	82,266,832	79,265,113	171,943,097	436,167,274	2,738,559	48,278,916	108,301,714	2,512,484	2,910,314	934,384,303
Accumulated depreciation										
Opening balance as of 1 January 2015	-	(34,548,315)	(48,194,491)	(268,145,089)	(1,689,448)	(28,038,443)	-	(888,535)	(1,494,396)	(382,998,717)
Charge for the year	-	(3,277,299)	(3,067,896)	(14,641,354)	(278,039)	(6,149,728)	-	(203,884)	(121,854)	(27,742,054)
Disposals	-	3,845	16,549	20,417,914	411,531	354,215	-	-	-	21,204,054
Closing balance as of 31 December 2015	-	(37,821,769)	(51,245,838)	(262,368,529)	(1,555,956)	(33,833,950)	-	(1,094,419)	(1,616,250)	(389,536,717)
Net carrying value as of 31 December 2015	82,266,832	41,443,344	120,697,259	173,798,745	1,182,603	14,444,966	108,301,714	1,418,065	1,294,064	544,847,586

(*) TL 1.521.033 represents the transfer from construction in progress to rights in 2015.

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

Maddi duran varlıklara ait amortisman süreleri aşağıdaki gibidir:

	<u>Useful life</u>
Land improvements	8-50 years
Buildings	40-50 years
Plant, machinery and equipment	5-40 years
Vehicles	4-10 years
Fixtures and equipments	2-15 years
Leasehold improvements	2-49 years
Mine assets	10-30 years

TL 28.070.050 (2015: TL 25.022.790) of depreciation expense was allocated to cost of sales, TL 64.604 (2015: TL 134.757) of depreciation expense was allocated to marketing expenses and TL 3.394.632 (2015: TL 2.584.507) of depreciation expense was allocated to administrative expense.

As of 31 December 2016, mine assets included in property, plant and equipment consist of discounted costs related to closing of mines and their subsequent rehabilitation. Depreciation expense of the related mine assets has been allocated to cost of sales.

The amount of borrowing costs included in cost of property, plant and equipment as of 31 December 2016 amounts to TL 23.729.074 (31 December 2016: TL 4.735.805).

There are no assets among property, plant and equipment assets acquired through financial leases (2015: None).

12. INTANGIBLE ASSETS

	<u>Rights</u>	<u>Assets subject to amortization</u>	<u>Total</u>
Cost value			
Opening balance as of 1 January 2016	20.352.988	601.962	20.954.950
Additions	979.435	-	979.435
Disposals	(64.373)	-	(64.373)
Transfers from construction in progress	32.843	-	32.843
Closing balance as of 31 December 2016	<u>21.300.893</u>	<u>601.962</u>	<u>21.902.855</u>
Accumulated depreciation			
Opening balance as of 1 January 2016	(8.857.347)	(601.962)	(9.459.309)
Charge for the year	(1.508.618)	-	(1.508.618)
Disposals	64.373	-	64.373
Closing balance as of 31 December 2016	<u>(10.301.592)</u>	<u>(601.962)</u>	<u>(10.903.554)</u>
Net carrying value as of 31 December 2016	<u>10.999.301</u>	<u>-</u>	<u>10.999.301</u>

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12. INTANGIBLE ASSETS (cont'd)

	<u>Rights</u>	<u>Assets subject to amortization</u>	<u>Total</u>
Cost value			
Opening balance as of 1 January 2015	17.959.251	601.962	18.561.213
Additions	887.704	-	887.704
Disposals	(15.000)	-	(15.000)
Transfers from construction in progress	1.521.033	-	1.521.033
Closing balance as of 31 December 2015	<u>20.352.988</u>	<u>601.962</u>	<u>20.954.950</u>
Accumulated depreciation			
Opening balance as of 1 January 2015	(7.937.006)	(601.962)	(8.538.968)
Charge for the year	(926.924)	-	(926.924)
Disposals	6.583	-	6.583
Closing balance as of 31 December 2015	<u>(8.857.347)</u>	<u>(601.962)</u>	<u>(9.459.309)</u>
Net carrying value as of 31 December 2015	<u>11.495.641</u>	<u>-</u>	<u>11.495.641</u>

Amortization expense of TL 935.343 (2015: TL 621.039) and TL 573.275 (2015: TL 305.885) have been charged to cost of sales and administrative expenses, respectively.

The useful lives of intangible assets are as follows:

	<u>Useful life</u>
Rights	3-35 years
Assets subject to amortization	5 years

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

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13. INTANGIBLE ASSETS RELATED TO CONCESSION AGREEMENTS

Movements of intangible assets related to concession agreements during the period ended 31 December 2016 and 31 December 2015 is as follows:

	<u>Privileged intangible assets</u>
Cost value	
Opening balance as of 1 January 2016	161.200.670
Closing balance as of 31 December 2016	<u>161.200.670</u>
Accumulated amortization	
Opening balance as of 1 January 2015	(12.020.352)
Charge for the year	(3.289.812)
Closing balance as of 31 December 2016	<u>(15.310.164)</u>
Net carrying value as of 31 December 2016	<u><u>145.890.506</u></u>
	<u>Privileged intangible assets</u>
Cost value	
Opening balance as of 1 January 2015	161.200.670
Closing balance as of 31 December 2015	<u>161.200.670</u>
Accumulated amortization	
Opening balance as of 1 January 2015	(8.730.540)
Charge for the year	(3.289.812)
Closing balance as of 31 December 2015	<u>(12.020.352)</u>
Net carrying value as of 31 December 2015	<u><u>149.180.318</u></u>

Amortization expenses amounted to TL 3.289.812 been charged to cost of sales (2015: TL 3.289.812).

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13. INTANGIBLE ASSETS RELATED TO CONCESSION AGREEMENTS (cont'd)

Batıçım Enerji, which is a subsidiary of the Group, has signed an agreement with Prime Ministry Privatization Administration and Electricity Generation Corporation ("EGC") on 7 December 2011 for the transfer of operational rights of Group 4: Kovada I and Kovada II Hydroelectric Plants, at 1 March 2013 for Group 7: Hasanlar Hydroelectric Plants. Batıçım Enerji had operating right for 49 years. At the end of the period (49 years), Batıçım Enerji has liability to transfer all plant's operations with full function to EGC. According to the agreement, Batıçım Enerji must keep the plants productivity with appropriate level and meet the maintenance, reparation and improvement costs. Batıçım Enerji is liable for all sort of damages and harms on production facilities.

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

Intangible assets related to concession agreements which will be transferred at the end of the period, have been insured for risks like fire or accident. Insurance amount for the relevant years is as follows:

	31 December 2016 (US Dollar)	31 December 2015 (US Dollar)
Insurance	32.482.382	32.478.250
	<u>32.482.382</u>	<u>32.478.250</u>

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions

	31 December 2016	31 December 2015
Penalty provision of Competition Board (*)	5.840.322	17.818.869
Legal claims (**)	59.957	61.009
	<u>5.900.279</u>	<u>17.879.878</u>

(*) Based on decision numbered 06-29/35486 dated 24th April 2006 given by Competition Board , and by reason of fact that the administrative lawsuit (opened for cancellation of payment-order dated 30th May 2007 sent by Directorate of inheritance and stamp for collection of administrative fine in amount of TL 85.048,57) is resulted in opposition. The outcome of proceeding was appealed on date of 27th February 2014 , and appeal outcome is presently being awaited. Reasoned board decision regarding administrative fine in amount of TL 4.413.154 for cement calculated on net sale revenue of TL 147.105.136 according to decision of Competition Board numbered 04-77/1109-279 dated 02nd December 2004 and 04-077/1108 dated 2nd December 2004 issued about the Company is notified to the Company. On 27 June 2005, the Company filed a cancellation order on the Council of State, depending on the legal opinion received. The Company's request for suspension of execution which started with the case, has been accepted with Council of State's 13th department's decision with number Dairesi'nin 2005/7505-7507 and Board for Council of State's Administrative Cases Departments' decision of number 2005-66, and it has been decided that execution of the decisions made would be stopped till the case has been resolved.

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

a) Short-term provisions (cont'd)

Regarding the payment order of the Competition Authority's administrative fine of TL 4.413.154, a real estate mortgage has been made. From the perspective of the company's management, as a consequence of the legal opinion, regarding this case, the remuneration of TL 4.413.154 has been ongoing as of 31 December 2016. Yet, Competition Authority had delivered the document regarding the payment of the fine to the tax Office that the company is subject to, and the company paid the Competition Authority fine on 13 February 2017.

Batisöke Söke Çimento Sanayii T.A.Ş. which is a subsidiary of the Group has recorded a provision amounting to TL 1.342.120 related to penalty which was notified by Competition Authority Board as at 13 May 2005. Abatement of proceedings was approved by State Council's 13th Department decision numbered 2005/7506 until the lawsuit was concluded for Batisöke. However, the Group paid the penalty of TL 1.342.120 to bank account of Ankara 10th Administrative Court, decision numbered 2007990 E.2009/126 and dated 30 January 2009, the penalty payment was canceled as at 30 January 2009. On 20 April 2009, the payment was given back to the Batisöke by Ankara Directorate of Tax Administration. Regarding this case, the appeal case filed by the Competition Authority against the Company has been concluded as of the date of the report. With the rejection of the request for correction of the decision, the case has been finalized with adverse consequence. From the company's management's perspective, as a consequence of the given legal opinion, regarding the forementioned case, the remuneration of a total TL 1.342.120 which was divided before, has been ongoing as of 31 December 2016. Yet, Competition Authority had delivered the document regarding the payment of the fine to the tax office that the company is subject to, and the company paid the Competition Authority fine on 13 February 2017.

An administrative fine amounting to TL 15.971.396 of has been notified by the Competition Authority on 14 January 2016 to the Group. The Group has recorded a provision amounting to TL 11.978.547 in 2015. In compliance with the law of misdemeanors numbered 5326, article 17/6 states that "If the debtor willing to pay the fine, the public officer who fine as a result of misdeed, makes collection immediately. If debtor pays the fine without litigation, the debtor will be charged $\frac{3}{4}$ of the fine. But, this payment does not affect the right to appeal to remedy for the fine". By considering this, $\frac{3}{4}$ of fine from Competition Authority will be paid in advance, and as a result, the Entity be exempt from $\frac{1}{4}$ of fine. The Group has paid in cash $\frac{3}{4}$ of the fine on 27 June 2016.

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

a) Short-term provisions (cont'd)

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

b) Long-term provisions

	31 December 2016	31 December 2015
Provision for mine site rehabilitation (*)	6.780.551	6.238.983
	<u>6.780.551</u>	<u>6.238.983</u>

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

The movement of provisions for 2016 is as follows:

2016	Provision for Competition Board penalty	Provision for legal claims	Provision for mine site rehabilitation	Total
Opening balance as of 1 January	17.818.869	61.009	6.238.983	24.118.861
Charge for the year	-	-	541.568	541.568
Payments	(11.978.547)	-	-	(11.978.547)
Provisions cancelled (-)	-	(1.052)	-	(1.052)
Closing balance as of 31 December	<u>5.840.322</u>	<u>59.957</u>	<u>6.780.551</u>	<u>12.680.830</u>

The movement of provisions for 2015 is as follows:

2015	Provision for Competition Board penalty	Provision for legal claims	Provision for mine site rehabilitation	Total
Opening balance as of 1 January	5.840.322	33.161	5.740.497	11.613.980
Charge for the year	11.978.547	55.914	498.486	12.532.947
Provisions cancelled (-)	-	(28.066)	-	(28.066)
Closing balance as of 31 December	<u>17.818.869</u>	<u>61.009</u>	<u>6.238.983</u>	<u>24.118.861</u>

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15. COMMITMENTS

Guarantees-Pledges- Mortgages ("GPM")

The Group's guarantees/pledge/mortgage position as at 31 December 2016 and 31 December 2015 is as follows:

31 December 2016	Currency	Original balance	TL Amount
A. GPMs given on behalf of its own legal entity (Only includes letters of guarantee)			67.348.277
- Guarantee	TL	45.263.823	45.263.823
- Guarantee	US Dollar	6.170.000	21.713.464
- Guarantee	Euro	100.000	370.990
B. GPM given on behalf of subsidiaries that are included in full consolidation			-
C. GPM given in order to guarantee third parties debts for the routine trade operations			-
D. Total amounts of other GPM given			-
			67.348.277
31 December 2015	Currency	Original balance	TL Amount
A. GPMs given on behalf of its own legal entity (Only includes letters of guarantee)			79.492.002
- Guarantee	TL	42.127.002	42.127.002
- Guarantee	US Dollar	12.400.000	36.054.240
- Guarantee	Euro	412.500	1.310.760
B. GPM given on behalf of subsidiaries that are included in full consolidation		-	-
C. GPM given in order to guarantee third parties debts for the routine trade operations		-	-
D. Total amounts of other GPM given		-	-
			79.492.002

The ratio of other GPM to shareholder's equity is 0% as of 31 December 2016 (31 December 2015: 0%).

According to the Share Pledge Agreement signed on 1 December 2014, the Company put in pledge the capital of Batıçim Enerji Elektrik Üretim A.Ş. amounting to 63.975.000 (63.975 number of shares) with TL 1,000 nominal value in favor of Akbank T.A.Ş.. Accordingly, the bank loan amounting to TL 36.025.000 (36.025 number of shares) in order to finance Batıçim Enerji Elektrik Üretim A.Ş.'s subsidiary Batısöke Söke Çimento Sanayi T. A.Ş. have signed this agreement for sharing in favor of Akbank T.A.Ş..

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

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16. EMPLOYEE BENEFITS

	31 December 2016	31 December 2015
Payables to personnel	2.003.688	2.296.976
Social security premiums payable	2.902.470	1.366.319
	<u>4.906.158</u>	<u>3.663.295</u>

Short-term provisions for employee benefits

	31 December 2016	31 December 2015
Unused vacation liability	2.073.779	1.714.247
Performance and seniority encouragement premium provision	3.302.090	2.352.298
	<u>5.375.869</u>	<u>4.066.545</u>

TL 165.384 (2015: TL 138.591), TL 176.171 (2014: TL 147.629), and TL 17.977 (2015: TL 15.064) as a part of "unused vacation liability" have been included "cost of sales", "administrative expenses" and "marketing expenses", respectively.

TL 1.917.282 (2015: TL 1.000.197), TL 1.192.313 (2015: TL 1.164.152) and TL 192.495 (2015: TL 187.949) as a part of "seniority encouragement premium provision" have been included "cost of sales", "administrative expenses" and "marketing expenses", respectively.

Long-term provisions for employee benefits

	31 December 2016	31 December 2015
Provision for employee termination benefit	18.273.440	17.201.282
	<u>18.273.440</u>	<u>17.201.282</u>

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.297,21 (2015: TL 3.828,37) of service at 31 December 2016.

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16. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits (cont'd)

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated with the assumption of 4,21% real discount rate calculated by using 7% annual inflation rate and 11,5% discount rate (31 December 2015: 3,74%).

Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 1,21% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 4.426,16 which is in effect since 1 January 2016 is used in the calculation of Groups' provision for retirement pay liability (1 January 2016: TL 4.092,53)

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

- If the discount rate would have been 1% higher, provision for employee termination benefits would decrease by TL 720.285, if the discount rate would have been 1% lower, provision for employee termination benefits would increase by TL 848.363.
- If the probability of voluntary leaves had been 1% lower, provision for employee termination benefits would decrease by TL 111.337, if the probability of voluntary leaves had been 1% higher, provision for employee termination benefits would increase by TL 126.215.

The movement in the provision for employee

<u>termination benefits</u>	<u>2016</u>	<u>2015</u>
Opening balance at 1 January	17.201.282	13.479.504
Service cost	3.087.598	4.687.714
Interest cost	644.211	383.258
Termination benefits paid	(2.053.823)	(2.712.769)
Actuarial gain / (loss)	(605.828)	1.363.575
Closing balance at 31 December	<u>18.273.440</u>	<u>17.201.282</u>

Of the total charge TL 2.873.493 (2015: TL 3.904.648), TL 709.044 (2015: TL 963.485), and TL 149.272 (2015: TL 202.839), were included in cost of sales, administrative expenses and marketing expenses, respectively.

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17. OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
<u>Other Current Assets</u>		
Deferred VAT	7.506.236	752.458
Other current assets	-	180.893
	<u>7.506.236</u>	<u>933.351</u>
<u>Other Short-Term Liabilities</u>	31 December 2016	31 December 2015
Mine tax accruals	2.078.591	1.967.810
Other payables and liabilities	863.228	732.967
	<u>2.941.819</u>	<u>2.700.777</u>
<u>Other Non-Current Assets</u>	31 December 2016	31 December 2015
Deferred VAT	17.184.213	-
	<u>17.184.213</u>	<u>-</u>

18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

Paid and approved capital of the Company consist 8.000.000.000 number of shares that has TL 0,01 nominal value (31 December 2015: TL 0,01 and 8.000.000.000 shares). Share capital of the Company consists of A group bearer share and B group bearer shares.

The Group is subject to the upper limit of registered capital, and the upper limit is TL 150.000.000 as of 31 December 2016 (31 December 2015: TL 150.000.000).

The Group's share capital consist of A group and B group shares.

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

	31 December 2016		31 December 2015	
	Share (%)	Amount	Share (%)	Amount
Yıldız İzmiroğlu	9,75	4.681	9,75	4.681
Fatma Meltem Günel	7,85	3.768	7,85	3.768
Mehmet Mustafa Bükey	7,85	3.768	7,85	3.768
Sülün İlkin	7,72	3.704	7,72	3.704
Fatma Gülgün Ünal	7,63	3.661	7,57	3.635
Belgin Egeli	5,07	2.435	5,00	2.409
Feyyaz Nurullah İzmiroğlu	-	-	9,67	4.640
Other	54,13	25.983	44,59	21.395
	<u>100,00</u>	<u>48.000</u>	<u>100,00</u>	<u>48.000</u>

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

a) Share Capital (cont'd)

Group A shareholders have the following rights:

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

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

	31 December 2016		31 December 2015	
	Share (%)	Amount	Share (%)	Amount
Sanko Holding A.Ş.	23,33	18.665.000	-	-
Fatma Gülgün Ünal	9,97	7.976.735	4,99	3.987.815
Sülün İlkin	8,20	6.552.085	8,20	6.552.085
Yıldız İzmiroğlu	8,17	6.532.585	8,17	6.532.585
Belgin Egeli	7,64	6.110.322	2,44	1.950.152
Fatma Meltem Günel	6,62	5.296.641	6,62	5.296.641
Mehmet Mustafa Bükey	5,85	4.674.309	5,85	4.674.309
Feyyaz Nurullah İzmiroğlu	-	-	9,97	7.972.818
Other	30,22	24.144.323	53,76	42.985.595
	100,00	79.952.000	100,00	79.952.000

	31 December 2016	31 December 2015
Inflation adjustments on share capital	118.749.217	118.749.217
	118.749.217	118.749.217

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

b) Restricted Reserves Appropriated from Profit

	<u>31 December 2016</u>	<u>31 December 2015</u>
Legal reserves	44.783.481	42.228.930
	<u>44.783.481</u>	<u>42.228.930</u>

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves can only be used if it does not exceed the capital or issued capital for close the losses, continue the business when business is not going well or end the unemployment and to take suitable precautions to reduce the results of unemployment.

Adjustments to share capital does have any use other than use in capital increase.

Profit Distribution

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after February 1, 2014. Shareholders distributes their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

Dividend amounting to TL 0,085 per share is paid on 6 June 2016 TL 16.046.382 paid to shareholders (2015: TL 20.395.514).

c) Reciprocal Interests

	<u>31 Aralık 2016</u>	<u>31 Aralık 2015</u>
Cancellation of parent company shares held by Batı Söke	(32.387.000)	(32.387.000)
Cancellation of parent company shares held by Batibeton	(655.438)	(655.438)
	<u>(33.042.438)</u>	<u>(33.042.438)</u>

d) Re-acquired Shares

The Company re-acquired its TL 23.557 nominal shares for a consideration of TL 147.065 from its shareholders from Istanbul Stock Exchange. The amount is presented as re-acquired shares within equity.

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19. REVENUE AND COST OF SALES

a) Revenue

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic sales	569.035.902	547.186.918
Export sales	29.981.146	61.927.664
Other revenue	26.376.044	23.879.988
Sales returns (-)	(325.881)	(146.081)
Sales discounts (-)	(1.212.304)	(747.672)
Other discounts (-)	(34.500.817)	(31.193.100)
	<u>589.354.090</u>	<u>600.907.717</u>

	1 January - 31 December 2016	1 January - 31 December 2015
Raw materials used	(174.232.212)	(180.371.486)
Production overheads	(103.833.826)	(110.276.082)
Cost of trade goods	(71.987.332)	(39.308.025)
Payroll expenses	(50.056.786)	(31.988.013)
Cost of services rendered	(25.230.982)	(31.650.991)
Depreciation expenses (Note 11)	(28.070.050)	(25.022.790)
Amortization expenses (Note 12,13)	(4.225.155)	(3.910.851)
Provision for employee termination benefits (Note 16)	(2.873.493)	(3.904.648)
Provision for performance and seniority encouragement premium (Note 16)	(1.917.282)	(1.000.197)
Reversal of provision / (charges) related to rehabilitation provision (Note 14)	(541.568)	(498.486)
Unused vacation accrual (Note 16)	(165.384)	(138.591)
Change in work-in process and finished goods (Note 9)	(8.522.532)	3.756.272
Other cost of sales	(535.965)	(1.586.647)
	<u>(472.192.567)</u>	<u>(425.900.535)</u>

20. ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Marketing expenses (-)	(17.164.303)	(21.570.568)
Administrative expenses (-)	(40.401.715)	(32.166.297)
	<u>(57.566.018)</u>	<u>(53.736.865)</u>

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20. ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (cont'd)

a) Marketing expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Export expenses	(5.589.109)	(14.766.400)
Transportation and loading expenses	(4.113.904)	(3.510.551)
Payroll expenses	(2.772.845)	(2.218.704)
Advertisement expenses	(4.031.105)	(332.866)
Provision for performance and seniority encouragement premium (Note 16)	(192.495)	(187.949)
Vehicle rent expenses	(159.220)	(139.578)
Provision of employee termination benefits (Note 16)	(149.272)	(202.839)
Depreciation expenses (Note 11)	(64.604)	(134.757)
Unused vacation accrual (Note 16)	(17.977)	(15.064)
Other	(73.772)	(61.860)
	<u>(17.164.303)</u>	<u>(21.570.568)</u>

b) Administrative expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Payroll expenses	(15.517.723)	(12.981.246)
Outsource expenses	(5.473.625)	(3.521.195)
Real estate tax expenses	(4.576.345)	(4.250.655)
Consultancy expenses	(3.373.283)	(1.947.199)
Depreciation expenses (Note 11)	(3.394.632)	(2.584.507)
Taxes and dues	(1.809.893)	(1.712.928)
Security expenses	(1.640.332)	(1.438.577)
Provision for performance and seniority encouragement premium (Note 16)	(1.192.313)	(1.164.152)
Allowance for doubtful receivables (Note 7)	(846.371)	(183.704)
Provision of employee termination benefits (Note 16)	(709.044)	(963.485)
Amortization expenses (Note 12)	(573.275)	(305.885)
Cleaning expenses	(438.398)	(571.880)
Fuel expenses	(349.149)	(326.366)
Unused vacation accrual (Note 16)	(176.171)	(147.629)
Other	(331.161)	(66.889)
	<u>(40.401.715)</u>	<u>(32.166.297)</u>

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21. EXPENSES BY NATURE

	1 January - 31 December 2016	1 January - 31 December 2015
Raw material used	(174.232.212)	(180.371.486)
Production overheads	(103.833.826)	(110.276.082)
Payroll expenses	(68.347.354)	(47.187.963)
Cost of trade goods sold	(71.987.332)	(39.308.025)
Service production expense	(25.230.982)	(31.650.991)
Depreciation expenses (Note 11)	(31.529.286)	(27.742.054)
Export expenses	(5.589.109)	(14.766.400)
Advertisement expenses	(4.031.105)	(332.866)
Provision of employee termination benefits (Note 16)	(3.731.809)	(5.070.972)
Amortization expense (Note 12,13)	(4.798.430)	(4.216.736)
Real estate tax expenses	(4.576.345)	(4.250.655)
Transportation and loading expenses	(4.113.904)	(3.510.551)
Consultancy expenses	(3.373.283)	(1.947.199)
Provision for performance and seniority encouragement premium (Note 16)	(3.302.090)	(2.352.298)
Outsource expenses	(5.473.625)	(3.521.195)
Allowance for doubtful receivables (Note 7)	(846.371)	(183.704)
Other cost of sales	(535.965)	(1.586.647)
Security expense	(1.640.332)	(1.438.577)
Taxes and dues	(1.809.893)	(1.712.928)
Cleaning expenses	(438.398)	(571.880)
Reversal of provision / (charges) related to rehabilitation provision (Note 14)	(541.568)	(498.486)
Fuel expenses	(349.149)	(326.366)
Unused vacation accrual (Note 16)	(359.532)	(301.284)
Vehicle rent expenses	(159.220)	(139.578)
Change in work-in process and finished goods (Note 9)	(8.522.532)	3.756.272
Other	(404.933)	(128.749)
	<u>(529.758.585)</u>	<u>(479.637.400)</u>

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22. OTHER INCOME FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange income from operating activities	45.676.397	45.522.097
Rediscount interest income	17.759.312	11.416.560
Income from scrap sales	1.635.754	1.240.571
Rental income	1.328.322	591.733
Recycling income	295.992	174.134
Port services income	107.817	111.650
Income from insurance damages	910.317	621.531
Other income	2.193.009	627.326
	<u>69.906.920</u>	<u>60.305.602</u>

23. OTHER EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange losses from operating activities	(20.453.383)	(33.671.484)
Penalty provision of Competition Board (Note 14)	-	(11.978.547)
Rediscount interest expense	(12.699.811)	(7.491.689)
Expenses from insurance damages	(1.070.863)	(1.519.920)
Other expenses	(454.221)	(254.808)
	<u>(34.678.278)</u>	<u>(54.916.448)</u>

24. INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
<u>a) Income from investing activities</u>		
Gain on sale of property, plant and equipment	2.166.557	7.492.448
Interest income:		
Time deposit	4.385.508	4.295.580
Gain on sale of marketable securities	751	1.574
	<u>6.552.816</u>	<u>11.789.602</u>

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24. INCOME FROM INVESTING ACTIVITIES (cont'd)

	1 January - 31 December 2016	1 January - 31 December 2015
<u>b) Expense from investing activities</u>		
Expenses on derivative financial instruments held for trading	(3.720.993)	-
Loss on sale of property, plant and equipment	(3.229.832)	-
	<u>(6.950.825)</u>	<u>-</u>

25. FINANCE EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Interest expense related to bank loans	(23.222.102)	(5.180.714)
Interest expense on payables related to T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	(1.007.660)	(1.053.369)
Interest expense on employee termination benefits	(644.211)	(383.258)
Total interest expense	<u>(24.873.973)</u>	<u>(6.617.341)</u>
Less: Amount included in the cost of property, plant and equipment	7.661.584	957.972
	<u>(17.212.389)</u>	<u>(5.659.369)</u>
Foreign exchange losses on borrowings	(91.133.715)	(46.204.323)
Less: Amount included in the cost of property, plant and equipment	16.067.490	3.777.833
	<u>(92.278.614)</u>	<u>(48.085.859)</u>

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

<u>Current tax liability / (asset), net</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Current corporate tax provision	(10.329.086)	(23.612.455)
Less: Prepaid taxes and funds	12.836.526	17.760.085
	<u>2.507.440</u>	<u>(5.852.370)</u>
 <u>Income tax recognized in profit or loss</u>		
	1 January -	1 January -
<u>Tax expense comprises:</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Current tax expense	(10.329.086)	(23.612.455)
Deferred tax income related to the origination and reversal of temporary differences	11.116.952	2.456.918
Total tax expense	<u>787.866</u>	<u>(21.155.537)</u>

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year. Turkish tax legislation does not permit a parent company and, its consolidated subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2016 is 20% (2015: 20%).

Deferred Tax

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

For the calculation of deferred tax assets and liabilities, the rate of 20% (2015: 20%) is used.

In Turkey, companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax asset positions were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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

Deferred Tax (cont'd)

Deferred tax liabilities

	31 December 2016	31 December 2015
Depreciation / amortization differences of property, plant equipment and other intangible assets	(12.635.869)	(16.272.165)
Valuation of derivative instruments	744.199	-
Provision for employee termination benefits, unused vacation, performance and seniority encouragement premium provision	3.857.046	3.755.580
Adjustments to inventories	(234.205)	245.102
Amortization of trade receivables and payables	171.228	299.640
Provision for rehabilitation of mines	1.356.110	1.247.797
Other	(467.123)	(352.245)
	<u>(7.208.614)</u>	<u>(11.076.291)</u>

	31 December 2016	31 December 2015
<u>Deferred tax assets</u>		
Tax losses carried forward	3.281.033	373.549
Investment incentive	1.603.528	-
Provision for employee termination benefits, unused vacation, performance and seniority encouragement premium	872.816	497.986
Depreciation and amortization of tangible and intangible assets	12.157.254	9.865.762
Effect of amortized cost method on receivables and payables	35.359	8.933
Other	(246.779)	(171.128)
	<u>17.703.211</u>	<u>10.575.102</u>

Expiration date of carryforward tax losses are as follows:

	31 December 2016	31 December 2015
Expiring in 2018	-	113.505
Expiring in 2019	1.632.769	1.754.240
Expiring in 2021	14.772.401	-
	<u>16.405.170</u>	<u>1.867.745</u>

As of 31 December 2016 and 2015, the movement of deferred tax liabilities are as follows:

<u>Deferred tax (assets) / liabilities movement:</u>	2016	2015
Opening balance as at 1 January	501.189	3.230.822
Tax recognized in profit or loss	(11.116.952)	(2.456.918)
Tax recognized in equity	121.166	(272.715)
Closing balance as at 31 December	<u>(10.494.597)</u>	<u>501.189</u>

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

Deferred Tax (cont'd)

	1 January - 31 December 2016	1 January - 31 December 2015
Profit before tax	2.147.524	90.363.214
Tax at the domestic income tax rate 20% (2015: 20%)	(429.505)	(18.072.643)
Tax effects of:		
- competition board penalty that is not deductible in taxation	-	(2.395.709)
- expenses that are not deductible in determining taxable profit	(309.055)	(324.363)
- discounts and exceptions	86.698	128.537
- effects of items subject to reduced corporate tax	206.431	-
- investment incentives utilised in the current period	1.603.528	-
- effects of different tax rates	(226.800)	-
- other	(143.431)	(491.359)
Income tax benefit/(expense) recognised in profit or loss	<u>787.866</u>	<u>(21.155.537)</u>

27. EARNINGS PER SHARE

	1 January - 31 December 2016	1 January - 31 December 2015
Net profit for the year attributable to owners	7.311.990	64.016.171
Weighted average number of the shares outstanding	<u>7.665.734.378</u>	<u>7.665.734.378</u>
100 unit earnings per share, nominal value is 1 TL	<u>0,0954</u>	<u>0,8351</u>

As of 31 December 2016, in the calculation of the weighted average number of shares in circulation, 334.265.622 (31 December 2015: 334.265.622) unit shares held by the Company's subsidiaries Batı Söke and Batibeton and have been excluded from outstanding shares within the scope of TAS 33.

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28. DERIVATIVES FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	-	(3.720.993)	-	-
Short-term	-	(3.720.993)	-	-

Currency derivatives:

The Group utilizes currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	31 December 2016	31 December 2015
Forward foreign exchange contracts	51.938.600	-
	<u>51.938.600</u>	<u>-</u>

These arrangements are designed to address significant exchange exposures for 2017, and are renewed on a revolving basis as required.

At 31 December 2016, the fair value of the Group's currency derivatives is estimated to be approximately TL 3.720.993 (2015: None). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to TL 3.720.993 (2015: None) has been deferred in the statement of profit or loss.

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 5, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group's risk management committee reviews the capital structure of the Group collectively on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

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

a) Capital Risk Management (cont'd)

The Group's strategy remain unchanged since 2015. The gearing ratio calculated as net debt calculated by deducting cash and cash equivalents and short-term financial investments from financial liabilities divided by the share capital as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Total borrowings	661.955.959	305.167.914
Less: Cash and cash equivalents	(126.730.982)	(146.078.304)
Net debt	535.224.977	159.089.610
Total equity	603.264.018	616.037.413
Total capital	1.138.488.995	775.127.023
Net debt / total capital ratio	47,01%	20,52%

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried under policies approved by the Board of Directors. Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

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

b) Financial Risk Factors (cont'd)

Details of credit risk by class of financial instruments

	<u>Receivables</u>			
	<u>Trade receivables</u>		<u>Other receivables</u>	
	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>
31 December 2016				
Maximum credit risk as of reporting date (*)	-	193.048.728	-	1.477.098
- Secured portion of the maximum credit risk by guarantees (**)	-	168.052.806	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	193.048.728	-	1.477.098
B. Net book value of financial assets with renegotiated conditions that are otherwise considered as overdue or impaired	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-
- Past due (gross book value)	-	1.646.649	-	-
- Impairment (-)	-	(1.646.649)	-	-
E. Off-balance-sheet items include credit risk	-	-	-	-

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

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

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

b) Financial Risk Factors (cont'd)

Details of credit risk by class of financial instruments

	Receivables			
	Trade receivables		Other receivables	
	Related party	Third party	Related party	Third party
31 December 2015				
Maximum credit risk as of reporting date (*)	-	171.425.588	-	573.107
- Secured portion of the maximum credit risk by guarantees (**)	-	125.950.814	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	171.425.588	-	573.107
B. Net book value of financial assets with renegotiated conditions that are otherwise considered as overdue or impaired	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-
- Past due (gross book value)	-	800.278	-	-
- Impairment (-)	-	(800.278)	-	-
E. Off-balance-sheet items include credit risk	-	-	-	-

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

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

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

b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, mainly from construction industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Allowances for doubtful receivables are recognized against financial assets based on estimated irrecoverable amounts determined by reference to past experience.

b.2) Liquidity risk management

The ultimate responsibility for liquidity risk management belongs to the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows and outflows on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

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

b) Financial Risk Factors (cont'd)

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

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

31 December 2016

<u>Expected terms</u> <u>Non-derivative</u> financial liabilities	<u>Book value</u>	<u>Contracted cash</u> <u>outflows</u> <u>(I+II+III+IV)</u>			
		<u>Less than 3</u> <u>months (I)</u>	<u>3-12</u> <u>months (II)</u>	<u>1-5 years</u> <u>arası (III)</u>	<u>More than 5</u> <u>years (IV)</u>
Financial borrowings	661.955.959	30.733.118	91.238.660	365.372.189	345.327.772
Trade payables	166.932.950	184.692.262	-	-	-
Other payables	311.902	311.902	-	-	-
	<u>829.200.811</u>	<u>1.017.675.903</u>	<u>91.238.660</u>	<u>365.372.189</u>	<u>345.327.772</u>

31 December 2015

<u>Expected terms</u> <u>Non-derivative</u> financial liabilities	<u>Book value</u>	<u>Contracted cash</u> <u>outflows</u> <u>(I+II+III+IV)</u>			
		<u>Less than 3</u> <u>months (I)</u>	<u>3-12</u> <u>months (II)</u>	<u>1-5 years</u> <u>arası (III)</u>	<u>More than 5</u> <u>years (IV)</u>
Financial borrowings	305.167.914	20.286.550	33.879.947	190.746.557	111.620.019
Trade payables	132.029.205	143.445.765	-	-	-
Other payables	315.523	315.523	-	-	-
	<u>437.512.642</u>	<u>500.294.361</u>	<u>33.879.947</u>	<u>190.746.557</u>	<u>111.620.019</u>

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

b) Financial Risk Factors (cont'd)

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

31 December 2016

<u>Contracted terms</u>	<u>Carrying value</u>	<u>Contracted cash</u>	<u>Less than 3</u>	<u>Between 3-12</u>
		<u>outflows</u>	<u>months (I)</u>	<u>months (II)</u>
		<u>(I+II+III+IV)</u>		
Derivative financial liabilities				
Derivative cash inflows	-	48.699.150	41.511.150	7.188.000
Derivative cash outflows	(3.720.993)	(52.392.159)	(44.779.864)	(7.612.295)

b.3) Market Risk Management

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

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk.

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

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

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management (cont'd)

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

	31 December 2016		
	TL Amount (Functional currency)	US Dollar	Euro
1. Trade receivables	4.451.607	1.264.921	27
2a. Monetary financial assets	84.320.431	5.406.709	17.599.703
2b. Non-monetary financial assets	-	-	-
3. Other	13.968.146	29.617	3.737.006
4. CURRENT ASSETS	102.740.184	6.701.247	21.336.736
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	3.211.689	34.459	833.020
8. NON-CURRENT ASSETS	3.211.689	34.459	833.020
9. TOTAL ASSETS	105.951.873	6.735.706	22.169.756
10. Trade payables	16.609.119	1.705.291	2.859.338
11. Financial liabilities	92.841.809	15.788.412	10.048.581
12a. Other monetary liabilities	218.745	61.525	600
13. CURRENT LIABILITIES	109.669.673	17.555.228	12.908.519
14. Trade payables	-	-	-
15. Financial liabilities	486.809.286	32.894.705	100.015.160
16a. Other monetary liabilities	-	-	-
17. NON-CURRENT LIABILITIES	486.809.286	32.894.705	100.015.160
18. TOTAL LIABILITIES	596.478.959	50.449.933	112.923.679
19. Off-balance sheet derivative instruments net asset / liability position	51.938.600	-	14.000.000
19a. Amount of active off-balance sheet foreign currency derivative	-	-	-
19b. Amount of passive off-balance sheet foreign currency derivatives	(51.938.600)	-	(14.000.000)
20. Net foreign currency assets / liability position	(438.588.486)	(43.714.227)	(76.753.923)
21. Monetary items net foreign currency assets / liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	(507.706.921)	(43.778.303)	(95.323.949)
22. Balance of hedged foreign currency liabilities	-	-	-

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

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management (cont'd)

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

	31 December 2015		
	TL Amount (Functional currency)	US Dollar	Euro
1. Trade receivables	2.661.755	915.418	27
2a. Monetary financial assets	131.087.656	10.732.288	31.433.300
2b. Non-monetary financial assets	-	-	-
3. Other	14.884.539	1.134.500	3.646.106
4. CURRENT ASSETS	148.633.950	12.782.206	35.079.433
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	20.305	-	6.390
8. NON-CURRENT ASSETS	20.305	-	6.390
9. TOTAL ASSETS	148.654.255	12.782.206	35.085.823
10. Trade payables	10.346.724	3.203.254	325.070
11. Financial liabilities	53.958.352	12.641.526	5.413.473
12a. Other monetary liabilities	442.481	151.525	600
13. CURRENT LIABILITIES	64.747.557	15.996.305	5.739.143
14. Trade payables	-	-	-
15. Financial liabilities	232.952.784	28.803.823	46.954.553
16a. Other monetary liabilities	-	-	-
17. NON-CURRENT LIABILITIES	232.952.784	28.803.823	46.954.553
18. TOTAL LIABILITIES	297.700.341	44.800.128	52.693.696
19. Off-balance sheet derivative instruments net asset / liability position	-	-	-
19a. Amount of active off-balance sheet foreign currency derivative	-	-	-
19b. Amount of passive off-balance sheet foreign currency derivatives	-	-	-
20. Net foreign currency assets / liability position	(149.046.086)	(32.017.922)	(17.607.873)
21. Monetary items net foreign currency assets / liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	(163.950.930)	(33.152.422)	(21.260.369)
22. Balance of hedged foreign currency liabilities	-	-	-

Foreign currency sensivity analysis

The Group is exposed to foreign exchange risk arising from the translation of assets and liabilities denominated in foreign currencies to Turkish Lira. The foreign exchange risk is managed through analysis on the foreign exchange position.

The Group is exposed to foreign exchange risk arising from primarily with respect to US Dollar and Euro.

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

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management (cont'd)

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

Foreign currency sensitivity analysis (cont'd)

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollars and Euro against TL. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

31 December 2016	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Increase of US Dollar by 10% against TL		
1 - US Dollar net assets / liabilities	(15.406.461)	15.406.461
2 - US Dollar hedges (-)	-	-
3 - Net effect of US Dollar (1 + 2)	(15.406.461)	15.406.461
Increase of Euro by 10% against TL		
4 - Euro net assets / liabilities	(35.364.231)	35.364.231
5 - Euro hedges (-)	-	-
6 - Net effect of Euro (4 + 5)	(35.364.231)	35.364.231
Total (3 + 6)	(50.770.692)	50.770.692

31 December 2015	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Increase of US Dollar by 10% against TL		
1 - US Dollar net assets / liabilities	(9.639.398)	9.639.398
2 - US Dollar hedges (-)	-	-
3 - Net effect of US Dollar (1 + 2)	(9.639.398)	9.639.398
Increase of Euro by 10% against TL		
4 - Euro net assets / liabilities	(6.755.694)	6.755.694
5 - Euro hedges (-)	-	-
6 - Net effect of Euro (4 + 5)	(6.755.694)	6.755.694
Total (3 + 6)	(16.395.092)	16.395.092

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

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management (cont'd)

b.3.2) Interest rate risk management

Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk aptitude; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for whole year. The group expects a 50 basis point fluctuation in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

If USD interest rates had been 50 basis points higher/lower and all other variables were held constant, the profit before tax and non-controlling interests for the year ended 31 December 2016 would increase/decrease by USD 47.789 - TL 168.180 (31 December 2015: USD 65.858 - TL 191.489).

If Euro interest rates had been 50 basis points higher/lower and all other variables were held constant, the profit before tax and non-controlling interests for the year ended 31 December 2016 would increase/decrease by Euro 132.261 - TL 490.674 (31 December 2015: Euro 58.431 - TL 185.671).

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**30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON
HEDGE ACCOUNTING) (cont'd)**

Fair Value of Financial Instruments

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data is calculated using quoted prices.

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follows:

	31 December 2016	Fair value level as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
<u>Financial assets and liabilities</u>				
Foreign exchange forward contracts	(3.720.993)	-	(3.720.993)	-
Total	(3.720.993)	-	(3.720.993)	-

31. EVENTS AFTER THE REPORTING PERIOD

None.

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32. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2016	31 December 2015
Cash on hand	65.311	57.168
Cash at banks	126.665.671	146.021.136
Demand deposits	1.513.381	835.710
Time deposits with maturities less than three months	<u>125.152.290</u>	<u>145.185.426</u>
	<u>126.730.982</u>	<u>146.078.304</u>

All time deposits have a maturity of less than 3 months and there are no blockage on deposits.

As of 31 December 2016 and 31 December 2015, the details of time deposits are as follows:

Currency	Interest rate (%)	Maturity	31 December 2016
TL	8,80 - 12,25	January - February 2017	41.002.217
US Dollar	1,25 - 3,80	January - March 2017	18.872.368
Euro	1,10 - 2,30	January - February 2017	<u>65.277.705</u>
			<u>125.152.290</u>

Currency	Interest rate (%)	Maturity	31 December 2015
TL	4,46 - 10,63	January 2016	14.097.770
US Dollar	2,00 - 2,49	January - February 2016	31.205.201
Euro	2,00 - 2,01	January - February 2016	<u>99.882.455</u>
			<u>145.185.426</u>

Cash and cash equivalents for statement for cash flows are as follows:

	31 December 2016	31 December 2015
Cash and cash equivalents	126.730.982	146.078.304
Less: interest accruals	(56.489)	-
	<u>126.674.493</u>	<u>146.078.304</u>